UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-38594

TILRAY, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**82-4310622**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1100 Maughan Road	
Nanaimo, BC	**V9X IJ2**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (844) 845-7291

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class 2 Common Stock, $0.0001 par value per share	TLRY	The Nasdaq Stock Market LLC The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of the Registrant's Class 2 Common Stock on The Nasdaq Stock Market on June 28, 2019, was approximately $1.03 billion.

As of March 2, 2020 there were 16,666,667 shares of the Registrant's Class 1 Common Stock, par value of $0.0001 per share, and 87,390,113 shares of the Registrant's Class 2 Common Stock, par value $0.0001 per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2020 Annual Meeting of Stockholders (the "Proxy Statement"). The Proxy Statement will be filed by the registrant with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the year ended December 31, 2019.

Table of Contents

		Page
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	17
Item 1B.	Unresolved Staff Comments	45
Item 2.	Properties	45
Item 3.	Legal Proceedings	45
Item 4.	Mine Safety Disclosures	46
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	47
Item 6.	Selected Financial Data	49
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	50
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	75
Item 8.	Financial Statements and Supplementary Data	F-1
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	76
Item 9A.	Controls and Procedures	76
Item 9B.	Other Information	81
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	82
Item 11.	Executive Compensation	82
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	82
Item 13.	Certain Relationships and Related Transactions, and Director Independence	82
Item 14.	Principal Accounting Fees and Services	82
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	83
Item 16	Form 10-K Summary	86

In this Annual Report on Form 10-K, "we," "our," "us," "Tilray," and "the Company" refer to Tilray, Inc. and, where appropriate, its consolidated subsidiaries. This report contains references to our trademarks and trade names and to trademarks and trade names belonging to other entities. Solely for convenience, trademarks and trade names referred to in this report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I

Special Note Regarding Forward-Looking Statements

Some of the information contained in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or "forward -looking information" within the meaning of Canadian securities laws. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations. Such forward-looking statements and forward-looking information are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements or forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to, those identified in this Annual Report on Form 10-K and those discussed in the section titled "Risk Factors" set forth in Part I, Item 1A of this Annual Report on Form 10-K and in our other SEC and Canadian public filings. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K and while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. You should not rely upon forward-looking statements or forward-looking information as predictions of future events. Furthermore, such forward-looking statements or forward-looking information speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements or forward-looking information to reflect events or circumstances after the date of such statements.

Item 1. Business.

Our Vision

Our vision is to build the world's most trusted and valued cannabis and hemp company.

We are pioneering the future of medical, wellness and adult-use cannabis and hemp research, cultivation, processing and distribution globally, and we are one of the leading suppliers of adult-use cannabis in Canada and a leading supplier of hemp products in North America.

Our Beliefs

Our founders started the Company with the belief that patients and consumers should have safe access and a reliable supply of quality-tested pure, precise and predictable cannabis products.

Our Company is anchored around three core beliefs:

- Medical cannabis is a mainstream medicine consumed by mainstream patients — similarly, we believe adult-use cannabis and hemp products are mainstream products consumed by mainstream consumers;
- We are witnessing a global paradigm shift with regard to cannabis and hemp, and because of this shift, the transformation of a multibillion dollar industry from a state of prohibition to a state of legalization; and
- As this transformation occurs, trusted global brands, backed by multinational supply chains, will shape the future of our industry and earn the confidence of patients, consumers, healthcare practitioners and governments around the world.

Our Company

We have supplied high-quality medical cannabis products to tens of thousands of patients in fifteen countries spanning five continents across the world through our subsidiaries in Australia, Canada, Germany, Latin America and Portugal and through agreements with established pharmaceutical distributors. We cultivate medical and adult-use cannabis in Canada and medical cannabis in Europe.

We operate only in countries where cannabis or hemp-derived cannabinoids are legal, by which we mean the activities in those countries are permitted under all applicable federal and state or provincial and territory laws.

We have been an early leader in the development of the global medical cannabis market. We were one of the first companies to be licensed by Health Canada to cultivate and sell medical cannabis in Canada, and one of the first companies to become a licensed dealer of medical cannabis in Canada. These licenses allow us to produce and sell medical cannabis in Canada, to develop new and innovative cannabis products and to export medical cannabis products to other countries in accordance with applicable laws. The cannabis industry is expanding rapidly in Canada, with more than 280 current licenses, though only a few were licensed earlier than us. Our medical cannabis products have been made available or used in clinical trials in Argentina, Australia, Canada, Chile, Croatia, Cyprus, the Czech Republic, Germany, Israel, Ireland, New Zealand, South Africa, Switzerland, United States, and United Kingdom. While there are other Licensed Producers operating in multiple countries, including some licensed in Canada, and other non-cannabis companies expanding into the cannabis market internationally, we were the first company to legally export medical cannabis from North America to Africa, Australia, Europe, Israel and Latin America, and we were among the first companies to be licensed to cultivate and process medical cannabis in two countries, Canada and Portugal. We have successfully recruited an international advisory board consisting of world-renowned policy leaders and business leaders, to advise on our global expansion and add to our growing network of experts in their specific field of expertise.

Our Company is led by a team of visionary entrepreneurs, experienced operators and cannabis industry experts as well as PhD scientists, horticulturists and extraction specialists who apply the latest scientific knowledge and technology to deliver quality-controlled, rigorously tested cannabis products on a large scale. We have made significant investments to establish Tilray as a scientifically rigorous cannabis brand, committed to quality and excellence. Recognizing the opportunity associated with growing and producing cannabis on a large scale, we have invested capital to develop innovative cultivation practices, proprietary product formulations and automated production processes. We have also invested in clinical trials and recruited a Medical Advisory Board comprised of highly accomplished researchers and physicians. We were the first cannabis company with a North American production facility to be Good Manufacturing Practices, or GMP, certified in accordance with European Medicines Agency, or EMA, standards. An internationally recognized standard, GMP certification is the primary quality standard that pharmaceutical manufacturers must meet in their production and manufacturing processes.

We are committed to establishing a diverse team as we continue to grow. We are proud to have one of the first women-majority boards in the cannabis industry. Diversity is a priority for our company and we intend to seek out talented people from a variety of backgrounds to join our leadership team.

We believe our growth to date is a result of our global strategy, our multinational supply chain and distribution network and our methodical commitment to research, innovation, quality and operational excellence. We believe that recognized and trusted brands distributed through multinational supply chains will be best positioned to become global market leaders. Our strategy is to build these brands by consistently producing high-quality, differentiated products on a large scale.

Business Segments

We report our operating results in two segments: (i) Cannabis (licensed), and (ii) Hemp (unlicensed). The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management and the structure of our internal financial reporting. We report total revenue, inclusive of excise duties, in two reportable segments, by product category and product channel, as follows:

Revenue by product channel

(in thousands of United States dollars)	Year Ended December 31, 2019	% of Total revenue	Year Ended December 31, 2018	% of Total revenue	Year Ended December 31, 2017	% of Total revenue
Cannabis						
Adult-use	$ 55,763	33%	$ 3,521	8%	$ —	—
Canada - medical	12,556	8%	18,052	42%	19,642	96%
International - medical	13,378	8%	2,912	7%	896	4%
Bulk	25,450	15%	18,645	43%	—	—
Total cannabis revenue	$ 107,147	64%	$ 43,130	100%	$ 20,538	100%
Hemp	59,832	36%	—	—	—	—
Total revenue	$ 166,979	100%	$ 43,130	100%	$ 20,538	100%

Revenue by product category

(in thousands of United States dollars)	Year Ended December 31, 2019	% of Total revenue	Year Ended December 31, 2018	% of Total revenue	Year Ended December 31, 2017	% of Total revenue
Dried cannabis	$ 82,753	50%	$ 21,674	50%	$ 16,260	79%
Cannabis extracts	24,139	14%	21,179	49%	3,965	19%
Hemp products	59,832	36%	—	0%	—	0%
Accessories and other	255	0%	277	1%	313	2%
Total revenue	$ 166,979	100%	$ 43,130	100%	$ 20,538	100%

Revenue for the year December 31, 2019 included $13.1 million of excise duties (2018 - $1.2 million, 2017 – nil). Two customers accounted for 13% each of revenue for the year ended December 31, 2019. One customer accounted for 24% of our revenue for the year ended December 31, 2018. No one customer accounted for greater than 10% of our revenue for the year ended December 31, 2017.

Cannabis

We are a leader in the legal licensed cannabis segment, which includes Canadian Adult-Use, Canadian Medical, International Medical as well as bulk sales. We have a number of brands in these categories.

Hemp

We are a leader in the unlicensed hemp products segment, which includes hemp foods and cannabidiol ("CBD") products. Our hemp food products are available in 20 countries and our CBD products are currently available in certain states in the United States.

Our Opportunity

We are approaching our industry from a long-term, global perspective and see opportunities to:

Build global brands that lead, legitimize and define the future of cannabis and hemp. Historically, cannabis has been an unbranded product. As the legal cannabis and hemp industries emerge in more countries around the world, we see an opportunity to create a broad-based portfolio of differentiated brands brought to market in a professional manner, that appeal to a diverse set of patients and consumers. We believe that we have the ability to develop dominant global brands and that as we develop these brands, we will expand the addressable market for our products. We believe our business has the potential to disrupt the pharmaceutical, alcohol, tobacco and functional food and beverages industries because the emergence of the legal cannabis and hemp industries may result in a shift of discretionary income and/or a change in consumer preferences in favor of cannabis and hemp products versus other products. Recognizing the potential of this disruption, several companies in these sectors have already formed partnerships or made investments to gain exposure to the legal cannabis industry, including Sandoz AG, Anheuser-Busch InBev ("AB InBev"), Apotex Inc., Altria Group, Inc., Constellation Brands, Inc. and Imperial Brands PLC. In addition, several alcohol companies have noted in regulatory filings that legal cannabis could have an adverse impact on their business, including AB InBev, Boston Beer Company, and Molson Coors Brewing Company. We further believe that many patients rely on medical cannabis as a substitute to opioids and other narcotics, which has been validated by our annual patient study and peer-reviewed academic research which has demonstrated that the legalization of cannabis has coincided with a decline in the use of prescription drugs. Lastly, we believe that functional food and beverages, that is, products containing or enhanced with vitamins, caffeine, electrolytes, probiotics and other additives and ingredients, will see increased competition from products containing cannabinoids, such as CBD. For example, we believe that many consumers will choose cannabinoid-enhanced beverages in favor of sports drinks or energy drinks.

Invest in markets where cannabis and hemp products are federally legal or are expected to be federally legal. Our goal is to increase our total addressable market size as countries continue to legalize cannabis for medical access and adult-use access globally. To date, 41 countries have formally legalized medical cannabis programs for either research or patient access and two countries, including Canada, have implemented adult-use access for cannabis. The Agriculture Improvement Act of 2018 the "Farm Bill"), was passed into law in the United States during December 2018, which permits the cultivation of hemp and the production of hemp-derived CBD and other cannabinoids. Combined with the growing global acceptance of hemp and hemp-derived CBD products, we believe there is a significant market opportunity in hemp and hemp-derived CBD products globally. We expect to monitor, identify and selectively invest in compelling opportunities that will strengthen our leadership position as demonstrated by our acquisition of Manitoba Harvest in February 2019.

Develop innovative products and form factors that change the way the world consumes cannabis and hemp. We believe the future of the cannabis and hemp industries will primarily be in non-combustible products that will offer patients and consumers alternatives to smoking. We see an opportunity to partner with established pharmaceutical, food, beverage and consumer product companies to develop new non-combustible form factors that will appeal to consumers who are not interested in smoking cannabis, including our beverage research partnership with AB InBev. By developing new, non-combustible products, we believe we will expand our addressable market.

Expand the availability of pure, precise and predictable medical cannabis products for patients in need around the world. Since 2014, we have seen significant increases in demand from patients and governments for pharmaceutical-grade cannabis products. We are well-positioned to expand availability of these products to more patients in more countries as medical cannabis is increasingly recognized as a viable treatment option for patients suffering from a variety of diseases and conditions. Importantly, most European countries have required that all

medical products sold be sourced from GMP-certified facilities. As such, GMP-certified producers, such as us, are well-positioned to establish market share in the European medical cannabis market. Outside of our Company, we believe there are very few GMP-certified Licensed Producers.

Foster mainstream acceptance of the therapeutic potential of medical cannabis and cannabinoid-based medicines. We see an opportunity to significantly expand the global market for medical cannabis products by conducting clinical research into the safety and efficacy of medical cannabis for a diverse range of conditions. By generating clinical data demonstrating the safety and efficacy of medical cannabis and cannabinoid-based medicines for various conditions, we see an opportunity to significantly expand and dominate the global medical cannabis market.

Our Strengths

We are a global pioneer with a multinational supply chain and distribution network. We were the first cannabis producer to export medical cannabis from North America and legally import cannabis into the European Union, or the EU. We have licenses to cultivate cannabis in Canada and Portugal. Our products have been made available in fifteen countries spanning five continents, which we believe is more than any other Licensed Producer. To achieve our goal of becoming a global cannabis leader, we have signed agreements with established global industry leaders including:

- In January 2018, we entered into a supply agreement with Shoppers Drug Mart Inc. ("Shoppers Drug Mart"), Canada's largest pharmacy chain with more than 1,200 pharmacies.
- In December 2018, we entered into a global framework agreement with Sandoz AG, a global leader in generic pharmaceuticals and biosimilars and part of the Novartis group, to increase availability of high quality medical cannabis products across the world. This was an evolution of the existing collaboration agreement with Sandoz Canada and under the framework agreement, Sandoz AG and Tilray will work together to develop and commercialize non-smokable and non-combustible medical cannabis products.
- In December 2018, we entered into a research partnership with AB InBev, the world's leading brewer to research non-alcoholic beverages containing THC and CBD in Canada. AB InBev's participation is through Labatt Breweries of Canada and Tilray's participation is through High Park Company, which is a Canadian adult-use subsidiary. These two companies expect to invest up to $50 million each, for a total of up to $100 million in aggregate, in the joint venture. This project was commercialized to form Fluent Beverage Company which launched CBD beverages in December 2019.
- In February 2019, we acquired FHF Holdings Ltd. ("Manitoba Harvest"), which is the world's largest hemp food company with a retail network of approximately 16,000 stores across North America, including Costco, Amazon, and Wal-Mart.
- In October 2019, High Park, our adult-use subsidiary in Canada, announced a partnership with Cannfections, a leader in the confectionery space with 85 years of experience developing and producing the world's most celebrated confectionery brands, allowing us to expedite innovation and new products to market.

We have entered into agreements to supply adult-use cannabis to eleven provinces and territories. We have been expanding our product offerings and formats since the date of adult-use legalization in Canada, and we intend to continue to increase our distribution of best-in-class brands and products to the Canadian adult-use market.

We have a scientifically rigorous medical cannabis brand approved by governments to supply patients and researchers on five continents. Governments in fifteen countries have issued permits allowing our medical cannabis products to be imported from Canada and/or Portugal for distribution to patients. We believe governments have approved the importation of our products in part because of our reputation for being a scientifically rigorous medical cannabis company known for delivering safe, high-quality products. We are committed to advancing scientific knowledge about the therapeutic potential of cannabis, as demonstrated by our success receiving federal authorizations to supply cannabinoid products to clinical trials in Australia, the United States and Canada and by recruiting a Medical Advisory Board comprised of highly accomplished researchers and physicians specializing in autism, epilepsy, cancer and dermatology.

We have secured the exclusive rights to produce and distribute a broad-based portfolio of certain adult-use brands and products to Canadian consumers for the adult-use market. The brand licensing agreement between a wholly owned subsidiary of ours and Docklight LLC ("Docklight"), a former wholly owned subsidiary of

Privateer Holdings, Inc., provides us with intellectual property that we believe will give us a competitive advantage for the adult-use market in Canada. The brand licensing agreement includes the rights to recognized brand names and proprietary product formulations for a wide range of products.

We have a track record for continuing to innovate within our industry. We believe our commitment to research and innovation at this early stage of our industry's development differentiates us and gives us a competitive advantage. We have invested significant capital to develop innovative cultivation practices and facilities and proprietary product formulations.

We have developed a rigorous, proprietary production process to ensure consistency and quality as we increase the scale of our operations globally. We pride ourselves on consistently delivering high-quality products with precise chemical compositions. We were the first cannabis company with a North American production facility to be GMP-certified in accordance with EMA standards. We believe GMP certification provides regulators and health care providers in countries new to medical cannabis with confidence that our products are a safe, high-quality choice.

We have a highly experienced management team. We believe our management team is one of the most knowledgeable and experienced in the cannabis industry. We recognize that our industry is in the early stages of its development and that we are taking a long-term, global view towards its development. Our management team has significant experience evaluating potential transactions, partnerships and other growth opportunities, and we pride ourselves on making investment decisions that we believe will allow us to grow our business over the long term. We have continued to identify and acquire talent from leading global companies to join our team. We are confident that our team has the diversity and depth of experience to propel Tilray into a global leadership position.

Our Growth Strategy

We aspire to build the world's most trusted and valuable global cannabis and hemp company through the following key strategies:

Expanding our production capacity in North America and Europe to meet current and expected long-term demand growth. To capitalize on the market opportunity in North America and globally, we are investing to expand our production capacity and to automate certain cultivation, processing and packaging processes to gain efficiencies as we increase the scale of our operations.

Partnering with established distributors and retailers. As the industry evolves, we believe that the distribution of medical cannabis will increasingly mirror the distribution of other pharmaceutical products. Likewise, we believe the distribution of adult-use cannabis and hemp products will increasingly mirror the distribution of other consumer packaged goods. To efficiently and rapidly increase our scale, we are partnering with established distributors and retailers globally.

Developing a differentiated portfolio of brands and products to appeal to diverse sets of patients and consumers. We have established Tilray as a global pioneer shaping the future of the medical cannabis industry by developing a portfolio of high-quality medical cannabis and cannabinoid-based products ranging from dried flower to capsules to oils to well-defined clinical preparations. We will continue to invest in a differentiated portfolio of brands and products to appeal to a wide variety of patients and consumers. We recently developed and launched non-combustible products that offer an alternative to smoking, which we believe will account for the majority of products on the market over the long term. These products include beverages, vape products and edibles.

Expanding the addressable medical market by investing in clinical research and winning the trust of regulators, researchers and physicians in countries new to medical cannabis. We are expanding our addressable medical market by working collaboratively with regulators to implement safe access programs for patients. We provide clinical data to physicians and researchers on the safety and efficacy of medical cannabis to foster mainstream acceptance and enhance our reputation.

Maintaining a rigorous and relentless focus on operational excellence and product quality. We have strategically invested ahead of our growth in our operations, including cultivation, manufacturing and multichannel distribution. In doing so, we have developed a quality management system that enables us to meet the requirements of regulatory agencies in the markets where we export products, while consistently delivering high-quality products. As we continue to grow, we have the opportunity to leverage these investments while maintaining the highest level of safety and quality.

Continued innovation within our industry. We have at least fifty filed patents in the fields of cannabis processing technology, formulation, composition delivery system, and treatment methods. Our business partnerships have expanded to include partnerships with global, pharmaceutical companies, consumer product goods companies, distributors, and renowned research and development companies. We believe our growing partnerships with established companies will differentiate us and position us to become a dominant leader in product and process innovation and brand development. We also continue to establish partnerships with leading research institutions and our clinical trials continue to generate safety and efficacy data that can inform treatment decisions, lead to the development of new products, position us to register medicines for market authorization, and enable us to obtain insurance reimbursement where feasible.

Our Brands and Products

Our brand and product strategy centers on developing a broad-based portfolio of differentiated cannabis and hemp brands and products designed to appeal to diverse sets of patients and consumers. These brands and products have been tailored to comply with requirements introduced under local regulations, such as the inclusion of health warnings on labels and restrictions on marketing, and will continue to be adapted as regulators permit a broader range of form factors and revises its labeling and packaging requirements accordingly. Since 2010, members of our management team have been conducting research in more than a dozen countries by consulting third-party industry databases with market and consumer insights data available in various cannabis markets around the world, by commissioning proprietary third-party research and by licensing intellectual property from established cannabis brands.

Our Medical Brand: Tilray

The Tilray brand is designed to appeal to the global medical market by offering a wide range of high-quality, pharmaceutical-grade medical cannabis and cannabinoid-based products. We offer our products to patients, physicians, clinics, pharmacies, governments, hospitals and researchers for commercial purposes, compassionate access and clinical research.

We believe patients choose Tilray because we are a trusted, scientifically rigorous brand known for producing pure, precise and predictable medical-grade products. We have successfully grown over 50 cultivars of cannabis and developed a wide variety of extract products and formulations. Our global portfolio of medical cannabis products includes the following form factor platforms:

- whole flower;
- ground flower;
- full-spectrum oil drops and capsules;
- purified oil drops medical vape pens; and
- clinical compounds.

Each form factor platform is divided into different product categories that correspond with the particular chemical composition of each product based on the concentration of two active ingredients: THC and CBD. For instance, our whole flower and full-spectrum oil drops and capsules are available in categories THC-Dominant, CBD-Dominant and THC and CBD Balanced.

Our product line focuses on active ingredients and standardized, well-defined preparation methods. We use formulations and delivery formats that are intended to allow for consistent and measured dosing, and we test all our products for potency and purity. Each of our commercial products are developed with comprehensive analysis and thorough documentation. We follow detailed and rigorous documentation standards not only for our own internal purposes but also because this type of documentation is required by researchers, regulators, importers and distributors.

We take a scientific approach to our medical-use product development, which we believe gives us credibility and respect in the medical community. We produce products that are characterized by well-defined and reproducible cannabinoid and terpene content, formulated for stable pharmacokinetic profiles, which are customizable in a variety of formulations and available in capsule or liquid forms. We continue to conduct extensive research and development activities as well as develop and promote new products for medical use. We are also currently working with established pharmaceutical companies, such as Sandoz Canada, a division of Novartis, to develop non-combustible, co-branded products for sale in pharmacies when regulations permit.

Our Adult-Use Brands

Our wholly owned subsidiary designed to cultivate, produce, sell and distribute adult-use cannabis brands and products, High Park Company, developed and launched new brands for the adult-use market in Canada which are wholly owned by us, such as CANACA™, Yukon Rove™ and Dubon™, The Batch/La Batch™ and Chowie Wowie™. We have also secured the exclusive rights from Docklight to produce and distribute a broad-based portfolio of certain adult-use brands and products in Canada. The brand licensing agreement includes the rights to recognized brands and proprietary product formulations for a wide range of products.

We currently produce and distribute these brands and products to Canadian consumers through High Park Company, formed to serve the adult-use market in Canada, and have introduced additional brands and products inclusive of vapes, beverages and edibles and have additional innovative products in our pipeline.

Our portfolio of brands and products have been specifically adapted, and our marketing activities carefully structured, to enable us to develop our brands in an effective and compliant manner.

Retail Strategy and Brands

We have the foundation in place to be a leader in the adult-use cannabis market with High Park Company. In October 2018, when the Canadian government federally legalized adult-use cannabis, High Park Company launched a number of cannabis products under various brands in the country's largest markets, including Ontario, Quebec and British Columbia. Our understanding of the adult-use consumer is informed by extensive research, including post-adult use legalization focus groups across the country including Toronto, Vancouver and Quebec City.

We have established our portfolio and pricing strategies to compete for what we believe to be the largest adult-use consumer segments of the addressable market.

We also believe we have industry-leading customer service, supported by trained, multilingual customer service representatives available 24 hours a day, seven days a week from our Canadian call center.

The brands launched across Canada as part of Phase 1 legalizations includes:

- **Canaca** – A brand that proudly builds on its homegrown heritage with cannabis whole flower, pre-rolls, oil products and pure cannabis vapes handcrafted by and for Canadian cannabis enthusiasts. Our plants are sourced in BC and expertly cultivated in Ontario for homegrown, down-to-earth quality that's enjoyed across Canada.
- **Irisa** – A women's wellness brand created with modern health and wellness seekers in mind. Irisa products include cannabis oil drops designed to naturally integrate with consumers' self-care rituals.
- **Grail** – A super-premium cannabis brand that offers discerning connoisseurs a collection of sought-after cultivars and top-shelf products.
- **Dubon** – "the good stuff", a vibrantly Québécois cannabis brand and champion of inspired, creative living. Dubon offers master-crafted cannabis cultivars as whole flower and pre-rolls, exclusively available in Québec.
- **Yukon Rove** – A cannabis brand born "wild and free" with the unique spirit of Northern-Canada. Yukon Rove offers an assortment of local favorite cultivars from in whole flower and pre-rolls, exclusively in the Yukon territory.

- **The Batch** - A no-frills cannabis value brand focused on delivering quality cannabis flower and pre-rolls at competitive prices. The Batch categorizes its product offering by potency rather than cultivar, allowing us to offer quality cannabis at prices that beat the illicit market.

The brands launched in December 2019 as part of Phase 2 legalization that began in December 2019, include:

- **Marley Natural** - Crafted with deep respect for wellness and the positive potential of the herb. Marley Natural pure cannabis oil vape products are currently available nationwide in Canada.
- **Chowie Wowie** - A new edibles brand bringing the 'wow' with perfectly crafted fusions of flavor offered in an array of reliably dosed cannabis-infused chocolates and gummies in THC and CBD varieties. Chowie Wowie cannabis infused milk-chocolates are currently available across Canada.
- **Everie** - Fluent, High Park's joint venture with Labatt Breweries of Canada, introduced Everie, their debut brand of non-alcoholic CBD-infused beverages, with 98% pure CBD isolate and all natural flavors. Everie has launched ready-to-brew teas nationwide in Canada and expect to roll-out further products in 2020.

The brands expected to launch in 2020 as part of the Phase 2 legalization that began in December 2019 include:

- **Goodship** - Makers of damn fine edibles, create the industry's most delectable cannabis-infused baked goods, chocolates and confections.
- **Rmdy.** - A CBD-rich wellness brand formulated for wellness seekers will roll-out a variety of edibles and non-combustible cannabis products including mints, melts and all-in-one pens.

High Park Company launched a physical and online retail presence in October 2018 with product available for sale in British Columbia, Yukon, North West Territories, Saskatchewan, Ontario, Quebec and Prince Edward Island. In March 2019, High Park Company has expanded its presence to include retail access in Alberta and Manitoba. In June 2019, High Park launched retail availability in Nova Scotia and New Brunswick. As a result of this provincial roll out plan High Park Company products are available in 11 of 13 provinces and territories across Canada and will continue to expand its brand and product offering.

Retail stores in Canada fall under two key banners:

1) Government-operated retail with highly regulated trade practices in British Columbia (hybrid), Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Yukon, North West Territories.

2) Privately-operated retail in British Columbia (hybrid), Alberta, Saskatchewan, Manitoba, Ontario and Newfoundland.

Supporting the national coverage of retail in Canada, High Park Company has deployed a sales organization with the purpose of driving awareness, trial and sell-through across all government and privately-operated accounts.

Our Operations

We are building a multinational supply chain and distribution network to capitalize on the global medical cannabis market and the adult-use market in Canada.

- **Tilray Seattle Regional Office** – Seattle, Washington. Members of our senior leadership team are based in Seattle, along with our finance, legal, and information systems staff.

- **Tilray North America Campus –** Nanaimo, British Columbia. We believe that Tilray Nanaimo is one of the world's most sophisticated, technologically advanced licensed cannabis production facilities based on the amount of capital we have invested, the amount of data we have generated about how to grow cannabis well and the standard operating procedures we have created to ensure maximum yield and product quality. Tilray Nanaimo is a 60,000-square foot facility. It houses approximately 40,000 plants in 33 cultivation rooms, five manufacturing and processing rooms and three laboratories, including an advanced extraction laboratory, all of which allow us to produce more than 50 distinct cannabis strains and various cannabis extract products. The primary purpose of Tilray Nanaimo is to continue to serve the Canadian medical market and the global medical export market for the near term. Tilray Nanaimo is licensed by Health Canada and is GMP-certified by multiple EU recognized health regulators, or Competent Authorities. It also features a patient and physician service center that is open 24 hours a day, seven days a week and staffed with support personnel who speak multiple languages, delivering what we believe to be the best customer service in the industry. At this facility we complete each step of the production process including housing mother stock, cutting clones, cultivating pre-vegetative, vegetative and flowering plants; harvesting and curing plants; securing product in the vault; trimming product; extracting cannabinoids from harvested products; analyzing products in our lab; and packaging and shipping.
- **Tilray & High Park Toronto Regional Office** – Toronto, Ontario. Members of our senior leadership team are based in Toronto, along with our finance, legal, sales and marketing staff.
- **Tilray European Union Regional Office** – Berlin, Germany. Our executive, finance, sales, marketing, operations and regulatory support staff for the EU are located in Berlin, Germany.
- **Tilray Australia and New Zealand Regional Office** – Sydney, Australia. Our sales, marketing and operations team focused on Australia and New Zealand are based in Sydney. We have signed two government contracts with the largest states in Australia: New South Wales and Victoria to supply medical cannabis to children suffering from pediatric epilepsy. Our products are available in three major hospitals in Victoria, as well as other hospitals and pharmacies throughout Australia and New Zealand.
- **Tilray European Union Campus** – Cantanhede, Portugal. In July 2017, the Portuguese National Authority of Medicines and Health Products (INFARMED) awarded Tilray a license to cultivate, import and export bulk medical cannabis. The 2.7 million square-foot campus includes an outdoor cultivation plot which was first harvested in the fall of 2018, a greenhouse with a first harvest completed in February 2019, and GMP-certified manufacturing facility. Tilray Portugal will serve as our primary supply source for patients in the EU that have access to cannabis-derived products. To date we have supplied Germany and Israel from our EU campus. Locating cultivation and manufacturing operations in the EU results in easier and more cost-effective production and distribution. Although each EU member state has its own health and drugs regulatory body, these entities have ongoing cooperation mechanisms that promote similar, though not equal, treatment for medical cannabis, which we believe will facilitate cannabis product sales from Portugal into other European countries.

- **High Park Farms** – Enniskillen, Ontario. We have repurposed over 626,000 square feet of existing non-cannabis greenhouses on a 100-acre site in Enniskillen, to serve as High Park Farms. We entered into a three-year lease agreement in October 2017 with an option to extend for three years. We also have a purchase option on the property, which is exercisable at any time during the term of the lease, including the renewal term. The renovation of the greenhouse for flower production and construction of the 40,000-square foot processing facility was completed and licensed by Health Canada on April 15, 2018. The facility currently cultivates and processes products for the Canadian adult-use market.
- **High Park Processing Facility** – London, Ontario. We entered a 10-year lease in February 2018 for a 56,000-square foot processing facility in London. We have exercised the option to purchase the property in December 2022. This facility handles all post-harvest processing from cannabis harvested at the High Park Farms and High Park Gardens. The High Park Processing Facility received a processing license in January 2019 and sales license in April 2019 from Health Canada. We are capable of producing a range of products at this facility including edibles, beverages, capsules, vaporizer oils, vape pens, tinctures, sprays, topicals, pre-rolls and dried flower products. In November 2019, we entered a 10-year lease for a 78,000 square-foot warehousing and processing facility in London with two 5-year renewal options and options to purchase. We anticipate licensing and operating the facility in the third quarter of 2020.
- **High Park Gardens** – Leamington, Ontario. In February 2019, we acquired a 662,000 square-foot greenhouse cultivation facility, of which 270,000 square-feet are currently licensed by Health Canada and being utilized as operational cultivation space.
- **Manitoba Harvest Processing** – Ste. Agathe, Manitoba. In February 2019, we acquired Manitoba Harvest which owns and operates a 35,000 square-foot hemp seed processing facility.
- **Manitoba Harvest Packaging** – Winnipeg, Manitoba. In February 2019, we acquired Manitoba Harvest which leases and operates a 15,000 square-foot hemp seed packaging facility.
- **Manitoba Harvest Corporate Offices** –Minneapolis, Minnesota. Our sales, marketing and senior leadership team focused on United States and Canada hemp foods and CBD distribution through major health and wellness retailers.
- **Smith & Sinclair Corporate Offices** –London, U.K. and New York, USA. Smith & Sinclair, which develops and distributes alcohol-infused confections and edibles, operates its global business from London. Smith & Sinclair's new subsidiary, Pollen, which creates and distributes high quality CBD products operates primarily outside of the United States.

Total Global Production and Processing Capacity

Our total production area is 3.6 million square feet as of January 2020. We believe that the maximum potential development of the parcels we currently own or lease would be 8.1 million square feet.

Sales and Distribution

Pharmaceutical distribution and pharmacy supply agreements. We work with established pharmaceutical distributors and pharmacy suppliers to sell our products around the world.

- In Canada, we have entered into a definitive agreement to supply Shoppers Drug Mart, the largest pharmacy chain in Canada, with our cannabis products. Shoppers Drug Mart is currently distributing our products under its license to sell cannabis products for medical purposes. We believe we are one of four Licensed Producers who have entered into supply agreements with Shoppers Drug Mart. Additionally, we have signed a collaboration agreement with Sandoz Canada, a division of Novartis, to market our non-combustible products to health care practitioners and pharmacists and to co-develop new cannabis products.
- In Germany, our products are distributed via multiple wholesalers, including Noweda, a cooperative comprised of approximately 9,000 pharmacists with a network of 16,000 pharmacies throughout Germany and one of the largest wholesalers of pharmaceutical products in Germany, to fulfill prescriptions of our medical cannabis products across Germany.

- Elsewhere around the world, we have formed partnerships with distributors in multiple countries. Our medical cannabis products are currently available in fifteen countries, including Argentina, Australia, Chile, Croatia, Cyprus, the Czech Republic, Israel, New Zealand, South Africa and the United Kingdom. We have also entered into a global framework agreement with Sandoz AG, pursuant to which we have the option to work with Sandoz AG to develop and commercialize non-smokable and non-combustible medical cannabis products internationally.

Adult-use supply agreements. High Park Company launched a physical and online retail presence in October 2018 with product available for sale in British Columbia, Yukon, North West Territories, Saskatchewan, Ontario, Quebec and Prince Edward Island. In March of 2019, High Park Company expanded its presence to include retail access in Alberta and Manitoba. High Park products are available in 11 of 13 provinces and territories across Canada and will continue to expand its brand and product offering.

Direct-to-patient ("DTP"). In Canada, medical cannabis patients order from us primarily through our e-commerce platform or over the phone. In Canada, medical cannabis is and will continue to be delivered by secured courier or other methods permitted by the Cannabis Regulations. The DTP channel accounts for the majority of our medical sales.

Wholesale. In Canada, we are also authorized under the Cannabis Regulations to wholesale bulk and finished cannabis products to other licensees under the Cannabis Regulations ("Licensed Producers"). The bulk wholesale sales and distribution channel requires minimal selling, general, administrative and fulfillment costs. We intend to pursue these wholesale sales channels as a part of our adult-use and medical-use growth strategies in Canada.

Our Commitment to Research and Innovation

We believe that our strength as a medical brand is rooted in our commitment to research and development. Our research and development program focuses on developing innovative products, including novel delivery systems and precisely formulated cannabinoid products, and on the creation and improvement of methods, processes and technologies that allow us to efficiently manufacture such products on a large scale.

Patents and proprietary programs. Our commitment to innovation is a core tenet. We have at least fifty filed patents in the fields of cannabis processing technology, formulation, composition delivery system, and treatment methods. We have developed a number of innovative and proprietary programs designed to improve efficiency and overall product quality, including: a micro-propagation program that allows for the mass production of disease-free cannabis plants; methods and formulations to improve cannabinoid bioavailability and stability; a delivery platform to allow for the quick and efficient delivery of cannabinoids in formulation; the fast preservation methods that allow for improved smell, texture and flavor of cannabis products; an integrated pest management system; proprietary plant trimming machines to minimize manufacturing waste and software improvements to optimize manufacturing, inventory and distribution processes.

Trademarks and trade dress. We invest heavily in our growing trademark portfolio and hold at least 70 approved or registered trademarks in a variety of countries, including Canada, the United States, the EU, Australia, Israel and several countries in South America and Asia. We also have at least 110 additional trademarks filed and pending in several countries throughout the world. In addition, as a result of our brand licensing agreement with a former Privateer Holdings subsidiary, we have exclusive access in Canada to a number of strong marks, both registered and applied-for, including Marley Natural and Goodship.

Observational research program. We have implemented an extensive observational research program which includes large-scale prospective and cross-sectional studies in order to gather pre-clinical evidence on medical cannabis patient patterns of use, and the impact of that use on sleep, pain, mental health, quality of life, and the use of opioids/prescription drugs, alcohol, tobacco and other substances. These studies include a biennial national Canadian Cannabis Patient Survey ("CCPS"), the Tilray Observational Patient Study ("TOPS"), and the Medical Cannabis in Older Patients Study ("MCOPS"). This research takes place in partnership with Canadian and United States academic institutions, and has provided insight into the use of cannabis in the treatment of headaches/migraines, anxiety, and problematic substance use, and has led to a number of publications in high ranking academic journals, including the following:

- Lucas, P., & Walsh, Z. (2017). Medical cannabis access, use, and substitution for prescription opioids and other substances: A survey of authorized medical cannabis patients. International Journal of Drug Policy, 42, 30–35.
- Baron, E. P., Lucas, P., Eades, J., & Hogue, O. (2018). Patterns of medicinal cannabis use, strain analysis, and substitution effect among patients with migraine, headache, arthritis, and chronic pain in a medicinal cannabis cohort. The Journal of Headache and Pain, 19(1), 37.
- Lucas, P., Baron, E. P., & Jikomes, N. (2019). Medical cannabis patterns of use and substitution for opioids & other pharmaceutical drugs, alcohol, tobacco, and illicit substances; results from a cross-sectional survey of authorized patients. Harm Reduction Journal, 16(1), 9.
- Turna, J., Simpson, W., Patterson, B., Lucas, P., & Van Ameringen, M. (2019). Cannabis use behaviors and prevalence of anxiety and depressive symptoms in a cohort of Canadian medicinal cannabis users. Journal of Psychiatric Research, 111, 134–139.

Clinical trials. Participation in clinical trials is a differentiating element of our research and development program. We believe that the development of clinical data on the use of well-characterized and properly defined cannabinoid products will increase mainstream acceptance within the medical community. As such, we have developed techniques that achieve pharmaceutical-grade Active Pharmaceutical Ingredients ("APIs") extracted from the cannabis plant to allow Tilray to partner with select academic research partners on trials that meet regulatory agency standards. Our participation in clinical studies includes R&D on the investigational study drug to generate the Chemistry and Manufacturing Controls ("CMC") documentation required by regulatory agencies, collation of the CMC sections our investigational study drugs, as well as providing assistance in designing the protocol and determining the formulation of the study drug. In some cases, we provide funding for the study itself and/or pharmacokinetic data on the specific study drug. Although some trials, such as the chemotherapy-induced nausea and vomiting, or CINV, trial described below, are undertaken with an aim toward market authorization, most of the trials we participate in serve to generate early phase data that can be used to support patent filings, basic prescribing data for physicians, and signals of efficacy to narrow our focus for future clinical trials. We leverage our research by educating physicians about the unique benefits of cannabis-based medicines in various treatments, which we believe promotes the Tilray brand as the most trusted medical brand in the industry. Our Medical Advisory Board, consisting of experts in a variety of areas, participates in the clinical trial selection process and provides us with additional credibility as a clinical trial participant.

Clinical trials are typically conducted in phases, with Phase I establishing the safety and pharmacokinetics of the investigational study drug, Phase II further providing a signal for the drug's efficacy and Phase III establishing statistical significance for the treatment of the disease or symptom being studied over the placebo. Below is a list of the clinical trials in which we are currently involved.

Clinical Trials

Country	Indication	Research Partners	Drug Product	Phase	No. Of Patients[1]	Start Date[1]	Completion Date[1]	IP Owner (Clinical Trial Drug	IP Owner Study Results	Tilray Role/Obligations
Australia	Chemotherapy-Induced Nausea and Vomiting (CINV)	NSW Government, University of Sydney, Chris O'Brien Lifehouse	Capsule; combination drug product (CBD & THC)	II & III	Phase II: 80 Phase III: 170	Phase II: Q4 2016 Phase III: Q3 2019	Phase II: Q4 2018 Phase III: Q4 2022	Tilray	Institution (with Tilray rights to use data, and Tilray option to acquire exclusive rights for market approval or insurance reimbursement)	Study drug supplier only
Australia	Severe Behavioral Problems in Children with Intellectual Disabilities	Murdoch Children's Research Institute	Oral solution; combined drug product (CBD &THC)	II	10	Q1 2019	Q4 2019 (complete)	Tilray	Institution (with Tilray rights to the data)	Study drug supplier only
Spain	Glioblastoma[2]	Grupo Español de Investigación en Neurooncología (GENO)	Oral solution; combination drug product (CBD &THC)	III	30	Q4 2020	Q4 2022	Tilray	Institution (with Tilray rights to use data)	Study drug supplier only
USA	Essential Tremor	University of California, San Diego (UCSD)	Capsule; combination drug product (CBD & THC)	IIa	16	Q1 2019	Q4 2020	Tilray	Institution (with Tilray rights to use data)	Study drug supplier; $20,000 USD research support
USA	Alcohol Use Disorder (AUD)	New York University School of Medicine	Capsule; drug product (CBD)	II	40	Q3 2019	Q2 2021	Tilray	Institution (with Tilray rights to use data)	Study drug supplier, provider of funding ($67,500 USD)
USA	Post-Traumatic Stress Disorder (PTSD) with Alcohol Use Disorder	New York University School of Medicine	Capsule; drug product (CBD)	II	48	Q3 2019	Q2 2021	Tilray	Institution (with Tilray rights to use data)	Study drug supplier, provider of funding ($67,500 USD)
USA	Taxane-Induced Peripheral Neuropathy (TIPN)	Columbia University Irving Medical Center (CUIMC)	Capsule; combination drug product (CBD & THC)	I	96	Q4 2019	Q4 2020	Tilray	Tilray	Study drug supplier
Canada	HIV/AIDS; Inflammation[2]	McGill University	Capsule solution; combined drug product (CBD &THC)	II	26	Q3 2020	Q3 2021	Tilray	Institution (with Tilray rights to the data)	Study drug supplier only
Canada	Pediatric Epilepsy	Toronto's Hospital for Sick Children (SickKids)	Oral solution; combination drug product (CBD &THC)	I Open-label	20	Q4 2017	Q3 2018 (complete)	Tilray	Institution (with Tilray option to acquire exclusive rights for market approval or insurance reimbursement)	Study drug supplier, and provider of funding (C$147,000 committed)
Canada	Post-Traumatic Stress Disorder (PTSD)	University of British Columbia	Vaporized dried cannabis	II	42	Q1 2017	Q3 2021	Tilray	Tilray	Regulatory sponsor, study drug supplier and provider of funding (C$228,000 committed)

[1] See the section titled "*Risk Factors*"
[2] Regulatory approval pending

Regulatory Environment

Canadian Medical and Adult-Use

Medical and adult-use cannabis in Canada is regulated under the Cannabis Regulations ("CR"), promulgated under the Cannabis Act. Both the CR and the Cannabis Act were adopted in October 2018, superseding earlier regulations that permitted commercial distribution and home cultivation of medical cannabis. Health Canada, a federal government entity, is the oversight and regulatory body for cannabis licenses in Canada. The following are the highlights of the legislation:

- allows individuals over the age of 18 to purchase, possess and cultivate limited amounts of cannabis for adult-use purposes; each province is also being permitted to adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province, and those laws may set lower maximum permitted quantities for individuals and higher age requirements;
- promotion, packaging and labelling of cannabis is strictly regulated. For example, promotion is largely restricted to the place of sale and legally age-gated environments, and promotions that appeal to underage individuals are prohibited;
- currently, limited classes of cannabis, including dried cannabis and oils, are permitted for sale into the medical and adult-use markets.
- other non-combustible form-factors, including edibles, topicals, and extracts (both ingested and inhaled), are permitted in the adult-use and medical market as of December 17, 2019;
- export is restricted to medical cannabis, cannabis for scientific purposes and industrial hemp; and
- sale of medical cannabis occurs largely on a direct-to-patient basis, while sale of adult-use cannabis occurs through retail-distribution models established by provincial and territorial governments.

The retail-distribution models for adult-use cannabis vary nationwide:

- Quebec, New Brunswick, Nova Scotia and Prince Edward Island have adopted a government-run model for retail and distribution;

- Ontario, British Columbia, Alberta, Manitoba and Newfoundland have adopted a hybrid model with some aspects, including distribution and online retail being government-run while allowing for private retail;
- Saskatchewan has announced a fully private system;
- the three northern territories of Yukon, Northwest Territories and Nunavut have adopted a model that mirrors their government-run liquor distribution model.

All provinces and territories have secured supply agreements from Licensed Producers for their respective markets, and we are fulfilling adult-use supply agreements and purchase orders from various jurisdictions, consisting of: Quebec, Ontario, British Columbia, Prince Edward Island, Saskatchewan, Manitoba, Alberta, Nova Scotia, New Brunswick, Northwest Territories, and the Yukon.

United States Regulation of Hemp

Hemp products are subject to state and federal regulation in respect of the production, distribution and sale of products intended for human ingestion or topical application. Hemp is categorized as Cannabis sativa L., a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from Hemp, including THC and CBD. These cannabinoids are responsible for a range of potential psychological and physiological effects. Hemp, as defined in the 2018 Farm Bill, is distinguishable from marijuana, which also comes from the Cannabis sativa L. subspecies, by its absence of more than trace amounts (0.3% or less) of the psychoactive compound THC. Although international standards vary, other countries, such as Canada, have used the same THC potency standards to define Hemp.

The 2018 Farm Bill preserves the authority and jurisdiction of the FDA, under the FD&C Act, to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements, and cosmetics, including products that contain Hemp extracts and derivatives, such as CBD. As a result, the FD&C Act will continue to apply to Hemp-derived food, drugs, dietary supplements, cosmetics, and devices introduced, or prepared for introduction, into interstate commerce. As a producer and marketer of Hemp-derived products, the Company must comply with the FDA regulations applicable to manufacturing and marketing of certain products, including food, dietary supplements, and cosmetics.

As a result of the 2018 Farm Bill, federal law now provides that CBD derived from Hemp is not a controlled substance; however, CBD derived from Hemp could still be considered a controlled substance under applicable state law. States take varying approaches to regulating the production and sale of Hemp and Hemp-derived CBD. While some states explicitly authorize and regulate the production and sale of Hemp-derived CBD or otherwise provide legal protection for authorized individuals to engage in commercial Hemp activities, other states maintain drug laws that do not distinguish between marijuana and Hemp and/or Hemp-derived CBD, resulting in Hemp being classified as a controlled substance under certain state laws.

European Union Medical Use

While each country in the EU has its own laws and regulations, there are many commonalities in how the medical cannabis markets for EU countries are developing. For example, to ensure quality and safe products for patients, many EU countries only permit the import and sale of medical cannabis when the manufacturer can demonstrate certification by a Competent Authority of compliance with GMP standards.

The EU requires adherence to GMP standards for the manufacture of active substances and medicinal products, including cannabis products. Under the system for certification of GMP adopted in the EU, a Competent Authority of any EU member state may conduct an inspection at a drug manufacturing site and, if the GMP standards are met, a certificate of GMP compliance is issued to the manufacturer for specific elements of the manufacturing process being carried on at that site.

Each country in the EU will generally recognize a GMP certificate issued by any Competent Authority within the EU as evidence of compliance with GMP standards. Certificates of GMP compliance issued by a Competent Authority in another country outside of the EU will also be recognized if that country has a mutual recognition agreement with the EU.

Competitive Conditions

As of February 2020, more than 308 licenses were issued by Health Canada. Health Canada licenses are limited to individual properties. As such, if a Licensed Producer seeks to commence production at a new site, it must apply to Health Canada for a new license. As of January 2020, the current points of distributions are also limited, with only roughly 735 stores open across Canada. As the demand for legal cannabis increases and retail distribution points increase, we believe that new competitors will enter the market. The principal competitive factors on which we compete with other Licensed Producers are the quality, consistency and variety of cannabis products, brand recognition and physician familiarity.

In addition, we expect more countries will pass regulation allowing for medical cannabis use. We expect this to translate to increased competition internationally.

Employees

As of December 31, 2019, we employed 1,646 total employees, located in Canada, Germany, Portugal, Ireland the United States, Australia and Czech Republic, including 1,068 employees in research, product development, engineering and operations and logistics, 298 employees in general and administrative and 248 employees in sales and marketing. We consider relations with our employees to be good and have never experienced work stoppage. Apart from certain employees in Portugal, none of our employees are represented by a labor union or subject to a collective bargaining agreement. In Portugal, some of our employees are subject to a government-mandated collective bargaining agreement, which grants affected employees certain additional benefits beyond those required by the local labor code.

Our Company

Tilray, Inc. was incorporated in Delaware in January 2018. Prior to January 2018, we operated our business under Decatur Holdings, BV, a Dutch private limited liability company (“Decatur”), which was formed in March 2016. Decatur was incorporated under the laws of the Netherlands on March 8, 2016 as a wholly owned subsidiary of Privateer Holdings, Inc. to hold a 100% ownership interest in our direct and indirect subsidiaries through which we operated our business. Privateer Holdings, Inc. transferred 100% of its equity interest in Decatur to Tilray, Inc. on January 25, 2018 and Decatur was dissolved on December 27, 2018.

Website Access

Our website address is www.tilray.com. We make available, free of charge on our website, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after filing such reports with, or furnishing them to, the Securities and Exchange Commission (“SEC”). Such reports are also available at www.sec.gov. Information contained on our website is not incorporated by reference in, or otherwise part of, this Annual Report on Form 10-K or any of our other filings with the SEC.

Item 1A. Risk Factors.

Careful consideration should be given to the following risk factors, in addition to the other information set forth in this Annual Report on Form 10-K and in other documents that we file with the SEC or publicly in Canada, in evaluating our company and our business. Investing in our securities involves a high degree of risk. If any of the following risks actually occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. Additional risks and uncertainties not currently known to us or that we currently consider to not be material may also materially and adversely affect our company and our business.

Risks Related to Medical Cannabis Business

We are dependent upon regulatory approvals and licenses for our ability to grow, process, package, store, sell and export medical cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal.

Our ability to grow, process, package, store and sell dried cannabis, cannabis oil and capsules, and other classes of cannabis, including both oil and capsules, for medical purposes in Canada is dependent on our current Health Canada licenses under the Cannabis Regulations, or "CR", covering our production facility and patient call center at our Tilray North America Campus in Nanaimo, British Columbia, or Tilray Nanaimo. These licenses allow us to produce cannabis in bulk and finished forms at Tilray Nanaimo and to sell and distribute such cannabis in Canada. They also allow us to import and export medical cannabis in bulk and finished form to and from specified jurisdictions around the world, subject to obtaining, for each specific shipment, an export approval from Health Canada and an import approval (or no objection notice) from the applicable regulatory authority in the country to or from which the export or import is being made. The CR licenses for Tilray Nanaimo are valid for fixed periods and will need to be renewed at the end of such periods.

We also hold licenses under the CR covering our facilities in Enniskillen, London, and Leamington, Ontario which we use to service the adult-use market and support the medical market as needed. These licenses allow us to produce, sell, and distribute cannabis and/or cannabis products in Canada. These licenses are valid for fixed periods and will need to be renewed at the end of such periods.

Our ability to operate in our facility at our Tilray European Union Campus located in Cantanhede, Portugal, or Tilray Portugal, is dependent on our current authorization for the cultivation, import and export of cannabis and our Good Manufacturing Practices, or GMP, certification by the Portuguese National Authority of Medicines and Health Products, or INFARMED, for manufacture of cannabis as an active pharmaceutical ingredient, and is dependent on our current authorization for the manufacture of finished cannabis products and GMP certification for manufacture of cannabis as a finished medicinal product. Our current authorization for cultivation, import and export of cannabis is valid for a single growing season at a time and notification to INFARMED is needed to renew the license for subsequent growing seasons. All licenses are subject to ongoing compliance and reporting requirements and renewal.

We intend to apply for a sale license for cannabis products under the CR for our facility in Leamington, Ontario. Any future medical cannabis production facilities that we operate in Canada will also be subject to separate licensing requirements under the CR. Although we believe that we will meet the requirements of the CR for future renewals of our existing licenses, and grants of permits under such licenses, and to obtain corresponding licenses for future facilities in Canada, there can be no assurance that existing licenses will be renewed or new licenses obtained on the same or similar terms as our existing licenses, nor can there be any assurance that Health Canada will continue to issue import or export permits on the same terms or on the same timeline, or that other countries will allow, or continue to allow, imports or exports.

Further, we are subject to ongoing inspections by Health Canada and INFARMED to monitor our compliance with their licensing requirements. Our existing licenses and any new licenses that we may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that we are found not to be in compliance. Should we fail to comply with the applicable regulatory requirements or with conditions set out under our licenses, should our licenses not be renewed when required, be renewed on different terms, or be revoked, we may not be able to continue producing or distributing medical cannabis in Canada or other jurisdictions or to export medical cannabis outside of Canada or Portugal. In addition, we may be subject to enforcement proceedings resulting from a failure to comply with applicable regulatory requirements in Canada or other jurisdictions, which could result in damage awards, a suspension of our existing approvals, a withdrawal of our existing approvals, the

denial of the renewal of our existing approvals or any future approvals, recalls of products, product seizures, the imposition of future operating restrictions on our business or operations or the imposition of civil, regulatory or criminal fines or penalties against us, our officers and directors and other parties. These enforcement actions could delay or entirely prevent us from continuing the production, testing, marketing, sale or distribution of our medical products and divert management's attention and resources away from our business operations.

The laws, regulations and guidelines generally applicable to the medical cannabis industry in Canada and other countries may change in ways that impact our ability to continue our business as currently conducted or proposed to be conducted.

The successful execution of our medical cannabis business objectives is contingent upon compliance with all applicable laws and regulatory requirements in Canada and other jurisdictions, including the requirements of the CR in Canada, and obtaining all other required regulatory approvals for the sale, import and export of our medical cannabis products. The commercial medical cannabis industry is a relatively new industry in Canada and the CR is a regime that has only been in effect in its current form since October 2018. The effect of Health Canada's administration, application and enforcement of the regime established by the CR on us and our business in Canada, or the administration, application and enforcement of the laws of other countries by the appropriate regulators in those countries, may significantly delay or impact our ability to participate in the Canadian medical cannabis market or medical cannabis markets outside Canada, to develop medical cannabis products and produce and sell these medical cannabis products.

Further, Health Canada or the regulatory authorities in other countries in which we operate or to which we export our medical cannabis products may change their administration, interpretation or application of the applicable regulations or their compliance or enforcement procedures at any time. Any such changes could require us to revise our ongoing compliance procedures, requiring us to incur increased compliance costs and expend additional resources. There is no assurance that we will be able to comply or continue to comply with applicable regulations.

Any failure on our part to comply with applicable regulations could prevent us from being able to carry on our business.

Health Canada inspectors routinely assess Tilray Nanaimo, High Park Farms, High Park Processing Facility, and High Park Gardens for compliance with applicable regulatory requirements. Our Tilray Portugal facilities have also been inspected for compliance by applicable regulators following completion of the construction and will be subject to certain ongoing inspections and audits once licensing is complete. Furthermore, the import of our products into other jurisdictions, such as Germany, Israel and Australia, is subject to the regulatory requirements of the respective jurisdiction. Any failure by us to comply with the applicable regulatory requirements could require extensive changes to our operations; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on our operations; and harm our reputation or give rise to material liabilities or a revocation of our licenses and other permits. There can be no assurance that any pending or future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to us and our business.

Our ability to produce and sell our medical products in, and export our medical products to, other jurisdictions outside of Canada is dependent on compliance with additional regulatory and other requirements.

We are required to obtain and maintain certain permits, licenses or other approvals from regulatory agencies in countries and markets outside of Canada in which we operate, or to which we export, to produce or export to, and sell our medical products in, these countries, including, in the case of certain countries, the ability to demonstrate compliance with GMP standards. Our current certification of compliance with GMP standards for production at Tilray Nanaimo and any other GMP certification that we may receive in the future subject us, or will in the future subject us, to extensive ongoing compliance reviews to ensure that we continue to maintain compliance with GMP standards. There can be no assurance that we will be able to continue to comply with these standards.

The continuation or expansion of our international operations depends on our ability to renew or secure necessary permits, licenses and other approvals. An agency's denial of or delay in issuing or renewing a permit, license or other approval, or revocation or substantial modification of an existing permit, license or approval, could prevent us from continuing our operations in, marketing efforts in, or exporting to countries other than Canada. For example, Tilray Nanaimo's current certification of GMP compliance must be renewed via re-inspection prior to October 2020, and our failure to maintain such certification, or to comply with applicable industry quality assurance standards or receive similar regulatory certifications at any of our other facilities, may prevent us from continuing the expansion of our international operations. In addition, the export and import of medical cannabis is subject to United Nations treaties establishing country-by-country national estimates and our export and import permits are subject to these estimates which could limit the amount of medical cannabis we can export to any particular country.

The long-term effect of the legalization of adult-use cannabis in Canada on the medical cannabis industry is unknown (including recently amended Canadian cannabis regulations, or Cannabis 2.0), and may have a significant negative effect upon our medical cannabis business if our existing or future medical use customers decide to purchase products available in the adult-use market instead of purchasing medical use products from us.

In June 2018, the government of Canada passed Bill C-45, or the Cannabis Act, the Canadian federal legislation allowing individuals over the age of 18 to legally purchase, process and cultivate limited amounts of cannabis for adult use in Canada. The Cannabis Act and accompanying regulations, the CR, became effective on October 17, 2018. On October 17, 2019, the CR was further amended to permit the sale of new classes of cannabis through both adult-use and medical channels, which classes became available starting December 16, 2019. Individuals who previously relied upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the adult-use cannabis market to supply their cannabis and cannabis-based products. Factors that may influence this decision include the availability of product in each market, the price of medical cannabis products in relation to similar adult-use cannabis products, and the ease with which each market can be accessed in the individual provinces and territories of Canada. The impact of adult-use cannabis on the medical market is not yet fully understood as the market is still in a state of flux. In addition, new form factors have just been legalized and the degree to which these products will be made available on the medical market versus adult use is not yet known.

A decrease in the overall size of the medical cannabis market as a result of the legal adult-use market in Canada may reduce our medical sales and revenue prospects in Canada. Moreover, the CR regulation of cannabis for medical purposes is expected to be reviewed in light of the adult-use market. The effect on our business, and the medical cannabis market in general, of such a review is uncertain.

There has been limited study on the effects of medical cannabis and future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis.

Research regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as CBD and THC) remains in relatively early stages. There have been few clinical trials on the benefits of cannabis or isolated cannabinoids conducted by us or by others.

Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies we have relied on or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for our products.

Tilray Nanaimo, Manitoba Harvest, High Park Farms, High Park Gardens, High Park Processing Facility and Tilray Portugal are integral to our business and adverse changes or developments affecting any of these facilities may have an adverse impact on us.

Currently, our activities and resources are primarily focused on the operation of Tilray Nanaimo, Manitoba Harvest, High Park Farms, High Park Gardens, Tilray Portugal and our current licenses under the CR are specific to Tilray Nanaimo, High Park Farms, High Park Gardens and our High Park Processing Facility. Adverse changes or developments affecting these facilities, including, but not limited to, disease or infestation of our crops, a fire, an explosion, a power failure, a natural disaster or a material failure of our security infrastructure, could reduce or

require us to entirely suspend our production of cannabis. A significant failure of our site security measures and other facility requirements, including any failure to comply with regulatory requirements under the CR, could have an impact on our ability to continue operating under our Health Canada licenses and our prospects of renewing our Health Canada licenses, and could also result in a suspension or revocation of these Health Canada licenses. As we produce much of our medical cannabis products in Tilray Nanaimo, any event impacting our ability to continue production at Tilray Nanaimo, or requiring us to delay production, would prevent us from continuing to operate our business until operations at Tilray Nanaimo could be resumed, or until we were able to commence production at another facility.

We expect to expand Tilray Nanaimo, High Park Farms, our High Park Processing Facility, and our Tilray Portugal facilities. We are also contemplating expanding our High Park Gardens facility. We expect that expanded and additional facilities will significantly increase our cultivation, growing, processing and distribution capacity; however, development impediments such as construction delays or cost over-runs in respect to the development of these facilities, howsoever caused, could delay or prevent our ability to produce cannabis at these facilities. It is also possible that the final costs of the major equipment contemplated by our capital expenditure program relating to the development of our High Park Farms, our High Park Processing Facility and Tilray Portugal may be significantly greater than anticipated, in which circumstance we may be required to curtail, or extend the timeframes for completing, such capital expenditure plans which would reduce our production capacity.

If we are unsuccessful in scaling operations at our facilities, we may become increasingly reliant on third-party cannabis suppliers, likely at a higher price than our own cost to produce, which would have a negative impact on gross profit margins.

The medical cannabis industry and market are relatively new, and this industry and market may not continue to exist or develop as anticipated or we may ultimately be unable to succeed in this industry and market.

We are operating our current business in a relatively new medical cannabis industry and market, and our success depends on our ability to attract and retain patients. In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, we need to continue to build brand awareness of our Tilray brand in the medical cannabis industry and make significant investments in our business strategy and production capacity. These investments include introducing new products into the markets in which we operate, adopting quality assurance protocols and procedures, building our international presence and undertaking regulatory compliance efforts. These activities may not promote our medical products as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share. Competitive conditions, consumer preferences, regulatory conditions, patient requirements, healthcare practitioner prescribing practices, and spending patterns in this industry and market are relatively unknown and may have unique characteristics that differ from other existing industries and markets and that cause our efforts to further our business to be unsuccessful or to have undesired consequences. As a result, we may not be successful in our efforts to attract and retain patients or to develop new medical cannabis products and produce and distribute these medical cannabis products to the markets in which we operate or to which we export in time to be effectively commercialized, or these activities may require significantly more resources than we currently anticipate in order to be successful.

We compete for market share with other companies, including other producers licensed by Health Canada, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than we have.

We face, and we expect to continue to face, intense competition from Licensed Producers and other potential competitors, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than we have. In addition, it is possible that the medical cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities and product offerings that are greater than ours. As a result of this competition, we may be unable to maintain our operations or develop them as currently proposed, on terms we consider acceptable, or at all.

There are currently hundreds of applications for Licensed Producer status being processed by Health Canada. The number of licenses granted and the number of Licensed Producers ultimately authorized by Health Canada could have an adverse impact on our ability to compete for market share in Canada's medical cannabis industry. We expect to face additional competition from new market entrants that are granted licenses under the CR or existing license holders that are not yet active in the industry. If a significant number of new licenses are granted by Health Canada, we may experience increased competition for market share and may experience downward price pressure on our medical cannabis products as new entrants increase production.

In addition, the CR permits patients in Canada to produce a limited amount of cannabis for their own medical purposes or to designate a person to produce a limited amount of cannabis on their behalf for such purposes. Widespread reliance upon this allowance could reduce the current or future consumer demand for our medical cannabis products.

If the number of users of cannabis for medical purposes in Canada increases, the demand for products will increase. This could result in the competition in the medical cannabis industry becoming more intense as current and future competitors begin to offer an increasing number of diversified medical cannabis products. Conversely, if there is a contraction in the medical market for cannabis in Canada, competition for market share may increase. To remain competitive, we intend to continue to invest in research and development and sales and patient support; however, we may not have sufficient resources to maintain research and development and sales and patient support efforts on a competitive basis.

In addition to the foregoing, the legal landscape for medical cannabis use is changing internationally. We have operations outside of Canada, which may be affected as other countries develop, adopt and change their medical cannabis laws. Increased international competition, including competition from suppliers in other countries who may be able to produce at lower cost, and limitations placed on us by Canadian or other regulations, might lower the demand for our medical cannabis products on a global scale.

The illicit supply of cannabis and cannabis-based products may reduce our sales and impede our ability to succeed in the medical and adult-use cannabis markets.

In addition to competition from Licensed Producers and those able to produce cannabis legally without a license, we also face competition from unlicensed and unregulated market participants, including illegal dispensaries and illicit market suppliers selling cannabis and cannabis-based products in Canada.

Despite the legalization of medical and adult-use cannabis in Canada, illicit market operations remain abundant and are a substantial competitor to our business. In addition, illegal dispensaries and illicit market participants may be able to (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations, (ii) brand products more explicitly, and (iii) describe/discuss intended effects of products. As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in Canada, their operations may also have significantly lower costs.

As a result of the competition presented by the illicit market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from licensed retailers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could (i) result in the perpetuation of the illicit market for cannabis, (ii) adversely affect our market share and (iii) adversely impact the public perception of cannabis use and licensed cannabis producers and dealers, all of which would have a materially adverse effect on our business, operations and financial condition.

Risks Related to Adult-Use Cannabis

The adult-use cannabis industry, and the regulations governing this industry (included recently amended Canadian regulations, or Cannabis 2.0), may develop in a way that is significantly different from our current expectations, resulting in our decreased ability, or inability, to compete in this market and industry.

There is no assurance that the adult-use cannabis industry, and the regulations governing this industry, will continue to develop as anticipated. There are and will be significant restrictions on the marketing, branding, product formats, product composition, packaging, and distribution channels allowed under the Cannabis Act, which may

reduce the value of certain of our products and brands or negatively impact our ability to compete with other companies in the adult-use cannabis market in Canada. For instance, adult-use legislation includes a requirement for health warnings on product packaging, the limited ability to use logos and branding (only one brand name and one brand element per package), restrictions on packaging itself, and restrictions on types and avenues of marketing; further, Cannabis 2.0 regulations (which came into force on October 17, 2019) govern the production and sale of new classes or forms of cannabis products (including vapes and, edibles,), and impose considerable restrictions on product composition, labeling, and packaging in addition to being subject to similar marketing restrictions as existing form factors. Additional marketing and product composition restrictions have been imposed by some provinces and territories and are subject to changing interpretation without notice. Provincial or other legislation containing additional restrictions, such as a complete ban on marketing, may impact our ability to do so. Such additional restrictions may impair our ability to develop our adult-use brands, and a complete ban on marketing or additional product restrictions imposed under future regulations, may make it uneconomic or unfeasible for us to introduce our entire portfolio of brands and products into the Canadian market, which means that we will be unable to reap the full benefit of the exclusive rights we have secured to such brands and products or launch new products. Further, each province and territory of Canada has the ability to separately regulate the distribution of cannabis within such province or territory, and the rules (including associated regulations) adopted by these provinces or territories vary significantly. Furthermore, some provinces and territories impose significant restrictions on our ability to merchandise products; for example, some provinces impose restrictions on investment in retailers or distributors and their employees as well as in our ability to negotiate for preferential retail space or in-store marketing. Such variance may make participation in the adult-use cannabis market uneconomic or of limited economic benefit for us in those provinces or territories and could result in significant additional compliance or other costs and limitations on our ability to compete successfully in each such market.

Cannabis 2.0 allows for new and untested Cannabis products and form factors, and we may ultimately be unsuccessful in developing and offering these new products in our Canadian markets.

Cannabis 2.0 regulations permit Licensed Producers to develop new cannabis form factors, including CBD- and THC-infused drinks, edibles and non-flower products. We have and will continue to develop strategic partnerships to participate in these new product market opportunities with partners who can provide complementary product development and support capabilities. Strategic initiatives around new products involve significant investment of management time and resources in order to successfully execute and maintain, for novel products that may not generate sufficient market demand. Additionally, there can be no guarantee that such new product offerings, even if successfully developed, will have unit economics that generate an appropriate return on investment. Cannabis 2.0 could result in diversions of management attention, a strain on existing financial and other resources or a lack of product demand for our newly developed form factors, any of which could have a material adverse effect on our business, results of operations and financial condition.

Any failure on our part to comply with supplier standards established by provincial or territorial distributors could prevent us from accessing certain markets in Canada.

Government-run provincial and territorial distributors in Canada require suppliers to meet certain service and business standards, and routinely assess for compliance with such standards. Any failure by us to comply with such standards could result in our being downgraded or disqualified as a supplier, and would severely impede or eliminate our ability to access certain markets within Canada.

The adult-use cannabis market in Canada is continuing to develop and may experience supply fluctuations resulting in revenue and price decreases.

As a result of the legalization of adult cannabis use in Canada, the demand for cannabis may dramatically increase. Licensed Producers, and others licensed to produce cannabis under the Cannabis Act, may not be able to produce enough cannabis to meet adult-use demand. This may result in lower than expected sales and revenues and may result in increased competition for sales and sources of supply. This competition may adversely affect our adult-use business and there is no guarantee that we will be able to supply or acquire the supply, on commercially reasonable terms or at all, to meet the demand for medical and adult-use cannabis.

In response to this surge in demand for cannabis, we and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and adult-use markets, and we may be unable to export that oversupply into other markets where cannabis use is fully legal under all federal and state or provincial laws. Additionally, the Canadian market may experience increased supply fluctuations as new form factors and products become available. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that we would be able to generate sufficient revenue from the sale of adult-use cannabis to result in profitability.

In connection with the amended Canadian adult-use regulations which became effective October 17, 2019 and permitted new classes of cannabis on December 16, 2019, we will now offer cannabis-only vape products in Canada. The vape market is a niche market that remains subject to a great deal of uncertainty and is still evolving. Recent negative public sentiment and regulatory scrutiny of vaporizing in the United States may cause Health Canada to further limit usage and diminish Canadian consumer demand for our cannabis vape products.

Cannabis vape products in Canada are regulated under the Cannabis Act and the CR. Although this legislation sets clear rules and standards for the manufacture, composition, packaging, and marketing of cannabis vape products, these rules and standards predate the spate of vaping-related health issues that have recently arisen in the United States. These issues and accompanying negative public sentiment may prompt Health Canada or individual provinces/territories to further limit or defer industry's ability to sell cannabis vape products, and may also diminish consumer demand for such products. There can be no assurance that we will be able to meet any additional compliance requirements or regulatory restrictions, or remain competitive in face of unexpected changes in market conditions.

Vaping, electronic cigarettes and related products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long-term health effects of their use. Currently, there is no way of knowing whether these products are safe for their intended use and the medical community is still studying these products' health effects. If the scientific community were to determine conclusively that use of any or all of these products poses long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on cannabis vaping products could have a material adverse effect on our business, results of operations and financial condition.

The adult-use cannabis industry and market in Canada is subject to many of the same risks as the medical cannabis industry and market, including risks related to our need for regulatory approvals, the early status and uncertain growth of this industry and the competition we expect to face in this industry.

The adult-use cannabis industry and market in Canada is subject to certain risks that are unique to this industry, as well as the risks that are currently applicable to the medical cannabis industry, which are described under the heading above titled "*Risk Factors-Risks Related to our Medical Cannabis Business and the Medical Cannabis Industry."*

If any of these shared risks occur, our business, financial condition, results of operations and prospects could be adversely affected in a number of ways, including by our not being able to successfully compete in the adult-use cannabis industry and by our being subject to fines, damage awards and other penalties as a result of regulatory infractions or other claims brought against us.

We may be unsuccessful in competing in the legal adult-use cannabis market in Canada.

Our Canadian adult-use business faces enhanced competition from other Licensed Producers and those individuals and corporations who are licensed under the Cannabis Act to participate in the adult-use cannabis industry.

As previously noted, there are hundreds of applications being processed for licenses under the CR. Moreover, the Cannabis Act allows individuals to cultivate, propagate, harvest and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. If we are unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, our success in the adult-use business may be limited and may not fulfill the expectations of management.

We will also face competition from existing Licensed Producers and other producers licensed under the Cannabis Act. Certain of these competitors have significantly greater financial, production, marketing, research and development and technical and human resources than we do. As a result, our competitors may be more successful than us in gaining market penetration and market share. Our commercial opportunity in the adult-use market could be reduced or eliminated if our competitors produce and commercialize products for the adult-use market that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our products and receive more favorable publicity than our products. If our adult-use products do not achieve an adequate level of acceptance by the adult-use market, we may not generate sufficient revenue from these products, and our adult-use business may not become profitable.

There may be industry consolidation of one or more competitors, which could increase the competitive advantage of certain competitors and reduce overall market share opportunities. Additionally, Canadian provincial regulations are continuing to evolve, and individual provinces have imposed new regulations around expiry dates and age of consumption, thereby further reducing the size of our total addressable market. Increased consolidation and new and disparate provincial regulations could have a material effect on our business and results of operations.

General Business Risks and Risks Related to Our Financial Condition and Operations

We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future.

We began operating in 2014 and have yet to generate a profit. We generated net losses of $321.2 million, $67.7 million and $7.8 million for 2019, 2018 and 2017, respectively. Our accumulated deficit was $430.1 million as of December 31, 2019. We intend to continue to expend significant funds to increase our growing capacity, complete strategic mergers and acquisitions, invest in research and development, expand our marketing and sales operations to increase our base of registered patients and meet the compliance requirements as a public company.

Our efforts to grow our business may be more costly than we expect and we may not be able to increase our revenue enough to offset higher operating expenses. We may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, the other risks described in this Annual Report on Form 10-K and other unknown events. The amount of future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. If we continue to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have an adverse effect on our stockholders' equity and working capital. Because of the numerous risks and uncertainties associated with producing cannabis products, as outlined herein, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our Class 2 common stock may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

We are exposed to risks relating to the laws of various countries as a result of our international operations.

We currently conduct operations in multiple countries and plan to expand these operations. As a result of our operations, we are exposed to various levels of political, economic, legal and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of cannabis and cannabis-based products, political instability, instability at the United Nations level, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis business more generally.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of cannabis and cannabis-based products or in the general economic policies in these jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations or profitability of our international operations in these countries. As we explore novel business models, such as global co-branded products, cannabinoid clinics and cannabis retail, international regulations will become increasingly challenging to manage. Specifically, our operations may be affected in varying degrees by government regulations with respect to, but not limited to,

restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied on our international operations, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

Furthermore, although we have begun production at Tilray Portugal with a view toward facilitating exports of our cannabis products to countries in the EU (or, as permissible, elsewhere) from Portugal rather than from Canada, there is no assurance that these EU (or non-EU) countries will authorize the import of our cannabis products from Portugal, or that Portugal will authorize or continue to authorize such exports, or that such exports will provide us with advantages over our current EU export strategy. Each country in the EU (or elsewhere) may impose restrictions or limitations on imports that require the use of, or confer significant advantages upon, producers within that particular country. As a result, we may be required to establish production facilities similar to Tilray Portugal in one or more countries in the EU (or elsewhere) where we wish to distribute our cannabis products in order to take advantage of the favorable legislation offered to producers in these countries.

We plan to expand our business and operations into jurisdictions outside of the current jurisdictions where we conduct business, and there are risks associated with doing so.

We plan in the future to expand our operations and business into jurisdictions outside of the jurisdictions where we currently carry on business. There can be no assurance that any market for our products will develop in any such foreign jurisdiction. We may face new or unexpected risks or significantly increase our exposure to one or more existing risk factors, including economic instability, new competition, changes in laws and regulations, including the possibility that we could be in violation of these laws and regulations as a result of such changes, and the effects of competition. These factors may limit our capability to successfully expand our operations in, or export our products to, those other jurisdictions.

Our business is subject to a variety of United States and foreign laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.

We are subject to a variety of state and federal laws in the United States, Canada and elsewhere. In the United States, despite cannabis having been legalized at the state level for medical use in many states and for adult-use in a number of states, cannabis meeting the statutory definition of “marihuana” continues to be categorized as a Schedule I controlled substance under the federal Controlled Substances Act, or the CSA, and subject to the Controlled Substances Import and Export Act, or the CSIEA. Hemp and marijuana both originate from the Cannabis sativa plant and CBD is a constituent of both. “Marihuana” or “marijuana” is defined in the CSA as a Schedule I controlled substance whereas “Hemp” is essentially any parts of the Cannabis sativa plant that has not been determined to be marijuana. Pursuant to the Agriculture Improvement Act of 2018, or the Farm Bill, “hemp,” or cannabis and cannabis derivatives containing no more than 0.3% of tetrahydrocannabinol (“THC”), is now excluded from the statutory definition of “marijuana” and, as such, is no longer a Schedule I controlled substance under the CSA. Our activity in the United States is limited to (a) certain corporate and administrative services, including accounting, legal and creative services, (b) supply of study drug for clinical trials under DEA and FDA authorization, and (c) participation in the market for hemp and hemp-derived products containing CBD in compliance with the Farm Bill; except as described above, we do not produce or distribute cannabis products in the United States. Therefore, we believe that we are not currently subject to the CSA or CSIEA.

We have commercialized in the United States a variety of hemp products, which might include certain cannabinoids including CBD, but would exclude THC at amounts more than 0.3%. While the Farm Bill exempted hemp and hemp derived products from the CSA, any such product commercialization will be subject to various laws, including the Farm Bill, the Federal Food, Drug and Cosmetic Act, or the FD&CA, the Dietary Supplement Health and Education Act, or DSHEA, applicable state and/or local laws, and FDA regulations. The FDA has stated in guidance and other public statements that it is prohibited to sell a food, beverage or dietary supplement to which THC or CBD has been added. While the FDA does not have a formal policy of enforcement discretion with respect to any products with added CBD, the agency has stated that its primary focus for enforcement centers on products that put the health and safety of consumers at risk, such as those claiming to prevent, diagnose, mitigate, treat, or cure diseases in the absence of requisite approvals. While the agency’s enforcement to date has therefore focused on

products containing CBD and that make drug-like claims, there is the risk that the FDA could expand its enforcement activities and require us to alter our marketing for our hemp-derived CBD products or cease distributing them altogether. Nevertheless, the regulation of hemp and CBD in the United States has been a constantly evolving and changing landscape, with changes in federal and state laws and regulation occurring on a frequent basis. Violations of applicable FDA and other laws could result in warning letters, significant fines, penalties, administrative sanctions, injunctions, convictions or settlements arising from civil proceedings.

We are further subject to a variety of laws and regulations in the United States, Canada and elsewhere that prohibit money laundering, including the Proceeds of Crime and Terrorist Financing Act (Canada) and the Money Laundering Control Act (United States), as amended, and the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by governmental authorities in the United States, Canada or any other jurisdiction in which we have business operations or to which we export. Although we believe that none of our activities implicate any applicable money laundering statutes, in the event that any of our business activities, any dividends or distributions therefrom, or any profits or revenue accruing thereby are found to be in violation of money laundering statutes, such transactions may be viewed as proceeds of crime under one or more of the statutes described above or any other applicable legislation, and any persons, including such United States-based investors, found to be aiding and abetting us in such violations could be subject to liability. Any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and involve significant costs and expenses, including legal fees. We could also suffer severe penalties, including criminal and civil penalties, disgorgement and other remedial measures.

We are required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where we operate or to which we export our products.

Various federal, state or provincial and local laws govern our business in the jurisdictions in which we operate or propose to operate, or to which we export or propose to export our products, including laws and regulations relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of our products and of certain material used in our operations. Compliance with these laws and regulations requires concurrent compliance with complex federal, provincial or state and local laws. These laws change frequently and may be difficult to interpret and apply. Compliance with these laws and regulations requires the investment of significant financial and managerial resources, and a determination that we are not in compliance with these laws and regulations could harm our brand image and business. Moreover, it is impossible for us to predict the cost or effect of such laws, regulations or guidelines upon our future operations. Changes to these laws or regulations could negatively affect our competitive position within our industry and the markets in which we operate, and there is no assurance that various levels of government in the jurisdictions in which we operate will not pass legislation or regulation that adversely impacts our business.

United States regulations relating to hemp-derived CBD products are unclear and rapidly evolving.

Our participation in the market for hemp-derived CBD products in the United States and elsewhere may require us to employ novel approaches to existing regulatory pathways. Although the passage of the Farm Bill in December 2018 legalized the cultivation of hemp in the United States to produce products containing CBD and other non-THC cannabinoids, it remains unclear how the FDA will regulate this industry, and whether and when the FDA will propose or implement new or additional regulations. On May 31, 2019, the FDA held a public hearing to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling, and sale of products containing cannabis or cannabis-derived compounds, including CBD. The FDA has also formed an internal working group to evaluate the potential pathways to market for CBD products. It remains unclear how CBD products will be regulated by the agency going forward.

In addition, such products may be subject to regulation at the state or local levels. While the Farm Bill created a pathway under which hemp and its derivatives are exempted from the definition of marijuana and, therefore, no longer at risk for deemed a Schedule I controlled substance under the CSA and would be protected from interference in interstate commerce, notwithstanding the ongoing implementation of those provisions, state and local authorities have issued their own restrictions on the cultivation or sale of hemp or hemp-derived CBD. This includes laws that ban the cultivation or possession of hemp or any other plant of the cannabis genus and derivatives thereof, such as CBD. State regulators may take enforcement action against food and dietary supplement products that contain CBD, or enact new laws or regulations that prohibit or limit the sale of such products. Unforeseen regulatory obstacles or compliance costs may hinder our ability to successfully compete in the market for such products.

We may seek to enter into strategic alliances, or expand the scope of currently existing relationships, with third parties that we believe will have a beneficial impact on us, and there are risks that such strategic alliances or expansions of our currently existing relationships may not enhance our business in the desired manner.

We currently have, and may expand or reduce the scope of, and may in the future enter into, strategic alliances with third parties that we believe will complement or augment our existing business. Examples of such strategic alliances include our agreement with Sandoz, joint venture with AB InBev and partnership with ABG Intermediate Holdings 2, LLC ("ABG"). Our ability to complete further strategic alliances is dependent upon, and may be limited by, among other things, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business and may involve risks that could adversely affect us, including the investment of significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. We may become dependent on our strategic partners and actions by such partners could harm our business. Future strategic alliances could result in the incurrence of debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that our existing strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, or at all.

We may not be able to successfully identify and execute future acquisitions, dispositions or other equity transactions or to successfully manage the impacts of such transactions on our operations.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) the potential disruption of our ongoing business; (ii) the distraction of management away from the ongoing oversight of our existing business activities; (iii) incurring additional indebtedness; (iv) the anticipated benefits and cost savings of those transactions not being realized fully, or at all, or taking longer to realize than anticipated; (v) an increase in the scope and complexity of our operations and (vi) the loss or reduction of control over certain of our assets. Material acquisitions have been and may continue to be material to our business strategy. There is no guarantee that acquisitions, such as High Park Gardens and Manitoba Harvest, will be accretive.

On December 12, 2019, Privateer Holdings, Inc. merged with and into a wholly owned subsidiary of Tilray (the "Downstream Merger"). We incurred and may continue to incur substantial costs and expenses relating directly to the Downstream Merger, including fees and expenses payable to financial advisors, other professional fees and expenses, insurance premium costs, fees and costs relating to regulatory filings and notices, SEC filing fees, printing and mailing costs and other transaction-related costs, fees and expenses. These fees and expenses could have a significant effect on our business, financial condition and results of operation. We have also been subject to demands and a complaint related to the Downstream Merger. Responding to such actions could divert management's attention away from our business operations and result in substantial costs.

The existence of one or more material liabilities of an acquired company that are unknown to us at the time of acquisition could result in our incurring those liabilities. A strategic transaction may result in a significant change in the nature of our business, operations and strategy, and we may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into our operations.

We are subject to risks inherent in an agricultural business, including the risk of crop failure.

We grow cannabis, which is an agricultural process. As such, our business is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, insects, plant diseases and similar agricultural risks. Although we currently grow our products indoors under climate controlled conditions, we are

developing outdoor operations and there can be no assurance that natural elements, such as insects and plant diseases, will not entirely interrupt our production activities or have an adverse effect on our business.

We depend on significant customers for a substantial portion of our revenue. If we fail to retain or expand our customer relationships or if this significant customer were to terminate its relationship with us or reduce its purchases, our revenue could decline significantly.

Two customers accounted 13% each of our revenue, respectively, for the year ended December 31, 2019. We had one customer that accounted for 24% of our revenue for 2018. No one customer accounted for greater than 10% of our revenue in 2017. We believe that our operating results for the foreseeable future will continue to depend on sales to a small number of customers. These customers have no purchase commitments and may cancel, change or delay purchases with little or no notice or penalty. As a result of this customer concentration, our revenue could fluctuate materially and could be materially and disproportionately impacted by purchasing decisions of these customers or any other significant customer. In the future, these customers may decide to purchase less product from us than they have in the past, may alter purchasing patterns at any time with limited notice, or may decide not to continue to purchase our products at all, any of which could cause our revenue to decline materially and materially harm our financial condition and results of operations. If we are unable to diversify our customer base, we will continue to be susceptible to risks associated with customer concentration.

We may be unable to attract or retain key personnel with sufficient experience in the cannabis industry, and we may be unable to attract, develop and retain additional employees required for our development and future success.

Our success is largely dependent on the performance of our management team and certain employees and our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent us from executing on our business plan and strategy, and we may be unable to find adequate replacements on a timely basis, or at all. We do not currently maintain key-person insurance on the lives of any of our key personnel.

Further, each director and officer, as well as certain additional key personnel, of a company that holds a license is subject to the requirement to obtain and maintain a security clearance from Health Canada under the CR. Moreover, under the CR, an individual with security clearance must be physically present on site when other individuals are conducting activities with cannabis. Under the CR and the Cannabis Act, a security clearance is valid for a limited time and must be renewed before the expiry of a current security clearance. There is no assurance that any of our existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of our operations. In addition, if an individual in a key operational position leaves us, and we are unable to find a suitable replacement who is able to obtain a security clearance required by the CR in a timely manner, or at all, we may not be able to conduct our operations at planned production volume levels or at all. In addition, the CR requires us to designate a qualified individual in charge who is responsible for supervising activities relating to the production of study drug for clinical trials, which individual must meet certain educational and security clearance requirements. If our current designated qualified person in charge fails to maintain his security clearance, or if our current designated qualified person in charge leaves us and we are unable to find a suitable replacement who meets these requirements, we may no longer be able to continue our clinical trial activities.

Increased labor costs, potential organization of our workforce, employee strikes and other labor-related disruption may adversely affect our operations.

Apart from certain employees in Portugal, none of our employees are represented by a labor union or subject to a collective bargaining agreement. In Portugal, some of our employees are subject to a government-mandated collective bargaining agreement, which grants affected employees certain additional benefits beyond those required by the local labor code. We cannot assure you that our labor costs going forward will remain competitive because in the future our workforce may organize and labor agreements may be put in place that have significantly higher labor rates and company obligations; at the same time, our competitors may maintain significantly lower

labor costs, thereby reducing or eliminating our comparative advantages vis-à-vis one or more of our competitors or the larger industry; additionally, our labor costs may increase in connection with our growth.

Significant interruptions in our access to certain supply chains for key inputs such as raw materials, electricity, water and other utilities may impair our cannabis growing operations.

Our business is dependent on a number of key inputs and their related costs (certain of which are sourced in other countries and on different continents), including raw materials, supplies and equipment related to our operations, as well as electricity, water and other utilities. Recently, the Wuhan coronavirus has spread across the world, and it may develop into a pandemic. We operate global manufacturing facilities, and have dispersed suppliers and customers. If a disease spreads sufficiently to cause a pandemic (or to cause the fear of a pandemic to rise) or governments regulate or restrict the flow of labor or products, the Company's operations, suppliers, customers and distribution channels could be severely impacted. Such a pandemic could also have an adverse impact on consumer demand for our products and prices for our raw materials. Any significant interruption, price increase or negative change in the availability or economics of the supply chain for key inputs and, in particular, rising or volatile energy costs could curtail or preclude our ability to continue production. In addition, our operations would be significantly affected by a prolonged power outage.

Our ability to compete and grow cannabis is dependent on us having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that we will be successful in maintaining our required supply of labor, equipment, parts and components.

Fluctuations in cannabinoid prices relative to contracted prices with third party suppliers could negatively impact our earnings.

A portion of our results of operations and financial condition, as well as the selling prices for our products, are dependent upon cannabinoid supply contracts. As part of our normal course operations, we periodically enter into large and medium-to-long-term supply contracts with third-party growers. Production and pricing of cannabinoids are determined by constantly changing market forces of supply and demand over which we have limited or no control. The market for cannabis biomass is particularly volatile compared to other commoditized markets due to the relatively nascent maturity of the industry in which we operate. Furthermore, the lack of centralized data and large variations in product quality make it difficult to establish a “spot price” for cannabinoids, and develop an effective price hedging strategy. Accordingly, supply contracts with any term may prove to be costly in the future to the extent cannabinoid prices decrease dramatically or at a faster rate than anticipated. Furthermore, supply contracts typically include minimum purchase requirements which could force us to buy significant quantities of product at non-competitive prices in a rapidly changing market.

If we are unable to price our products competitively as a result of committed supply contracts that do not reflect current or future market prices, then our profitability, financial condition and results of operations could be materially and adversely affected.

We may not be able to transport our cannabis products to consumers in a safe and efficient manner.

Due to our direct-to-consumer shipping model for medical cannabis in Canada, we depend on fast and efficient third-party transportation services to distribute our medical cannabis products. We also use such services to transfer bulk shipments to provinces and territories for further distribution to consumers. Any prolonged disruption of third-party transportation services, such as the ongoing Canada Post labor disruptions, could have a material adverse effect on our sales volumes or satisfaction with our services. Rising costs associated with third-party transportation services used by us to ship our products may also adversely impact our profitability, and more generally our business, financial condition and results of operations.

The security of our products during transportation to and from our facilities is of the utmost concern. A breach of security during transport or delivery could result in the loss of high-value product and forfeiture of import and export approvals, since such approvals are shipment specific. Any failure to take steps necessary to ensure the safekeeping of our cannabis could also have an impact on our ability to continue supplying provinces and territories, to continue operating under our existing licenses, to renew or receive amendments to our existing licenses or to receive required new licenses.

Our cannabis products may be subject to recalls for a variety of reasons, which could require us to expend significant management and capital resources.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, adulteration, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Although we have detailed procedures in place for testing finished cannabis products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits, whether frivolous or otherwise. If any of the cannabis products produced by us are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. As a result of any such recall, we may lose a significant amount of sales and may not be able to replace those sales at an acceptable gross profit or at all. In addition, a product recall may require significant management attention or damage our reputation and goodwill or that of our products or brands.

We have experienced product recalls in the past. For example, in April 2019, we commenced a recall of one lot of prerolls supplied to the Canadian adult-use market due to labeling error. In each of our prior recalls, we were able to complete the recall or withdrawal; however, there is no assurance that such incidents will not result in regulatory action or civil lawsuits, whether frivolous or otherwise, or an adverse effect on our reputation or goodwill, or that of our products or brands.

Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada or other regulatory agencies, requiring further management attention, increased compliance costs and potential legal fees, fines, penalties and other expenses. Any product recall affecting the cannabis industry more broadly, whether or not involving us, could also lead consumers to lose confidence in the safety and security of the products sold by Licensed Producers generally, including products sold by us.

We may be subject to product liability claims or regulatory action if our products are alleged to have caused significant loss or injury. This risk is exacerbated by the fact that cannabis use may increase the risk of serious adverse side effects.

As a manufacturer and distributor of products which are ingested by humans, we face the risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused loss or injury. We may be subject to these types of claims due to allegations that our products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, symptoms for individuals with bipolar disorder, and other side effects. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could also occur. In addition, the manufacture and sale of cannabis products, like the manufacture and sale of any ingested product, involves a risk of injury to consumers due to tampering by unauthorized third parties or product contamination. We have in the past recalled, and may again in the future have to recall, certain of our cannabis products as a result of potential contamination and quality assurance concerns. A product liability claim or regulatory action against us could result in increased costs and could adversely affect our reputation and goodwill with our patients and consumers generally. There can be no assurance that we will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in us becoming subject to significant liabilities that are uninsured and also could adversely affect our commercial arrangements with third parties.

We rely on third-party distributors to distribute our products, and those distributors may not perform their obligations.

We rely on third-party distributors, including pharmaceutical distributors, courier services, and government agencies, and may in the future rely on other third parties, to distribute our products. If these distributors do not successfully carry out their contractual duties, if there is a delay or interruption in the distribution of our products, such as the Canada Post labor disruptions previously experienced, or if these third parties damage our products, it could negatively impact our revenue from product sales. Any damage to our products, such as product spoilage,

could expose us to potential product liability, damage our reputation and the reputation of our brands or otherwise harm our business.

We, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception.

We believe that the cannabis industry is highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis distributed to consumers. The perception of the cannabis industry and cannabis products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to cannabis products or the activities of industry participants. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular cannabis product or will be consistent with earlier publicity. Adverse future scientific research reports, findings and regulatory proceedings that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our cannabis products. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis, or our products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could adversely affect us. This adverse publicity could arise even if the adverse effects associated with cannabis products resulted from consumers' failure to use such products legally, appropriately or as directed.

Certain events or developments in the cannabis industry more generally may impact our reputation.

Damage to our reputation can result from the actual or perceived occurrence of any number of events, including any negative publicity, whether true or not. As a producer and distributor of cannabis, which is a controlled substance in Canada that has previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that our business might attract negative publicity. There is also a risk that the actions of other Licensed Producers or of other companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views in regards to our activities and the cannabis industry in general, whether true or not.

We do not ultimately have direct control over how we or the cannabis industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our business strategy and realize on our growth prospects.

Licensed Producers are constrained by law in their ability to market their products in Canada.

The development of our business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits our ability to compete for market share in a manner similar to other industries. All products we distribute into the Canadian adult-use market must comply with requirements under Canadian legislation, including with respect to product formats, product packaging, product composition and marketing activities around such products. As such, our portfolio of brands and products has been specifically adapted, and our marketing activities carefully structured, to enable us to develop our brands in an effective and compliant manner. If we are unable to effectively market our cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our cannabis products, then our sales and operating results could be adversely affected.

If we are not able to comply with all safety, health and environmental regulations applicable to our operations and industry, we may be held liable for any breaches of those regulations.

Safety, health and environmental laws and regulations affect nearly all aspects of our operations, including product development, working conditions, waste disposal, emission controls, the maintenance of air and water quality standards and land reclamation, and, with respect to environmental laws and regulations, impose limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Continuing to meet GMP standards, which we follow voluntarily, requires satisfying additional standards for the conduct of our operations and subjects us to ongoing compliance inspections in respect of these standards. Compliance with safety, health and environmental laws and regulations can require significant expenditures, and failure to comply with such safety, health and environmental laws and regulations may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, the imposition of clean-up costs resulting from contaminated properties, the imposition of damages and the loss of or refusal of governmental authorities to issue permits or licenses to us or to certify our compliance with GMP standards. Exposure to these liabilities may arise in connection with our existing operations, our historical operations and operations that we may undertake in the future. We could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurance that we will at all times be in compliance with all safety, health and environmental laws and regulations notwithstanding our attempts to comply with such laws and regulations.

Changes in applicable safety, health and environmental standards may impose stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. We are not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on our industry, operations and/or activities and our resulting financial position; however, we anticipate that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental laws and regulations. Further changes in safety, health and environmental laws and regulations, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits in relation thereto, may require increased compliance expenditures by us.

We may not be able to obtain adequate insurance coverage in respect of the risks our business faces, the premiums for such insurance may not continue to be commercially justifiable or there may be coverage limitations and other exclusions which may result in such insurance not being sufficient to cover potential liabilities that we face.

We currently have insurance coverage, including product liability insurance, protecting many, but not all, of our assets and operations. Our insurance coverage is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities, including potential product liability claims, or will be generally available in the future or, if available, that premiums will be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, we may be exposed to material uninsured liabilities that could impede our liquidity, profitability or solvency.

We may become subject to liability arising from any fraudulent or illegal activity by our employees, contractors, consultants and others.

We are exposed to the risk that our employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on our behalf or in our service that violate: (i) government regulations, specifically Health Canada regulations; (ii) manufacturing standards; (iii) Canadian federal and provincial healthcare laws and regulations; (iv) laws that require the true, complete and accurate reporting of financial information or data; (v) United States federal laws banning the possession, sale or importation of cannabis into the United States and prohibiting the financing of activities outside the United States that are unlawful under Canadian or other foreign laws or (vi) the terms of our agreements with insurers. In particular, we could be exposed to class action and other litigation, increased Health Canada inspections and related sanctions, the loss of current GMP compliance certifications or the inability to obtain future GMP compliance certifications, lost sales and revenue or reputational damage as a result of prohibited activities that are undertaken in the growing or production process of our products without our knowledge or permission and contrary to our internal policies, procedures and operating requirements.

We cannot always identify and prevent misconduct by our employees and other third parties, including service providers and licensors, and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown, unanticipated or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from such misconduct. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal or administrative penalties, damages, monetary fines and contractual damages, reputational harm, diminished profits and future earnings or curtailment of our operations.

We may experience breaches of security at our facilities or loss as a result of the theft of our products.

Because of the nature of our products and the limited legal channels for distribution, as well as the concentration of inventory in our facilities, we are subject to the risk of theft of our products and other security breaches. A security breach at any one of our facilities could result in a significant loss of available products, expose us to additional liability under applicable regulations and to potentially costly litigation or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on our business, financial condition and results of operations.

We may be subject to risks related to our information technology systems, including the risk that we may be the subject of a cyber-attack and the risk that we may be in non-compliance with applicable privacy laws.

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology, or IT, services in connection with our operations. Our operations depend, in part, on how well we and our vendors protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism, theft, malware, ransomware and phishing attacks. Any of these and other events could result in IT system failures, delays or increases in capital expenses. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment and IT systems and software, as well as preemptive expenses to mitigate the risks of failures. The failure of IT systems or a component of IT systems could, depending on the nature of any such failure, adversely impact our reputation and results of operations.

There are a number of laws protecting the confidentiality of certain patient health information and other personal information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the Personal Information Protection and Electronics Documents Act (Canada), or the PIPEDA, the European Unions' General Data Protection Regulation ("GDPR"), and similar laws in other jurisdictions, protect medical records and other personal health information by limiting their use and disclosure to the minimum level reasonably necessary to accomplish the intended purpose. We collect and store personal information about our consumers and are responsible for protecting that information from privacy breaches. A privacy breach may occur through a procedural or process failure, an IT malfunction or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated through employee collusion or negligence or through deliberate cyber-attack. Moreover, if we are found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, including as a result of data theft and privacy breaches, we could be subject to sanctions and civil or criminal penalties, which could increase our liabilities and harm our reputation.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. While we have implemented security resources to protect our data security and information technology systems, such measures may not prevent such events. Significant disruption to our information technology system or breaches of data security could have a material adverse effect on our business financial condition and results of operations.

We may be unable to sustain our revenue growth and development.

Our revenue has grown in recent years. Our ability to sustain this growth will depend on a number of factors, many of which are beyond our control, including, but not limited to, the availability of sufficient capital on suitable terms, changes in laws and regulations respecting the production and distribution of cannabis products, competition from other Licensed Producers, the size of the black market, the size of the Canadian adult-use market, and our ability to produce sufficient volumes of our cannabis-based products to meet demand. Regulatory changes in the United States, Germany and Canada may continue to attract market entrants, therefore diluting our potential opportunity and early-mover advantage. In addition, we are subject to a variety of business risks generally associated with developing companies. Future development and expansion could place significant strain on our management personnel and likely will require us to recruit additional management personnel, and there is no assurance that we will be able to do so.

We may be unable to expand our operations quickly enough to meet demand or manage our operations beyond their current scale.

There can be no assurance that we will be able to manage our expanding operations, including any acquisitions, effectively, that we will be able to sustain or accelerate our growth or that such growth, if achieved, will result in profitable operations, that we will be able to attract and retain sufficient management personnel necessary for continued growth or that we will be able to successfully make strategic investments or acquisitions.

Demand for cannabis-based products is dependent on a number of social, political and economic factors that are beyond our control. There is no assurance that an increase in existing demand will occur, that we will benefit from any such demand increase or that our business will remain profitable even in the event of such an increase in demand. If we are unable to achieve or sustain profitability, the value of our Class 2 common stock and the notes may significantly decrease.

The cannabis industry continues to face significant funding challenges, and we may not be able to secure adequate or reliable sources of funding required to operate our business or increase our production to meet consumer demand for our products.

The continued development of our business will require significant additional financing, and there is no assurance that we will obtain the financing necessary to be able to achieve our business objectives. Our ability to obtain additional financing will depend on investor demand, our performance and reputation, market conditions and other factors. Our inability to raise such capital could result in the delay or indefinite postponement of our current business objectives or in our inability to continue to carry on our business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to us.

In addition, from time to time, we may enter into transactions to acquire assets or the capital stock or other equity interests of other entities. Our continued growth may be financed, wholly or partially, with debt, which may increase our debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions that, if breached, may entitle lenders or their agents to accelerate the repayment of loans or realize a first priority security over our significant operating assets, and there is no assurance that we would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to any such debt financing.

Our senior secured credit facility contains covenant restrictions that may limit our ability to operate our business.

On February 28, 2020, we entered into a senior secured credit facility with Bridging Finance Inc. in an aggregate principal amount of $59.6 million (C$79.8 million) (the "Senior Facility"). The Senior Facility contains, and any of our other future debt agreements may contain, covenant restrictions that limit our ability to operate our business, including restrictions on our ability to, among other things, incur additional debt or issue guarantees, create additional liens, repurchase stock or make other restricted payments, and make certain voluntary prepayments of specified debt. As a result of these covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing as needed, may be restricted. Furthermore, our failure to comply with our debt covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt. If any of our debt is accelerated, we may not have sufficient funds available to repay it.

Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

As of December 31, 2019, we had $475 million in aggregate principal indebtedness (refer to Note 13 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K).

On February 28, 2020, we entered into the Senior Facility with an aggregate principal amount of $59.6 million (C$79.8 million). Our substantial consolidated indebtedness may increase our vulnerability to any generally adverse economic and industry conditions. We and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our current and future indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business has not generated positive cash flow from operations. If this continues into the future, we may not have sufficient cash flows to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our current and future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We incur increased costs as a result of operating as a public company and our management is required to devote substantial time to new compliance initiatives.

As a public company, we have incurred and will incur significant legal, accounting and other expenses that we did not incur prior to our IPO. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and rules implemented by the SEC and the Nasdaq Global Select Market, impose various requirements on public companies, including requirements to file annual, quarterly and event-driven reports with respect to our business and financial condition and operations and establish and maintain effective disclosure and financial controls and corporate governance practices. Effective January 1, 2020, we became a "large accelerated filer" under SEC reporting rules and, and are required to file our annual report and quarterly reports more quickly than we previously had been required to file them, which may require us to dedicate additional resources to the timely filing of such reports. In addition, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, we are required to furnish a report by our management on our Internal Controls over Financial Reporting ("ICFR"), which must be accompanied by an attestation report on ICFR issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we have documented and evaluated our ICFR, which has been both costly and challenging. We expect our costs to increase substantially in order to comply with these additional and more burdensome requirements. Our existing management team has and will continue to devote a substantial amount of time to these compliance initiatives, and we may need to hire additional personnel to assist us with complying with these requirements. Moreover, these rules and regulations have increased and will continue to increase our legal and financial compliance costs and will make some activities more time consuming and costly.

Management may not be able to successfully implement adequate internal controls over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rules 13a-15(f) and 15d(f) under the Exchange Act, internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with United States Generally Accepted

Accounting Principles (“U.S. GAAP”). Our management and other personnel have limited experience operating a public company, which may result in a failure of our ICFR and Disclosure Controls and Procedures (“DCP”) necessary to ensure timely and accurate reporting of operational and financial results. Due to inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls, or fraud.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2019 we identified material weaknesses in two components of internal control as defined by COSO 2013 (Control Environment and Control Activities).

We did not maintain an effective control environment based on the criteria established in the COSO framework. We have identified deficiencies in the principles associated with the control environment of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) appropriate organizational structure, reporting lines, and authority and responsibilities in pursuit of objectives, (ii) our commitment to attract, develop, and retain competent individuals, and (iii) holding individuals accountable for their internal control related responsibilities.

As of December 31, 2019, we did not maintain an effective control environment to allow for the accurate and timely filing of our financial statements primarily attributable to the following factor:

- We did not have a sufficient complement of accounting and financial reporting personnel with an appropriate level of knowledge, US GAAP proficiency, experience and training commensurate with our financial reporting requirements.

We did not fully design and implement effective control activities based on the criteria established in the COSO framework. We have identified deficiencies in the principles associated with the control activities component of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) Selecting and developing control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels, (ii) deploying control activities through policies that establish what is expected and procedures that put policies into action.

We did not have effective controls in response to the risks of material misstatement. This material weakness is primarily attributable to the following factors:

- We did not have an adequate process or appropriate controls in place to support the accurate reporting of our financial results and disclosures on our Form 10-K.
- We did not have effective controls over the completeness and accuracy of key spreadsheets and reports used in financial reporting.
- We did not have adequate review procedures around the recording of manual entries.

Due to the existence of the above material weaknesses, management, including the CEO and CFO, has concluded that our internal control over financial reporting was not effective as of December 31, 2019. These material weaknesses create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis.

Conflicts of interest may arise between us and our directors and officers as a result of other business activities undertaken by such individuals.

We may be subject to various potential conflicts of interest because some of our directors and executive officers may be engaged in a range of business activities. In addition, our directors and executive officers are permitted under their applicable agreements with us to devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to us and subject to any contractual restrictions restricting such activities. These business interests could require the investment of significant time and attention by our executive officers and directors. In some cases, our executive officers and directors, including our Chief Executive Officer and President, Brendan Kennedy and board member, Michael Auerbach, may have fiduciary obligations associated with business interests that interfere with their ability to devote time to our business and affairs, which could adversely affect our operations. Please refer to "Part II, Item 8. Note 22 – Related-Party Transactions" to our financial statements appearing elsewhere in this Annual Report on Form 10-K for further details.

Third parties with whom we do business may perceive themselves as being exposed to reputational risk as a result of their relationship with us.

The parties with whom we do business, or would like to do business, may perceive that they are exposed to reputational risk as a result of our business activities relating to cannabis, which could hinder our ability to establish or maintain business relationships. These perceptions relating to the cannabis industry may interfere with our relationship with service providers, particularly in the financial services industry.

Tax and accounting requirements may change in ways that are unforeseen to us and we may face difficulty or be unable to implement or comply with any such changes.

We are subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on our financial results, the manner in which we conduct our business or the marketability of any of our products. We currently have international operations and plan to expand such operations in the future. These operations, and any expansion thereto, will require us to comply with the tax laws and regulations of multiple jurisdictions, which may vary substantially. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we were to fail to comply.

Because a significant portion of our sales are generated in Canada, fluctuations in foreign currency exchange rates could harm our results of operations.

The reporting currency for our financial statements is the United States dollar. We derive a significant portion of our revenue and incur a significant portion of our operating costs in Canada, and changes in exchange rates between the Canadian dollar and the United States dollar may have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused by fluctuations in the exchange rates between the United States dollar and the Canadian dollar, although as we expand internationally, we will be subject to additional foreign currency exchange risks. Because we recognize revenue in Canada in Canadian dollars, if the Canadian dollar weakens against the United States dollar it would have a negative impact on our Canadian operating results upon the translation of those results into U.S. dollars for the purposes of consolidation. In addition, a weakening of the Canadian dollar against the United States dollar would make it more difficult for us to meet our obligations under the convertible notes. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on our results of operations.

We may have exposure to greater than anticipated tax liabilities, which could seriously harm our business.

Our income tax obligations are based on our corporate operating structure and third-party and intercompany arrangements, including the manner in which we develop, value and use our intellectual property and

the valuations of our intercompany transactions. The tax laws applicable to our international business activities, including the laws of the United States, Canada and other jurisdictions, are subject to change and uncertain interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology, intercompany arrangements or transfer pricing, which could increase our worldwide effective tax rate and the amount of taxes that we pay and seriously harm our business. Taxing authorities may also determine that the manner in which we operate our business is not consistent with how we report our income, which could increase our effective tax rate and the amount of taxes that we pay and could seriously harm our business. In addition, our future income taxes could fluctuate because of earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in tax laws, regulations or accounting principles. We are subject to regular review and audit by United States federal and state and foreign tax authorities. Any adverse outcome from a review or audit could seriously harm our business. In addition, determining our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that the amounts recorded in our financial statements are reasonable, the ultimate tax outcome relating to such amounts may differ for such period or periods and may seriously harm our business.

The long-term effect of United States tax reform could adversely affect our business and financial condition.

On December 22, 2017, the legislation commonly referred to as the Tax Cuts and Jobs Act was enacted, which contains significant changes to United States tax law, including, but not limited to, a reduction in the corporate tax rate, limitation of the tax deduction for interest expense (with certain exceptions), limitation of the deduction for net operating losses arising after 2017 to 80% of current year taxable income and elimination of carryback of such net operating losses, one-time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, modifying or repealing many business deductions and credits, deemed repatriation of certain intangible related income and a transition to a new quasi-territorial system of taxation. Notwithstanding the reduction in the corporate income tax rate, our business and financial condition could be adversely affected in future periods by the overall impact of the Tax Act. In addition, the Tax Act could be amended or subject to technical correction, possibly with retroactive effect, which could change the financial impacts that were recorded at December 31, 2019, or are expected to be recorded in future periods. Additionally, further guidance may be forthcoming from the Financial Accounting Standards Board and SEC, as well as regulations, interpretations and rulings from federal and state tax agencies, which could result in additional impacts, possibly with retroactive effect. Any such changes or potential additional impacts could adversely affect our business and financial condition. We will continue to examine and assess the impact this tax reform legislation may have on our business.

As a result of an investment in our securities, you could be prevented from entering the United States or become subject to a lifetime ban on entry into the United States.

United States Customs and Border Protection (“CBP”) has confirmed that border agents may seek to permanently ban any foreign visitor who admits to working or investing in the cannabis industry, or admits to having used cannabis, even though adult-use cannabis is now legal in Canada. CBP confirmed that investing even in publicly-traded cannabis companies is considered facilitation of illicit drug trade under CBP policy. This policy is limited to citizens of foreign countries and not citizens of the United States. Therefore, as a result of an investment in our securities, if you are not a citizen of the United States, you could be prevented from entering the United States or could become subject to a lifetime ban on entry into the United States.

Risks Related to our Intellectual Property

We may be subject to risks related to the protection and enforcement of our intellectual property rights, or intellectual property we license from others, and may become subject to allegations that we or our licensors are in violation of intellectual property rights of third parties.

The ownership, licensing and protection of trademarks, patents and intellectual property rights are significant aspects of our future success. Unauthorized parties may attempt to replicate or otherwise obtain and use our products and technology. Policing the unauthorized use of our current or future trademarks, patents or other

intellectual property rights now or in the future could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against the unauthorized use by others. Identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors, including parties such as unlicensed dispensaries and black-market participants, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of our trademarks, patents or other intellectual property rights or other proprietary know-how, and that which we license from others, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed or may be interpreted narrowly and such proceeding could put existing intellectual property applications at risk of not being issued.

In addition, other parties may claim that our products, or those that we license from others, infringe on their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages. As well, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us, or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property that we do not own.

We also rely on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. Our trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to or be independently developed by competitors, which could adversely affect us.

We license some intellectual property rights, and the failure of the owner of such intellectual property to properly maintain or enforce the intellectual property underlying such licenses could have a material adverse effect on our business, financial condition and performance.

We are party to a number of licenses, including with entities formerly affiliated with the former Privateer Holdings, that give us rights to use third-party intellectual property that is necessary or useful to our business. Our success will depend, in part, on the ability of the licensor to maintain and enforce its licensed intellectual property, in particular, those intellectual property rights to which we have secured exclusive rights. Without protection for the intellectual property we have licensed, other companies might be able to offer substantially similar products for sale or utilize substantially similar processes, which could have a material adverse effect on us.

Any of our licensors may allege that we have breached our license agreement, whether with or without merit, and accordingly seek to terminate our license. If successful, this could result in our loss of the right to use the licensed intellectual property, which could adversely affect our ability to commercialize our products or services, as well as have a material adverse effect on us.

We may not realize the full benefit of the clinical trials or studies that we participate in because the terms of some of our agreements to participate do not give us full rights to the resulting intellectual property, the ability to acquire full rights to that intellectual property on commercially reasonable terms or the ability to prevent other parties from using that intellectual property.

Although we have participated in several clinical trials, we are not the sponsor of many of these trials and, as such, do not have full control over the design, conduct and terms of the trials. In some cases, for instance, we are only the provider of a cannabis study drug for a trial that is designed and initiated by an independent investigator within an academic institution. In such cases, we are often not able to acquire rights to all the intellectual property generated by the trials. Although the terms of all clinical trial agreements entered into by us provide us with, at a minimum, ownership of intellectual property relating directly to the study drug being trialed (*e.g.* intellectual property relating to use of the study drug), and ownership of intellectual property that does not relate directly to the study drug is often retained by the institution. As such, we are vulnerable to any dispute among the investigator, the institution and us with respect to classification and therefore ownership of any particular piece of intellectual property generated during the trial. Such a dispute may affect our ability to make full use of intellectual property generated by a clinical trial.

Where intellectual property generated by a trial is owned by the institution, we are often granted a right of first negotiation to obtain an exclusive license to such intellectual property. If we exercise such a right, there is a risk

that the parties will fail to come to an agreement on the license, in which case such intellectual property may be licensed to other parties or commercialized by the institution.

We may not realize the full benefit of our licenses if the licensed material has less market appeal than expected, or if restrictions on packaging and marketing hinder our ability to realize value from our licenses, and our licenses may not be profitable to us.

An integral part of our Canadian adult-use cannabis business strategy involves obtaining territorially exclusive licenses to produce products using various brands and images. As a licensee of brand-based properties, we have no assurance that a particular brand or property will translate into a successful adult-use cannabis product. Additionally, a successful brand may not continue to be successful or maintain a high level of sales. As well, the popularity of licensed properties may not result in popular products or the success of the properties with the public. Promotion, packaging and labelling of adult-use cannabis is strictly regulated. These restrictions may further hinder our ability to benefit from our licenses. Acquiring or renewing licenses may require the payment of minimum guaranteed royalties that we consider to be too high to be profitable, which may result in losing licenses we currently hold when they become renewable under their terms or missing business opportunities for new licenses. If we are unable to acquire or maintain successful licenses on advantageous terms, or to derive sufficient revenue from sales of licensed products, our adult-use business may not be successful.

Risks Related to Ownership of Our Securities

Holders of Class 2 common stock have limited voting rights as compared to holders of Class 1 common stock. We cannot predict the impact that our capital structure and concentrated control by former Privateer Holdings stockholders may have on the market price of our Class 2 common stock.

Following consummation of the Downstream Merger, Brendan Kennedy (our Chief Executive Officer and President and a director), Michael Blue and Christian Groh, including individual and affiliated entities, beneficially own or control approximately 75% of the voting power of our capital stock. Class 1 common stock, held entirely by such individuals and affiliated entities, has 10 votes per share, resulting in such individuals and affiliated entities controlling a majority of the voting power of all outstanding shares of our capital stock and control of all matters that may be submitted to our stockholders for approval as long as they hold at least approximately 10% of all outstanding shares of our capital stock. Generally, a transfer by these individuals and entities of the Class 1 common stock they hold would cause a conversion of such shares into Class 2 common stock (including, if there is a transfer of Class 1 common stock, or entering into a binding agreement with respect to the power to vote or direct the voting of such shares). However, a transfer to certain entities controlled by such individuals, such as estate planning entities, would not result in a conversion and these individuals would continue to hold Class 1 common stock the superior voting rights of 10 votes per share. This concentrated control reduces other stockholders' ability to influence corporate matters and, as a result, we may take actions that our stockholders other than Messrs. Kennedy, Blue and Groh do not view as beneficial. Further, the concentration of the ownership of our Class 1 common stock may prevent or delay the consummation of change of control transactions that stockholders other than or Messrs. Kennedy, Blue and Groh may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. As a result, the market price of our Class 2 common stock could be adversely affected.

Additionally, while other companies listed on United States stock exchanges have publicly traded classes of stock with limited voting rights, we cannot predict whether this structure, combined with concentrated control by Messrs. Kennedy, Blue and Groh will result in a lower trading price or greater fluctuations in the trading price of our Class 2 common stock as compared to the market price were we to have a single class of common stock, or will result in adverse publicity or other adverse consequences.

The price of our Class 2 common stock in public markets has experienced and may experience significant fluctuations.

The market price for our Class 2 common stock, and the market price of stock of other companies operating in the cannabis industry, has been extremely volatile. For example, during the year ended December 31, 2019, the trading price of our Class 2 common stock has fluctuated between a low sales price of $15.57and a high sales price of $106.00 per share, demonstrating an unusual degree of volatility even relative to other cannabis companies during the same time period. The market price of our Class 2 common stock may continue to be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following: (i) actual or anticipated fluctuations in our quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to us; (iv) the addition or departure of our executive officers or other key personnel; (v) the release or expiration of lock-up or other transfer restrictions on our common stock, including as it relates to the Downstream Merger; (vi) sales or perceived sales, or the expectation of future sales, of our common stock; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the cannabis industry or our target markets; and (ix) the impact of the Downstream Merger.

Future sales or distributions of our securities, including by former Privateer Holdings stockholders who received shares of our common stock in the Downstream Merger, could cause the market price for our Class 2 common stock to fall significantly.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the market perception that the holders of a large number of shares of our Class 2 common stock, or shares of our Class 1 common stock which are convertible into Class 2 common stock on a one-for-one basis, intend to sell our Class 2 common stock, could significantly reduce the market price of our Class 2 common stock.

Pursuant to the Downstream Merger, former Privateer Holdings stockholders who received shares of our common stock in the Downstream Merger entered into a lock-up agreement. Each Privateer Holdings equity holder who received shares of our stock in the Downstream Merger is subject to a lock-up allowing for the sale of such shares only under certain circumstances over a two-year period. During the first year following the closing of the Downstream Merger, unless otherwise approved by us, shares will be released only pursuant to certain offerings or sales arranged by and at our discretion. We may also determine to release shares from the lock-up in the absence of an offering or arranged sale if we determine it to be in the Company's best interest. At the end of the first year, to the extent not already released at our discretion as a result of the aforementioned offerings or sales or otherwise, 50 percent of the total shares subject to the lock-up will be released, or approximately 37.5 million shares. Over the course of the second year following closing, the remaining shares will be subject to a staggered release in four equal quarterly increments, which we also could choose to waive to allow earlier release in our discretion.

We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of our Class 2 common stock. Shares held by former Privateer stockholders represent approximately 75 million shares or 73% of our currently outstanding shares and, therefore, a significant overhang on our stock. If 50 percent of the former Privateer Holdings stockholders are released on the one-year anniversary of the Downstream Merger or a significant portion were released earlier by us, it could put significant downward pricing pressure on our stock. If the market price of our Class 2 common stock were to drop as a result, this might impede our ability to raise additional capital and might cause our remaining stockholders to lose all or part of their investment.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our stock price and trading volume could decline.

The trading market for our Class 2 common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the securities or industry analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

We may not have the ability to raise the funds necessary to settle conversions of the convertible notes in cash or to repurchase the convertible notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the convertible notes.

Holders of the convertible notes have the right to require us to repurchase their convertible notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the convertible notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the convertible notes, unless we elect to deliver solely shares of our Class 2 common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the convertible notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of convertible notes surrendered. In addition, our ability to repurchase the convertible notes or to pay cash upon conversions of the convertible notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase convertible notes at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the convertible notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the convertible notes or make cash payments upon conversions thereof.

The conditional conversion feature of the convertible notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the convertible notes is triggered, holders of convertible notes will be entitled to convert the convertible notes at any time during specified periods at their option. If one or more holders elect to convert their convertible notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class 2 common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders of convertible notes do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the convertible notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Holders of our Class 2 common stock may be subject to dilution resulting from future offerings of common stock by us.

We may raise additional funds in the future by issuing common stock or equity-linked securities. Holders of our securities have no preemptive rights in connection with such further issuances. Our board of directors has the discretion to determine if an issuance of our capital stock is warranted, the price at which such issuance is to be effected and the other terms of any future issuance of capital stock. In addition, additional common stock will be issued by us in connection with the exercise of options or grant of other equity awards granted by us. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of our existing securities.

Conversion of the convertible notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our Class 2 common stock.

The conversion of some or all of the convertible notes may dilute the ownership interests of our stockholders. Upon conversion of the convertible notes, we have the option to pay or deliver, as the case may be, cash, shares of our Class 2 common stock, or a combination of cash and shares of our Class 2 common stock. If we elect to settle our conversion obligation in shares of our Class 2 common stock or a combination of cash and shares of our Class 2 common stock, any sales in the public market of our Class 2 common stock issuable upon such conversion could adversely affect prevailing market prices of our Class 2 common stock. In addition, the existence of the convertible notes may encourage short selling by market participants because the conversion of the convertible notes could be used to satisfy short positions, or anticipated conversion of the convertible notes into shares of our Class 2 common stock could depress the price of our Class 2 common stock.

It is not anticipated that any dividends will be paid to holders of our Class 2 common stock for the foreseeable future, if any.

No dividends on our Class 2 common stock have been paid to date. We anticipate that, for the foreseeable future, we will retain future earnings and other cash resources for the operation and development of our business. The payment of any future dividends will be at the discretion of our board of directors after taking into account many factors, including our earnings, operating results, financial condition and current and anticipated cash needs.

Provisions in our corporate charter documents could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Class 2 common stock, thereby depressing the market price of our Class 2 common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include the following:

- our board of directors is divided into three classes with staggered three-year terms which may delay or prevent a change of our management or a change in control;
- our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- our stockholders may not act by written consent or call special stockholders' meetings; as a result, a holder, or holders, controlling a majority of our capital stock would not be able to take certain actions other than at annual stockholders' meetings or special stockholders' meetings called by the board of directors, the chairman of the board or our chief executive officer;
- our certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company; and
- our board of directors may issue, without stockholder approval, shares of undesignated preferred stock; the ability to issue undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

Certain jurisdictions may take positions adverse to investments in, or investors themselves, in cannabis companies.

Certain jurisdictions may prohibit or restrict its citizens or residents from investing in or transacting with companies involved in the cannabis industry, even if such companies only conduct business in jurisdictions where cannabis is legal. For example, if an investor in the United Kingdom profits from an investment in a cannabis producer or supplier, such investment may technically violate the United Kingdom Proceeds of Crime Act 2002. Similar prohibitions or restrictions may apply in other jurisdictions where cannabis has not been legalized. In addition, such prohibitions and restriction may limit your ability to receive dividends if such dividends were to be declared in the future. However, no dividends on our Class 2 common stock have been paid to date and we do not anticipate that, for the foreseeable future, we will pay dividends on our Class 2 common stock.

Certain provisions in the indenture governing the convertible notes may delay or prevent an otherwise beneficial takeover attempt of us.

Certain provisions in the indenture governing the convertible notes may make it more difficult or expensive for a third party to acquire us. For example, the indenture governing the convertible notes requires us to repurchase the convertible notes for cash upon the occurrence of a fundamental change and, in certain circumstances, to increase the relevant conversion rate for a holder that converts its convertible notes in connection with a make-whole fundamental change. A takeover of us may trigger the requirement that we repurchase the convertible notes and/or increase the conversion rate, which could make it more costly for a potential acquirer to engage in such takeover. Such additional costs may have the effect of delaying or preventing a takeover of us that would otherwise be beneficial to investors.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty;
- any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine.

Our amended and restated certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. This exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Our restated certificate of incorporation also provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to this choice of forum provision. It is possible that a court of law could rule that the choice of forum provision contained in our restated certificate of incorporation is inapplicable or unenforceable if it is challenged in a proceeding or otherwise.

These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find the exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our headquarters is located in Nanaimo, British Columbia. Our Nanaimo campus is comprised of one manufacturing and R&D facility which we own and one leased building of office space. We also have five manufacturing locations owned or leased, located in Enniskillen, Leamington and London, Ontario, as well as in Ste. Agathe and Winnipeg, Manitoba. In Cantanhede, Portugal, we own one manufacturing location and land adjacent to this facility for future expansion. We also have leased space in Seattle, Washington, Minneapolis, Minnesota, Toronto, Ontario and Berlin, Germany to be used for general corporate and administrative purposes. We believe that our facilities and committed leased space are currently adequate to meet our needs. As we continue to expand our operations, we may need to lease additional or alternative facilities.

Item 3. Legal Proceedings.

420 Investments Ltd. Litigation

On February 21, 2020, 420 Investments Ltd., as Plaintiff ("420"), filed a lawsuit against Tilray Inc. and High Park Shops Inc. ("High Park"), as Defendants, in Calgary, Alberta in the Court of Queen's Bench of Alberta. In August 2019, Tilray and High Park entered into an Arrangement Agreement with 420 and others. Pursuant to the Arrangement Agreement, High Park was to acquire the securities of 420. In February 2020, Tilray and High Park gave notice of termination of the Arrangement Agreement. The Plaintiff alleges that the termination was unlawful and without merit and further alleges that the Defendants had no legal basis to terminate. The Plaintiff alleges that the Defendants did not meet their contractual and good faith obligations under the Arrangement Agreement. The Plaintiff seeks an order of specific performance (compelling the closing of the Arrangement Agreement). Alternatively, in the absence of specific performance, the Plaintiff seeks damages in the stated amount of C$120 million, plus C$20 million in aggravated damages. Tilray's and High Park's Statement of Defense is due March 21, 2020, and no trial date has been set.

Braun Litigation

On February 27, 2020, stockholders Braun and Noorian filed a class action and derivative complaint in the Delaware Court of Chancery styled Braun v. Kennedy, C.A. No. 2020-0137. The suit named Brendan Kennedy, Christian Groh, Michael Blue, Maryscott Greenwood, Michael Auerbach, and Privateer Evolution, LLC (as successor to Privateer Holdings, Inc.) as defendants and Tilray as a nominal defendant. The complaint asserts claims for breach of fiduciary duty against Kennedy, Groh, Blue, and Privateer Evolution, LLC for alleged breaches of fiduciary duty in their capacity as Tilray's controlling stockholders and against Kennedy, Greenwood, and Auerbach for alleged breaches of fiduciary duties in their capacities as directors and/or officers of Tilray in connection with the Downstream Merger.

The complaint alleges that the Privateer Defendants breached their fiduciary duties by causing Tilray to enter into the Downstream Merger and Tilray's Board to approve that Downstream Merger, and that Defendants Kennedy, Greenwood, and Auerbach breached their fiduciary duties as directors by approving the Downstream Merger. Plaintiffs allege that the Downstream Merger gave the Privateer Defendants hundreds of millions of dollars

of tax savings in which Tilray did not share equally and that it unfairly transferred and extended Kennedy, Blue, and Groh's control over Tilray.

We believe we have meritorious defenses to these matters and will continue to vigorously defend against them, but there are no assurances as to their outcome at this time. An adverse judgment or award against the Company in these cases could result in an event of default under the terms of the Senior Facility or the convertible notes.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any other legal proceedings other than described above, the outcome of which, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition, results of operations or prospects.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Class 2 common stock is traded on the Nasdaq Global Select Market under the symbol "TLRY."

Holders

As of March 2, 2020, there were approximately 569 holders of record of our Class 2 common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividends

We have never declared or paid dividends on our Class 2 common stock. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any declared dividends will be declared on both our Class 1 common stock and Class 2 common stock at the same rate per share. We do not intend to declare or pay cash dividends on our Class 2 common stock in the foreseeable future. Any future determination to pay dividends will be made at the discretion of our board of directors subject to applicable laws and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Because a significant portion of our operations is conducted through our wholly owned subsidiaries, our ability to pay dividends depends in part on our receipt of cash dividends from such subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization or covenants under any future outstanding indebtedness such subsidiaries incur. Our future ability to pay cash dividends on our Class 2 common stock is limited by the terms of the Senior Facility and cannot be paid without the consent of Bridging Finance Inc., as well as any future debt or preferred securities.

The equity plan compensation information called for by Item 201(d) of Regulation S-K will be set forth under the heading "Equity Compensation Plan Information" in the Company's 2020 Proxy Statement.

Recent sales of unregistered securities; use of proceeds from registered securities.

Each issuance of common stock described below, unless otherwise noted, were exempt from registration under Section 4(2) of the Securities Act 1933 in transactions by an issuer not involving a public offering.

In connection with consummation of the previously disclosed Profit Participation Agreement and Payment Agreement with ABG Intermediate Holdings 2, LLC ("ABG") on January 14, 2019, pursuant to which we purchased from ABG participation rights in up to 49% of the net (i.e. post-expense) royalties from cannabis products bearing brands currently within the ABG portfolio that ABG receives from the exploitation of certain ABG brands in connection with the development, marketing and sale of cannabis-related products, we issued 840,107 shares of Class 2 Common Stock in March 2019.

On June 12, 2019, the Company issued 28,361 shares of Class 2 Common Stock in exchange for a minority investment in a Canadian cannabis retailer that provides for collaboration between the two companies in the sale and distribution of the Company's High Park portfolio of branded cannabis products.

On July 12, 2019, the Company issued 79,289 shares of Class 2 Common Stock in connection with the acquisition of Smith & Sinclair Ltd., which crafts edible candies, cocktails and fragrances in the United Kingdom and enables the Company to develop CBD-infused edibles for distribution in Canada, the United States and Europe.

On September 13, 2019, the Company issued 128,670 shares of Class 2 Common Stock in exchange for a minority investment in a Canadian cannabis retailer that provides for collaboration between the two companies in the sale and distribution of the Company's High Park portfolio of branded cannabis products.

On September 19, 2019, the Company issued 63,747 shares of Class 2 Common Stock as a portion of the purchase consideration for a 50% equity interest in a cannabis edibles manufacturer, pursuant to which the Company and such manufacturer will develop and manufacture cannabis products for phase two of adult-use legalization in Canada.

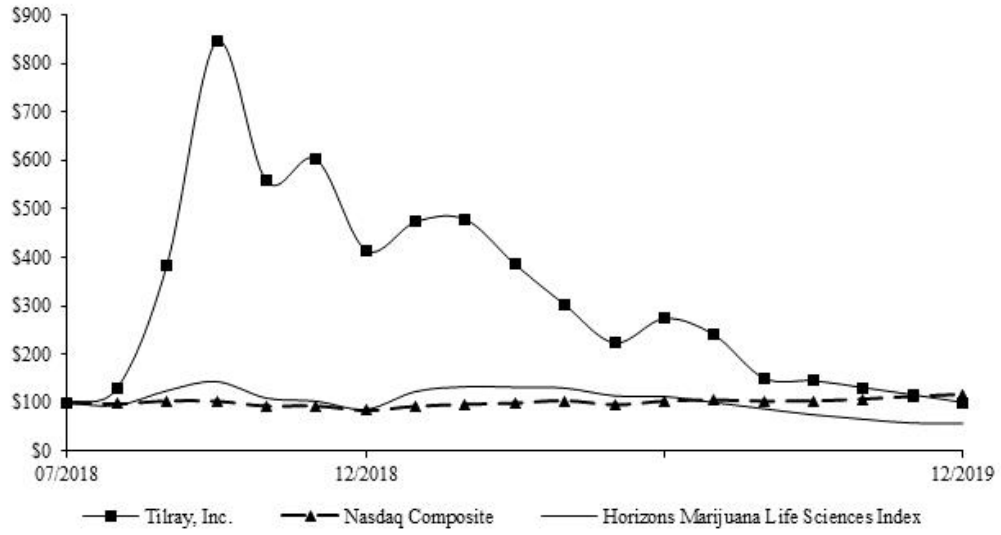
On September 20, 2019, the Company issued 161,632 shares of Class 2 Common Stock in exchange for a convertible note issued by a specialized equipment company.

On October 15, 2019 and October 22, 2019, the Company issued 2,147 shares and 2,006 shares of its Class 2 common stock, respectively, in satisfaction of certain performance milestones in connection with its previously disclosed acquisition of Natura Naturals Holdings Inc.

On August 28, 2019, the Company issued 899,306 shares of Class 2 Common Stock to FHF Holdings Ltd. as a portion of the purchase price consideration in connection with the previously disclosed acquisition of Manitoba Harvest. These securities were issued as exempt securities under Section 3(a)(10) of the Securities Act of 1933.

Stock Performance Graph

The following graph reflects the cumulative total return to our stockholders during the period from July 19, 2018 through December 31, 2019 in comparison to the indicated indexes. The results assume that $100 was invested on July 19, 2018 in our Class 2 common stock and each of the indicated indexes.



	July 18, 2018	December 31, 2018	December 31, 2019
Tilray Inc.	$ 100.00	$ 414.94	$ 100.76
Nasdaq Composite	$ 100.00	$ 84.94	$ 116.15
Horizons Marijuana Life Sciences Index	$ 100.00	$ 86.32	$ 57.12

This information under “Stock Performance Graph” is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of Tilray under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in those filings.

Item 6. Selected Financial Data.

The following selected financial data should be read together with our financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Annual Report on Form 10-K.

	Years ended December 31,			
	2019(1)	2018	2017	2016
	(in thousands of United States dollars, except for share and per share data)			
Earnings data:				
Revenue (inclusive of excise duties of $13,136, $1,200, $0 and $0 respectively)	$ 166,979	$ 43,130	$ 20,538	$ 12,644
Operating loss	$ (301,702)	$ (57,650)	$ (7,498)	$ (7,049)
Net loss	$ (321,169)	$ (67,723)	$ (7,809)	$ (7,883)
Net loss per share - basic and diluted	$ (3.20)	$ (0.82)	$ (0.10)	$ (0.11)
Balance sheet data:				
Total assets	$ 896,330	$ 656,667	$ 53,948	$ 33,093
Total liabilities, less current portion	$ 518,632	$ 433,077	$ 8,579	$ 8,576
Total stockholders' equity (deficit)	$ 285,271	$ 197,653	$ (4,852)	$ 2,528

(1) Effective January 1, 2019, we adopted new accounting pronouncements as described in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 2, "New accounting pronouncements recently adopted". Prior year balances remain unchanged.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with the financial information and the notes thereto included in Part II, Item 8 of this Form 10-K in this Annual Report for the fiscal year ended December 31, 2019 ("Annual Report"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or "forward -looking information" within the meaning of Canadian securities laws. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations. Such forward-looking statements and forward-looking information are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements or forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to, those identified in this Annual Report on Form 10-K and those discussed in the section titled "Risk Factors" set forth in Part I, Item 1A of this Annual Report on Form 10-K and in our other SEC and Canadian public filings. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K and while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. You should not rely upon forward-looking statements or forward-looking information as predictions of future events. Furthermore, such forward-looking statements or forward-looking information speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements or forward-looking information to reflect events or circumstances after the date of such statements.

Amounts are presented in thousands of United States dollars, except for per share data or as otherwise noted. The Canadian dollar ("C$") equivalents presented are derived using the average exchange rate during the reporting period. Amounts are individually converted by multiplying the United States dollar to Canadian dollar rate to determine the Canadian dollar amount.

Overview

Our vision is to build the world's most trusted and valuable cannabis and hemp company. We are pioneering the future of medical, wellness and adult-use cannabis and hemp research, cultivation, processing and distribution globally, and we are one of the leading suppliers of adult-use cannabis in Canada and a leading supplier of hemp products in North America.

We have supplied high-quality cannabis products to tens of thousands of patients in fifteen countries spanning five continents through our subsidiaries in Australia, Canada, Germany, Latin America and Portugal, and through agreements with established pharmaceutical distributors. We cultivate medical and adult-use cannabis in Canada and medical cannabis in Europe. We operate only in countries where cannabis or hemp-derived cannabinoids are legal, by which we mean the activities in those countries are permitted under all applicable federal and state or provincial and territory laws.

We are witnessing a global paradigm shift for cannabis and hemp, and as a result of this shift, the transformation of a multibillion dollar industry from a state of prohibition to a state of legalization. Medical cannabis is now authorized at the national or federal level in forty-one countries. The legal market for medical cannabis is still in its early stages and we believe the number of countries with legalized regimes will continue to increase. We believe that as this transformation occurs, trusted global brands with multinational supply chains will become market leaders by earning the confidence of patients, doctors, governments and adult consumers around the world.

We are a leader in the Canadian adult-use market. We have entered into agreements to supply certain provinces and territories with our adult-use products for sale through the distribution systems they have established. Adult-use legalization occurred in Canada on October 17, 2018 and on October 17, 2019, the Canadian adult-use regulations were amended to permit the sale of new class of cannabis including edibles, beverages and vape products.

We introduced our phase two products, which we refer to as Cannabis 2.0 products, in December 2019. The new additions included new confectionery brand Chowie Wowie™; new wellness brand Rmdy.™; new beverage brand Everie, developed by Fluent (High Park Company's joint venture with Labatt Breweries of Canada), and brings to the Canadian market, all-in-one-vape-pens and cartridges U.S. brand Marley Natural™, and confectionary brand Goodship™. An assortment of our Cannabis 2.0 products shipped on December 16, 2019. We expect the adult-use market to represent a higher proportion of our revenues as new consumers participate in, and previously illicit consumers adopt, Canada's framework for the sale of cannabis.

We welcomed Manitoba Harvest to our portfolio of companies on February 28, 2019. Manitoba Harvest is the world's largest hemp food manufacturer and a leader in the natural foods industry, producing, manufacturing, marketing and distributing a broad-based portfolio of hemp-based (cannabis) consumer products sold in over 16,000 stores at major retailers across the United States and Canada. Manitoba Harvest also launched a line of CBD products in the United States in 2019, which are available in over 500 locations.

We continue to develop strategic alliances, such as our collaboration with Sandoz to increase the availability of high quality medical cannabis products, and our joint venture with Anheuser-Busch InBev ("AB InBev"), through its subsidiary Labatt Breweries of Canada, to research non-alcohol beverages containing tetrahydrocannabinol ("THC") and cannabidiol ("CBD"), demonstrating our continuing commitment to pioneer the development of a professional, transparent, and well-regulated cannabis industry. In the third quarter of 2019, we partnered with Cannfections Group Inc., a leader in the confectionery space with 85 years of experience developing and producing the world's favorite confectionary brands, to further build our product and manufacturing capacity of confectionery cannabis products and expedite innovation and new products to market.

On January 14, 2019, we entered into a Profit Participation Arrangement with ABG Intermediate Holdings 2, LLC ("ABG") where we purchased: (i) participation rights in up to 49% of the net (i.e. post-expense) cannabis revenues from certain existing ABG brands into perpetuity, (ii) guaranteed minimum receipt of $10 million annually for ten years (prorated based on total consideration paid to ABG) in quarterly payments for participation rights, (iii) preferred supplier rights of all cannabinoid ingredients for products under cannabis-related licenses of certain existing ABG brands into perpetuity, (iv) preferred royalty rates for us to license and develop cannabis products for brands currently within the ABG portfolio, and (v) first negotiation and matching rights related to participation rights in net cannabis revenues for any additional brands acquired by ABG after entering into the Profit Participation Arrangement. As consideration for this arrangement, we paid to date approximately $33 million in cash and 1,680,214 shares of Class 2 common stock. We also agreed to pay approximately $83 million, in a combination of Class 2 common stock and up to $17 million in cash at ABG's election, upon certain triggers relating to the regulatory status of THC in the United States, or receipt of $5 million in participation rights distributions from cannabis products containing THC outside the United States, in accordance with terms outlined in the arrangement. Further information can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 4, "ABG Profit Participation Arrangement". On January 24, 2020, we entered into an amendment related to the ABG Profit Participation Arrangement (refer to "Subsequent events").

On February 15, 2019, we acquired Natura Naturals Holdings Inc. (“Natura”), a licensed cultivator under the Cannabis Act specializing in greenhouse cultivation. Our acquisition of Natura increases our capacity to supply high-quality branded cannabis products to the Canadian market. The purchase price of approximately $54 million consists of approximately $15 million in cash and 180,332 shares of Class 2 common stock issued on closing, approximately $20 million contingent consideration based on production levels, and effective settlement of pre-existing debt and previously held interest. We have paid $4.45 million in Class 2 common stock in relation to contingent consideration on December 2, 2019. Production levels for the remaining period were not expected to be achieved and as a result the fair value is nil at December 31, 2019. Further information can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 3, “Business Combinations.”

On February 28, 2019, we acquired FHF Holdings Ltd. (“Manitoba Harvest”), a developer and distributor of a diverse portfolio of hemp-based natural food and wellness products that enables us to expand into the growing CBD product market in the United States. The purchase price of approximately $310 million consists of approximately $115 million in cash and 1,209,946 shares of Class 2 common stock issued on closing, approximately $37 million in cash and approximately $32 million in Class 2 common stock issued six months after closing, and approximately $29 million contingent consideration based on gross branded CBD product sales in the United States in 2019. Manitoba Harvest did not earn the $29 million contingent consideration as its CBD sales for 2019 did not achieve the thresholds. Further information can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 3, “Business Combinations”.

On July 11, 2019, we acquired Smith & Sinclair Ltd. (“S&S”), which crafts edible candies, fragrances and creative consumables in the United Kingdom and enables us to develop CBD-infused edibles and beverages as well as alcohol-infused edibles for distribution in Canada, United States and Europe. The purchase consideration includes approximately $2 million in cash and 79,289 shares of Class 2 common stock issued on closing, and approximately $2 million contingent consideration based on revenue as well as the launch of CBD product in the United States and Europe or THC product in Canada by milestones in 2019 and 2020. The contingent consideration has been remeasured to $420 at December 31, 2019. Further information can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 3, “Business Combinations”.

On August 28, 2019, we signed a definitive agreement to acquire 420 Investments Ltd. (“420”), an adult-use cannabis retail operator in Alberta, Canada. The purchase price consisted of $53 million in shares of Class 2 common stock on closing and up to $30 million of contingent consideration subject to the achievement of certain performance milestones by 420. On February 4, 2020, we served 420 with a notice of breach and a notice of termination pursuant to the Arrangement Agreement due to a material adverse change under such agreement.

On February 21, 2020, 420 Investments Ltd., as Plaintiff (“420”), filed a lawsuit against Tilray Inc. and High Park Shops Inc. (“High Park”), as Defendants, in Calgary, Alberta in the Court of Queen’s Bench of Alberta. Plaintiff alleges unlawful termination of the merger agreement, and seeks specific performance of the transactions, or, alternatively, monetary damages in the amount of C$120 million, plus C$20 million in aggravated damages. We believe that this claim is without merit, and we intend to defend this case vigorously, but there are no assurances as to its outcome at this early stage.

Business Segments

We report our operating results in two segments: (i) Cannabis (licensed), and (ii) Hemp (unlicensed). The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management and the structure of our internal financial reporting. Our Cannabis segment sales consists of adult-use, medical and bulk sales of cannabis under regulated licenses and sold to retail, wholesale, pharmacy, government, and direct to patient. Our Hemp segment sales consist of hemp seed, hemp foods, board spectrum hemp extract containing CBD that are sold in an unlicensed operation and sold to retail, wholesale and direct to consumers.

We evaluate the financial results of these segments focusing primarily on segment revenue and gross profit or loss. We utilize segment revenue, gross profit and segment income (loss) from operations because we believe they provide useful information for effectively allocating our resources between segments, evaluating the health of our business segments based on metrics that management can actively influence and gauging our investments.

Key Operating Metrics

We use the following key operating metrics to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance and make strategic decisions.

Other companies, including companies in our industry, may calculate key operating metrics with similar names differently which may reduce their usefulness as comparative measures.

	Year Ended December 31,			2019 vs 2018 Change		2018 vs 2017 Change	
	2019	2018	2017	Qty/$	%	Qty/$	%
Kilogram equivalents sold- cannabis	35,380	6,478	3,024	28,902	446%	3,454	114%
Kilograms harvested - cannabis	50,144	11,022	6,779	39,122	355%	4,243	63%
Thousand units sold - hemp products	7,826	—	—	N/A	N/A	N/A	N/A
Average net selling price per gram - cannabis	$ 7.90	$ 6.63	$ 6.52	$ 1.27	19%	$ 0.11	2%
Average cost per gram sold - cannabis	$ 2.36	$ 3.73	$ 2.84	$ (1.37)	(37)%	$ 0.89	31%
Average gross selling price per unit -hemp products	$ 7.65	—	—	N/A	N/A	N/A	N/A

Kilogram equivalents sold - cannabis. We sell two product categories: (1) dried cannabis, which includes whole flower and ground flower, and (2) cannabis extracts, which includes full-spectrum and purified oil drops and capsules. Cannabis extracts are converted to flower equivalent grams based on the type and number of dried cannabis grams required to produce extracted cannabis in the form of cannabis oils. This conversion ratio is based on the amount of active cannabinoids in the products rather than the volume of oil. For example, our 40mL oil drops are converted to five gram equivalents.

Total kilogram equivalents sold increased during 2019 compared to 2018, primarily due to increased adult-use, bulk and international medical sales. Total kilogram equivalents sold increased for 2018 from 2017, primarily due to increased bulk, adult-use, and international medical sales.

Kilograms harvested - cannabis. Kilograms harvested represents the weight of dried whole plants post-harvest, drying and curing. This operating metric is used to measure the production efficiency of our facilities and production team.

Total kilograms harvested increased during 2019 compared to 2018 by 355% primarily due to additional operational capacity through ramp up of new production facilities and the acquisition of Natura.

The High Park Farms facility, with 13 acres of greenhouse space, has been steadily increasing production and harvest yields since its first harvest in July 2018. High Park Farms has had consistent harvest yields every month during 2019.

It is our expectation that harvest quantities will continue to increase in 2020 with the improvement of operational efficiencies as our operational processes mature and capital expansion plans progress. Our current production and manufacturing footprint in Canada is approximately 1.0 million square feet. In addition, we announced increases for international export capacity with a new outdoor cultivation site in Portugal with Esporão, adding 20 hectares of outdoor cultivation space in Alentejo, Portugal to our existing 5 hectares of indoor and outdoor cultivation and 70,000 square feet of manufacturing, processing and research space at our European Union (EU) Campus in Cantanhede, Portugal, which expands our total footprint to 3.6 million square feet worldwide.

Total kilograms harvested increased for 2018 from 2017, primarily due to the additional operational capacity provided by our new facility High Park Farms brought into operations in 2018.

Thousand units sold – hemp. As a result of the acquisition of Manitoba Harvest, we sell hemp products such as shelled hemp seed, ground hemp, broad spectrum hemp extract containing CBD and hemp seed oil that are tracked by individual units.

This is our first financial year reporting hemp product sales and we have no sales data for 2018 or 2017.

Average net selling price per gram - cannabis. The average net selling price per gram is an indicator that shows our pricing trends over time on a gram equivalent basis and is impacted by sales mix, channel and product type. We exclude revenue associated with hemp products, accessories and freight sales to arrive at cannabis-related

revenue. We calculate average net selling price per gram by dividing cannabis-related revenue by kilogram equivalents sold. As Cannabis 2.0 products become a larger percentage of our mix, we may change this operating metric from per gram to unit measures, as the Cannabis 2.0 products include more value-added activities and the cannabis inputs will be a lower portion of the overall cost and value of the products.

The average net selling price per gram increased during 2019 compared to 2018 due to a shift in distribution channels and product mix. Since legalization, adult-use products increased to 51% of total revenue. Adult-use products are sold directly to wholesalers, which have lower sales price per gram and higher sales volume compared to medical channel sales. We expect our average selling price to increase over time as a result of two factors: 1) an increase in our sales mix of international medical cannabis due to GMP certifications at our Portugal facility and 2) an increase in new form factors for the Canadian adult use market that generally have higher price points. Shipments of the new form factors, including edible, beverage and vape products, began on December 16, 2019.

The average net selling price per gram increased for year ended December 31, 2018 from 2017, due to shift in mix demand of our products. In 2018 there was significant revenue growth for our extract products compared to dried flower. We introduced several new extract products which increased extract revenue from 20% in 2017 to 50% of cannabis-related revenue in 2018.

To determine the Canadian dollar average net selling price per gram range above, revenue and costs are converted using the average exchange rate during the reporting period. All input costs are individually converted by multiplying the United States dollar to Canadian dollar rate to determine the Canadian dollar amount.

Average cost per gram sold - cannabis. The average cost per gram sold measures the efficiency in our cultivation, manufacturing and fulfillment operations. We deduct hemp products, inventory valuation adjustments and the cost of sales related to accessories from total cost of sales to arrive at cannabis-related cost of sales. Cannabis-related cost of sales is then divided by total kilogram equivalents sold to calculate the average cost per gram sold. As Cannabis 2.0 products become a larger percentage of our mix, we may change this operating metric from per gram to unit measures, as the Cannabis 2.0 products include other input costs that can be a great portion of the unit cost than the cannabis ingredients.

The average cost per gram sold decreased during 2019 compared to 2018 primarily as a result of improved harvest quantities. In 2018, all the product sold were primarily from Tilray Canada, a GMP indoor grow facility, compared to three greenhouses in operation in 2019. Our greenhouse operations have lower overhead costs compared to indoor operations, driving improvement in our cost per gram. Moreover, from the third quarter of 2019 onwards, we had full operations for the High Park Processing Facility, with higher output and lower manufacturing costs compared to the temporary operation at High Park Farm used previously. Improvement in production costs in 2019 resulted in a 37% decrease in our average cost per gram from $3.73 per gram in 2018. We expect that this will continue to decrease.

The average cost per gram sold increased for 2018 from 2017, primarily due to sourcing product from other Licensed Producers as well as launching of our new cultivation facilities that were scaling up during 2018.

Average gross selling price per unit – hemp. The average gross selling price per unit is an indicator that shows our pricing trends over time on a unit basis for our hemp products and is impacted by sales mix, channel and product type. We exclude revenue associated with cannabis, accessories and freight sales to arrive at hemp product-related revenue. We calculate average gross selling price per unit by dividing hemp product-related revenue by units sold.

This is our first financial year reporting hemp product activity and we have no sales data for 2018 or 2017.

Factors Impacting our Business

We believe that our future success will primarily depend on the following factors:

Global medical market expansion. We believe that we have a significant opportunity to capitalize on cannabis markets globally as medical cannabis becomes legal in more markets. Medical cannabis is now authorized at the national or federal level in over 41 countries, and more than half of these countries have legalized or introduced significant reforms to their cannabis-use laws to broaden the scope of permitted use since the beginning of 2015. Over the past three years, we have established regional offices in Portugal, Germany, Australia and Chile, and have invested significant resources in personnel, partnerships and in-country sales and marketing to build the foundation for new and existing export channels. Our products have been made available in 15 countries, and we will continue to explore market expansion opportunities as more countries legalize medical cannabis.

Adult-use legalization in Canada. The legalization of adult-use cannabis in Canada represented a significant opportunity for us, and the expansion of the adult-use cannabis market on December 16, 2019 to include new form factors (edibles, beverages and vape products) represents another significant opportunity. We have invested, and will continue to invest, significant resources into production capacity, brand development, business development and corporate infrastructure so that we can serve the current and future adult-use market in Canada.

Expanding Household Penetration. We acquired the Manitoba Harvest business in February 2019, which is a leading provider of hemp seeds and related food products sold through over 16,000 locations in United States and Canada. The household penetration of hemp seed products is approximately 5% in Canada and about 1.5% penetration in the United States. The hemp seed products had been available in Canada for a longer period compared to the United States and we believe that creating awareness of the wellness benefits of the products provides an opportunity to increase household penetration of the products. Additionally, the household penetration of broad spectrum hemp oil containing CBD in the United States is at its early stages and we believe there is significant opportunity to expand penetration of this new product category.

Expanding capacity. At this early stage of the industry, we believe that it is beneficial to be vertically integrated and control our entire production process to generate consistency and quality on a large scale. As we expand into new and existing markets, we will need to invest significant resources into cultivation and production facilities, which may require us to raise additional capital.

New product innovation. We believe there is a significant market opportunity for non-combustible products as global medical markets mature. In certain developed cannabis markets, non-combustible products have surpassed dried flower on a market share basis. In 2019, 2018 and 2017, dried flower sales comprised 78%, 53% and 79% of cannabis-related revenue, respectively. We believe our success will depend on our ability to continually develop, introduce and expand non-combustible products and brands, which we believe will have higher gross profits compared to combustible products.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). A detailed discussion of our significant accounting policies can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 2, “Summary of Significant Accounting Policies”, and the impact and risks associated with our accounting policies are discussed throughout this Form 10-K and in the Notes to the Consolidated Financial Statements. We have identified certain policies and estimates as critical to our business operations and the understanding of our past or present results of operations related to (i) revenue recognition, (ii) valuation of inventory, (iii) impairment of goodwill and indefinite life intangible assets, (iv) stock-based compensation, (v) business combinations and goodwill and (vi) leases. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on our consolidated financial statements and because they require us to make significant judgments, assumptions or estimates. We believe that the estimates, judgments and assumptions made when accounting for the items described below were reasonable, based on information available at the time they were made. Actual results could differ materially from these estimates.

(i) Revenue recognition

On January 1, 2019, we adopted ASC 606, Revenue from Contracts with Customers ("ASC 606"), using the modified retrospective method to all contracts not completed as of January 1, 2019. Prior period amounts continue to be reported in accordance with pre-adoption standards. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our 2018 Annual Report on Form 10-K for a discussion over critical accounting policies and significant judgments and estimates relating to revenue recognition for the periods prior to adoption of ASC 606.

Revenue is recognized when the control of the promised goods, through performance obligation, is transferred to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for the performance obligations. We generate substantially all of our revenue from the sale of cannabis and hemp products through contracts with customers. Cannabis and hemp products are sold through various distribution channels. Revenue is recognized when the control of the goods is transferred to the customer, which occurs at a point in time, typically upon delivery to or receipt by the customer, depending on shipping terms. In determining the transaction price for the sale of goods, we consider the effects of variable consideration. Some contracts for the sale of goods may provide customers with a right of return, volume discount, bonuses for volume/quality achievement, or sales allowances. In addition, we may provide in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. We use historical evidence, current information and forecasts to estimate the variable consideration. The requirements in ASC 606 on constraining estimates are applied to determine the amount of the variable consideration.

(ii) Valuation of inventory

Inventory is comprised of raw materials, work-in-progress and finished goods. Cannabis and hemp costs include expenditures directly related to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Refer to Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 2, "Summary of Significant Accounting Policies" for further details on our inventory cost policy. At the end of each reporting period, we perform an assessment of inventory and record inventory valuation adjustments for excess and obsolete inventories based on our estimated forecast of product demand, production requirements, market conditions, regulatory environment, and spoilage. A reserve is estimated to ensure the inventory balance at the end of the year reflects our estimates of product we expect to sell in the next year. Changes in the regulatory structure, lack of retail distribution locations or lack of consumer demand could result in future inventory reserves.

(iii) Impairment of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are tested for impairment annually, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit (for goodwill) is less than its carrying value, a quantitative impairment test to compare the fair value to the carrying value. An impairment charge is recorded if the carrying value exceeds the fair value. The assessment of whether an indication of impairment exists is performed at the end of each reporting period and requires the application of judgment, historical experience, and external and internal sources of information. We make estimates in determining the future cash flows and discount rates in the quantitative impairment test to compare the fair value to the carrying value.

(iv) Stock-based compensation

We measure and recognize compensation expenses for stock options and restricted stock units ("RSUs") to employees and non-employees on a straight-line basis over the vesting period based on their grant date fair values. We estimate the fair value of stock options on the date of grant using the Black-Scholes option pricing model. The fair value of RSUs is based on the share price as at the date of grant. For stock options and RSUs granted in 2018, prior to the Company's initial public offering, the fair value of common stock at the date of grant was determined by the Board of Directors with assistance from third-party valuation specialists. We estimate forfeitures at the time of grant and revise these estimates in subsequent periods if actual forfeitures differ from those estimates.

Determining the estimated fair value of at the grant date requires judgment in determining the appropriate valuation model and assumptions, including the fair value of common shares on the grant date, risk-free rate, volatility rate, annual dividend yield and the expected term. Volatility is estimated by using the historical volatility of Tilray and, for periods prior to the Company's initial public offering, other companies that we consider comparable and have trading and volatility history.

(v) Business combinations and goodwill

We use judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The values allocated to the acquired assets and liabilities assumed affect the amount of goodwill recorded on acquisition. Fair value is typically estimated using an income approach, which is based on the present value of future discounted cash flows. Significant estimates in the discounted cash flow model include the discount rate, rate of future revenue growth and profitability of the acquired business and working capital effects. The discount rate considers the relevant risk associated with the business-specific characteristics and the uncertainty related to the ability to achieve projected cash flows. These estimates and the resulting valuations require significant judgment. Management engages third party experts to assist in the valuation of material acquisitions.

(vi) Leases

On January 1, 2019, we adopted ASC 842, Leases ("ASC 842"), using the modified retrospective method which provides a method for recording existing leases at adoption using the effective date as its date of initial application. We also applied the practical expedient which allows entities to elect not to recast comparative periods presented. As a result of the adoption of ASC 842 on January 1, 2019, we have changed our accounting policy for leases. We consider the lease accounting policy under ASC 842 to be critical because the adoption has a material impact in our consolidated financial statements and requires us to make significant judgments, estimates and assumptions.

ASC 842 requires leases to be accounted for using a right-of-use model, which recognizes that, at the date of commencement, a lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the lease term. The lessee recognizes a corresponding right-of-use asset related to this right. The most significant impact is the recognition of right-of-use assets and lease liabilities for operating leases, while the accounting for finance leases remains substantially unchanged.

We apply judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. We determine the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We have several lease contracts that include extension and termination options. We apply judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease and estimate the lease term applicable to lease contracts. That is, we consider all relevant factors that create an economic incentive to exercise a renewal or termination. After the commencement date, we reassess the lease term if there is a significant event or change in circumstance that is within our control and affects our ability to exercise or not to exercise the option to renew or terminate. We also apply judgment in allocating the consideration in a contract between lease and non-lease components. We consider whether we can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

Right of use assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the term. As most of our leases do not provide an implicit rate, the incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. We make estimates in determining the incremental borrowing rates.

Transactions with Related Parties

Downstream merger

The Company was a wholly owned subsidiary of Privateer Holdings, Inc. ("Privateer Holdings") prior to our Series A preferred stock financing and initial public offering. On December 12, 2019, we closed the merger of

Privateer Holdings, with and into a wholly owned subsidiary of Tilray pursuant to an Agreement and Plan of Merger and Reorganization with Privateer Holdings (the "Downstream Merger"). Prior to the close of the Downstream Merger on December 12, 2019, Privateer Holdings held more than 10% of our outstanding shares of Class 2 common stock and held 100% of our Class 1 common stock.

Pursuant to the Downstream Merger, all of Privateer Holdings capital stock outstanding of 58,333,333 shares of Tilray Class 2 common stock and 16,666,667 shares of Tilray Class 1 common stock immediately prior to the effective time of the Downstream Merger were cancelled and automatically converted solely into the right to receive the applicable portion of an aggregate shares of Tilray Class 2 common stock and shares of Tilray Class 1 common stock, inclusive of shares of Tilray Class 2 common stock held in escrow for contingent release to Privateer Holdings stockholders, issuable as consideration in Downstream Merger. In connection with the Downstream Merger, we exchanged the shares held by Privateer Holdings and issued the same value of shares to the underlying Privateer Holdings shareholders at a conversion rate of 1.07290. We did not pay any cash consideration in connection with the Downstream Merger and there was no impact on the balance sheets or statements of net loss and comprehensive loss. In accordance with our Related-Persons Transactions Policy, the Audit Committee of the Board of Directors, comprised solely of the independent directors, approved the Downstream Merger.

Acquisition of Smith & Sinclair Ltd. ("S&S")

Pursuant to the Subversive Capital Alliance Agreement dated May 15, 2018 between Privateer Holdings and Subversive Capital, LLC ("Subversive") as agent for Privateer Holdings, Subversive held 5,530 shares of S&S at a cost of £347.96 per share (£1,924 in aggregate) on July 11, 2019. Subversive is a company controlled by Michael Auerbach, who is a member of our Board of Directors. On July 11, 2019, the Subversive Capital Alliance Agreement was terminated in connection with our acquisition of S&S and we paid £1,924 in cash to Subversive for the 5,530 shares, which represented approximately 30% ownership of S&S and only the original cost basis in such shares. The cash paid to Subversive as part of the purchase consideration for the acquisition of S&S reflected no gain on its investment, thereby eliminating any economic conflict of interest or appearance thereof. In accordance with our Related-Persons Transactions Policy, the Audit Committee of the Board of Directors, comprised solely of the independent directors, approved the acquisition of S&S and the payment to Subversive.

Recent Accounting Pronouncements Not Yet Adopted

Refer to Note 2 included in Part II, Item 8 of this Form 10-K for a description of recent accounting pronouncements not yet adopted related to financial instruments, disclosure framework, income taxes and investments. We are currently evaluating the effect of adopting recent accounting pronouncements on our financial statements.

Components of Results of Operations

Revenue - cannabis

Revenue is comprised of sales to patients through the medical program under the Cannabis Regulations, wholesale of bulk and finished product to other Licensed Producers under the Cannabis Regulations, wholesale of finished product to provinces and provincially regulated distributors under the Cannabis Act and applicable provincial legislation, and export sales to third-party distributors, hospitals, pharmacies and patients. Our products currently include: whole flower, ground flower, broad-spectrum cannabis oils and capsules, purified cannabis oils and capsules and accessories. Revenue is net of incentives, after discounts, returns and allowances for our assurance program and veterans coverage program.

Revenue - hemp

Revenue is comprised of sales to retailers, wholesalers or direct to consumers of finished product and export sales to third-party distributors or retailers. Our products currently include hemp: seeds, protein powder, oil, granola, bars, milk, and broad spectrum hemp extract containing CBD in tincture and capsule form.

Cost of sales - cannabis

Cost of sales is mainly comprised of three categories: pre-harvest, post-harvest and shipment and fulfillment. Pre-harvest costs include labor and direct materials to grow cannabis, which includes water, electricity, nutrients, integrated pest management, growing supplies and allocated overhead. Post-harvest costs include costs associated with drying, trimming, blending, extraction, purification, quality testing and allocated overhead. Shipment and fulfillment costs include the costs of packaging, labelling, courier services and allocated overhead. Total cost of sales also includes cost of sales associated with accessories and inventory adjustments.

Cost of sales - hemp

Cost of sales is mainly comprised of three categories: seeds, packaging and co-packing. Seed costs include commodity cost from farmers, genetic seed cost to provide and manage contracted farmers, hulling and processing costs, including labor and overhead. Packaging costs include packaging materials, labor and overhead to running machinery. Co-packing cost are generally for products not manufactured by us directly and would include the all costs to product the products. Total cost of sales also includes cost of sales associated with managing the plants and inventory adjustments.

General and administrative expenses

General and administrative expenses consist of costs incurred in our corporate offices, primarily related to personnel costs, which include salaries, variable compensation and benefits. General and administrative expenses also include audit, legal, tax and professional fees and governance costs associated with operating as a public company. Other expenses in this category include general support services and commercialization costs associated with the expansion of our business in North America, Europe, Latin America and Asia Pacific. Also included in general and administrative expenses is tax equalization expenses for cross-border executives on stock benefits.

Sales and marketing expenses

Sales and marketing expenses primarily consist of personnel-related costs, including salaries, benefits, commissions for our employees engaged in physician and patient support, customer service and public relations. Sales and marketing expenses also include business development costs to support patient, physician, distributor, hospital, pharmacy and government relationships. Costs also include the development of branding, marketing, packaging and educational materials for adult-use market.

Research and development expenses

Research and development expenses consist of new product development, clinical trial expenses, study drug production, patient studies and surveys, pharmacokinetic studies, consultants and legal expenses. Research and development expenses also include process and systems engineering in both production and manufacturing aspects.

Depreciation and amortization expenses

Depreciation and amortization expenses represents the depreciation and amortization recognized on the Company's tangible general office space and equipment and intangible assets during the year.

Impairment of assets

Impairment of assets represents impairment of indefinite-lived intangible assets and loans receivable.

Stock-based compensation expenses

Stock-based compensation expenses consists of non-cash costs for the fair value of compensation charges related to stock options and RSUs that are issued to employees, directors and consultants and amortized over the expected life of the instrument.

Acquisition-related (income) expenses, net

Acquisition-related (income) expenses, net represents transaction costs incurred during acquisitions and change in fair value of contingent consideration.

Loss from equity method investments

Loss from equity method investments represents the Company's share of losses from the investments in entities over which the Company has significant influence but not a controlling financial interest and are accounted for using the equity method.

Foreign exchange (gain) loss, net

Foreign exchange gains and losses represent the gains or losses resulting from foreign currency transactions. Revenues and expenses denominated in foreign currencies were translated into United States dollars at the monthly average exchange rate for the period.

Interest expenses, net

Interest expenses, net is related to loans from convertible notes, interest on lease liabilities and other finance liabilities, and for prior years, a third-party mortgage on our Tilray Canada Ltd. property and Privateer Holdings debt facilities.

Finance income from ABG

Finance income from ABG represents interest income from ABG Profit Participation Arrangement recognized using the effective interest rate method in relation to the portion of the loan relating to cash paid to ABG.

Loss on disposal of property and equipment

Loss on disposal of property and equipment includes the difference between proceeds received and the net book value of disposed property and equipment.

Other income, net

Other income, net includes realized and unrealized gains and losses on equity investments measured at fair value (beginning January 1, 2019 after the adoption of ASU 2016-01), realized gains and losses on debt securities classified as available-for-sale, and other miscellaneous non-operating income and expenses.

Income taxes

We are subject to income taxes in the jurisdictions where we operate or otherwise have a taxable presence. Consequently, income tax expenses are driven by the allocation of taxable income to those jurisdictions. Activities performed in each jurisdiction impact the magnitude and timing of taxable events.

Results of Operations

Financial data is expressed in thousands of United States dollars.

Consolidated Statements of Net Loss Data

(in thousands of United States dollars)

	Year Ended December 31,		
	2019	2018	2017
Revenue (inclusive of excise duties of $13,136, $1,200 and $0, respectively)	$ 166,979	$ 43,130	$ 20,538
Cost of sales			
Product costs	121,892	24,294	8,544
Inventory valuation adjustments	68,583	4,561	617
Gross (loss) profit	(23,496)	14,275	11,377
General and administrative expenses	81,968	29,461	7,499
Sales and marketing expenses	61,084	15,366	7,164
Research and development expenses	6,558	4,264	3,171
Stock-based compensation expenses	31,842	20,988	139
Depreciation and amortization expenses	11,607	1,598	902
Impairment of assets	112,070	—	—
Acquisition-related (income) expenses, net	(31,427)	248	—
Loss from equity method investments	4,504	—	—
Operating loss	(301,702)	(57,650)	(7,498)
Foreign exchange (gain) loss, net	(5,944)	7,234	(1,363)
Interest expenses, net	34,690	9,110	1,686
Finance income from ABG	(764)	—	—
Loss on disposal of property and equipment	2,436	190	—
Other income, net	(2,501)	(2,010)	(12)
Loss before income taxes	(329,619)	(72,174)	(7,809)
Deferred income tax recoveries	(8,847)	(4,485)	—
Current income tax expenses	397	34	—
Net loss	$ (321,169)	$ (67,723)	$ (7,809)
Other Financial Data			
Adjusted EBITDA[(1)]	$ (89,829)	$ (28,291)	$ (4,889)

(1) Adjusted EBITDA is a non-GAAP financial measure. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to Adjusted EBITDA, refer to "Non-GAAP Financial Measures".

	Year Ended December 31,		
	2019	2018	2017
(as a percentage of revenue)			
Cost of sales - product costs	73%	56%	42%
Cost of sales - inventory valuation adjustments	41%	11%	3%
Gross (loss) profit	(14%)	33%	55%
General and administrative expenses	49%	68%	37%
Sales and marketing expenses	37%	36%	35%
Research and development expenses	4%	10%	15%
Stock-based compensation expenses	19%	49%	1%
Depreciation and amortization expenses	7%	4%	4%
Impairment of assets	67%	0%	0%
Acquisition-related (income) expenses, net	(19%)	1%	0%
Loss from equity method investments	3%	0%	0%
Operating loss	(181%)	(134%)	(37%)
Foreign exchange (gain) loss, net	(4%)	17%	(7%)
Interest expenses, net	21%	21%	8%
Finance income from ABG	(0%)	0%	0%
Loss on disposal of property and equipment	1%	0%	0%
Other income, net	(1%)	(5%)	(0%)
Loss before income taxes	(197%)	(167%)	(38%)
Deferred income tax recoveries	(5%)	(10%)	0%
Current income tax expenses	0%	0%	0%
Net loss	(192%)	(157%)	(38%)
Other Financial Data			
Adjusted EBITDA[1]	(54)%	(66)%	(24)%

(1) *Adjusted EBITDA is a non-GAAP financial measure. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to Adjusted EBITDA, refer to "Non-GAAP Financial Measures".*

Revenue

We evaluate revenue by product channel and category.

Revenue by product channel

(in thousands of United States dollars)

	For the year ended December 31,				For the year ended December 31,			
	2019	2018	$ Change	% Change	2018	2017	$ Change	% Change
Cannabis								
Adult-use	$ 55,763	$ 3,521	$ 52,242	1484%	$ 3,521	$ —	$ 3,521	N/A
Canada - medical	12,556	18,052	(5,496)	(30)%	18,052	19,642	(1,590)	N/A
International - medical	13,378	2,912	10,466	359%	2,912	896	$ 2,016	N/A
Bulk	25,450	18,645	6,805	36%	18,645	—	18,645	N/A
Total cannabis revenue	107,147	43,130	64,017	148%	43,130	20,538	22,592	N/A
Hemp	59,832	—	59,832	N/A	—	—	—	N/A
Total revenue	$ 166,979	$ 43,130	$ 123,849	287%	$ 43,130	$ 20,538	$ 22,592	N/A
Excise duties included in revenue	$ 13,136	$ 1,200	$ 11,936	N/A	$ 1,200	$ —	$ 1,200	N/A

N/A: Not a meaningful percentage.

Revenue. Revenue increased 3.9 times to $167.0 million (C$220.9 million) for 2019 from $43.1 million (C$56.4 million) for 2018. The increase was driven by $64 million in the Cannabis segment and the addition of the hemp segment, through the acquisition of Manitoba Harvest in 2019 providing $59.8 million in revenues in 2019.

Revenue increased 2.1 times to $43.1 million (C$56.4 million) in 2018 from $20.5 million (C$26.6 million) in 2017. The increase was driven by the January 2018 launch of high CBD oil drops, which helped drive extract sales in Canada. Our extract products revenue was $21.2 million (C$26.4 million) in 2018, and $4.0 million (C$5.2 million) in 2017.

Cannabis. Cannabis segment revenue increased 148% to $107.1 million (C$138.1 million) from $43.1 million (C$56.4 million) for 2018. The increase was primarily driven by the Canadian adult-use market, which began in October of 2018, the acceleration of international medical sales and to a lesser extent an increase in bulk sales to other licensed producers. This growth was slightly offset by a decline in Canadian medical sales, which were the result of supply constraints in the first half of 2019. We expect continued growth in these channels in 2020, excluding bulk sales, which is expected to decline in 2020, primarily due to increased industry supply of cannabis oils. As all revenue in 2018 related to the Cannabis segment, refer to the overall revenue analysis above for the change from 2017 to 2018.

Hemp. Hemp segment revenues began upon the acquisition of Manitoba Harvest on February 28, 2019 and contributed $59.8 million (C$79.2 million) in revenues in 2019. Manitoba Harvest also launched a line of broad spectrum hemp oil including CBD in the United States in 2019, which are available in over 500 locations. We expect continued growth in the Hemp segment driven by increases in household penetration as well as increased placement of the broader hemp product portfolio in 2020. This is our first financial year reporting hemp product activity and we have no revenue data for 2018 or 2017.

Revenue by product category

(in thousands of United States dollars)

	For the year ended December 31,				For the year ended December 31,			
Test	**2019**	**2018**	**$ Change**	**% Change**	**2018**	**2017**	**$ Change**	**% Change**
Dried cannabis	82,753	21,674	61,079	282%	21,674	16,260	5,414	33%
Cannabis extracts	24,139	21,179	2,960	14%	21,179	3,965	17,214	434%
Hemp products	59,832	—	59,832	N/A	—	—	N/A	N/A
Accessories and other	255	277	(22)	(8)%	277	313	(36)	(12)%
Total revenue	$ 166,979	$ 43,130	$ 123,849	287%	$ 43,130	$ 20,538	$ 22,592	110%
Excise duties included in revenue	$ 13,136	$ 1,200	$ 11,936	N/A	$ 1,200	$ —	$ 1,200	N/A

N/A: Not a meaningful percentage.

We additionally analyze our sales mix by dried cannabis, extracts, hemp and accessories. Dried cannabis represented 77% of cannabis revenue mix for 2019 and 50% for 2018. The increase in dried cannabis was driven by the adult-use market legalization for a full year, which only allowed a limited number of form factors in 2019. Cannabis extracts represented 23% of cannabis revenue mix in 2019 compared to 49% in 2018. Extracts generally provide for higher margins and the reduction in mix was primarily due to legalization of adult-use cannabis in Canada for a full year in 2019, which limited extract products based on the regulatory framework. We expect extract products to increase as a percent of overall sales in future years, as the regulatory framework allows for more extract derivative products to be sold beginning in December 2019. Hemp products represented 36% of revenues in 2019 for the first year, driven by our acquisition of Manitoba Harvest in February 2019. We expect our cannabis products to grow at a faster rate than our other product categories due to the development of the Canadian adult-use market as well as growing international medical markets.

Dried cannabis represented 50% of cannabis revenue mix for 2018 and 79% for 2017 and extracts represented 49% and 19%, respectively for 2018 and 2017. The change in product mix was due to a significant increase in extract product capacities by the company for the medical market, which allowed extract products to grow at a faster rate than the dried cannabis growth rate.

Cost of sales and gross margin – Cannabis

(in thousands of United States dollars)

	Year Ended December 31,			2019 vs 2018 Change		2018 vs 2017 Change	
	2019	2018	2017	$	%	$	%
Cost of sales - product costs	$ 85,917	$ 24,294	$ 8,544	$ 61,622	254%	$ 15,750	184%
Cost of sales - inventory valuation adjustments	63,532	4,561	617	58,971	N/A	3,944	N/A
Total Cannabis cost of sales	$ 149,449	$ 28,855	$ 9,161	$ 120,593	N/A	$ 19,694	N/A
Gross profit	$ (42,302)	$ 14,275	$ 11,377	$ (56,577)	N/A	$ 2,898	25%
Gross profit (excluding inventory valuation adjustments)(1)	21,231	18,836	11,994	2,395	N/A	6,842	57%
Gross margin percentage	(39%)	33%	55%	(72%)	N/A	(22%)	(40%)
Gross margin percentage (excluding inventory valuation adjustments)(1)	20%	44%	58%	(24%)	N/A	(15%)	(25%)

N/A: Not a meaningful percentage.

(1) Gross profit (excluding inventory valuation adjustments) and gross margin percentage (excluding inventory valuation adjustments) are non-GAAP financial measures. For information on how we define and calculate these non-GAAP financial measures, refer to "Non-GAAP Financial Measures".

Cost of sales. Cost of sales increased in 2019 from the comparable period in 2018 primarily due to greater sales, the addition of our acquisition and start-up of Natura, the start-up of High Park Farms and Portugal cultivation facilities. Additionally, we purchased third-party cannabis supply at higher prices than we are able to produce ourselves. We incurred inventory valuation adjustments primarily for cannabis oil products, which did not have the sell through opportunity, as many cannabis derivative products were not available for sale under the regulatory framework until December 2019, resulting in a significant accumulation of cannabis oil and cannabis by-product to be converted into oil. The total inventory valuation adjustment of $63.5 million (C$82.6 million) reflects our estimate of excess product based on current sales forecasts, which have been reduced from previous estimates due to the slower than expected transition of the Canadian adult use market than expected. We do not expect material future inventory valuation adjustments; however, changes in the regulatory structure or lack of retail distribution locations or lack of consumer demand could result in future inventory valuation adjustments.

Cost of sales increased in 2018 from the comparable period in 2017 primarily due to increased sales, a shift towards a mix of high THC and high CBD cultivars that have lower yields along with procurement of third-party supply. In mid-2018, we had our initial harvest of product at our High Park Farms facility and manufactured product.

Gross margin. Gross margin of (39%) in 2019 decreased from the comparable period in 2018 primarily due to inventory valuation adjustments. Excluding inventory valuation adjustments, gross margin was 20%, which was impacted by the change in product mix from 2018 as well as the need to purchase high priced third-party supply for the Canadian adult-use market. We expect third-party supply pricing will continue to reduce in 2020, plus we expect to benefit from reduced costs at our own facilities that were scaling in 2019, which are expected to result in future gross margin improvements.

Gross margin percentage decreased in 2018 from the comparable period in 2017 primarily due to our post-harvest costs per gram increasing due to procurement of third-party supply and low yields and low through put during the scaling of new facilities.

Cost of sales and gross margin – Hemp

(in thousands of United States dollars)

	Year Ended December 31,			2019 vs 2018 Change	
	2019	2018	2017	$	%
Cost of sales - product costs	$ 35,976	$ —	$ —	$ 35,976	N/A
Cost of sales - inventory valuation adjustments	5,051	—	—	5,051	N/A
Total Hemp cost of sales	$ 41,026	$ —	$ —	$ 41,026	N/A
Gross profit	$ 18,806	—	—	$ 18,806	N/A
Gross profit (excluding inventory valuation adjustments and purchase accounting value step-up)(1)	25,898	—	—	25,898	N/A
Gross margin percentage	31%	—	—	N/A	N/A
Gross margin percentage (excluding inventory valuation adjustments and purchase accounting value step-up)(1)	43%	—	—	N/A	N/A

N/A: Not a meaningful percentage.

(1) Gross profit (excluding inventory valuation adjustments and purchase accounting value step-up) and gross margin percentage (excluding inventory valuation adjustments and purchase accounting value step-up) are non-GAAP financial measures. For information on how we define and calculate these non-GAAP financial measures, refer to "Non-GAAP Financial Measures".

Cost of sales. Cost of sales were $41 million in 2019 which are comprised of cost of production for our products. We incurred inventory valuation adjustments primarily for certain CBD inventory and some protein powder in the amount of $5.1 million (C$6.6 million). The development of the United States CBD market has progress at a slower pace than expected due to the lack of clarity from the United States Food and Drug Administration, that indicated that it will take some time for them to complete the regulatory framework for CBD products. Additionally, we reported non-cash charge due to the one-time purchase accounting step-up in inventory value in the amount of $2.0 million for 2019. We do not expect material future inventory valuation adjustments; however, changes in the regulatory structure or lack of consumer demand could result in future inventory valuation adjustments.

This is our first financial year reporting hemp product activity and we have no cost of sales data for 2018 or 2017.

Gross margin. Gross margin was 31% in 2019 and excluding inventory valuation adjustments and purchase accounting inventory step-up, gross margin was 43%. We expect gross margins to increase to the 43% - 45% range in 2020.

This is our first financial year reporting hemp product activity and we have no gross margin data for 2018 or 2017.

Operating expenses

(in thousands of United States dollars)

	Year Ended December 31,			2019 vs 2018 Change		2018 vs 2017 Change	
	2019	2018	2017	$	%	$	%
General and administrative expenses	$ 81,968	$ 29,461	$ 7,499	$ 52,507	178%	$ 21,962	293%
Sales and marketing expenses	61,084	15,366	7,164	45,718	298	8,202	114
Research and development expenses	6,558	4,264	3,171	2,294	54	1,093	34
Stock-based compensation expenses	31,842	20,988	139	10,854	52	20,849	N/A
Depreciation and amortization expenses	11,607	1,598	902	10,009	N/A	696	N/A
Impairment of assets	112,070	—	—	112,070	N/A	—	—
Acquisition-related (income) expenses, net	(31,427)	248	—	(31,675)	N/A	248	N/A
Loss from equity method investments	4,504	—	—	4,504	N/A	—	—
Total	$ 278,206	$ 71,925	$ 18,875	$ 206,281	287%	$ 53,050	281%
(as a percentage of revenue)							
General and administrative expenses	49%	68%	37%				
Sales and marketing expenses	37%	36%	35%				
Research and development expenses	4%	10%	15%				
Stock-based compensation expenses	19%	49%	1%				
Depreciation and amortization expenses	7%	4%	4%				
Impairment of assets	67%	0%	0%				
Acquisition-related (income) expenses, net	(19%)	1%	0%				
Loss from equity method investments	3%	0%	0%				
Total	167%	167%	92%				

N/A: Not a meaningful comparison

General and administrative. General and administrative expenses increased in 2019 and 2018 as compared to prior years due to costs incurred for the startup of the operations of our subsidiaries High Park Farms, Ltd., High Park Holdings, Ltd. and Tilray Portugal Unipessoal, Lda., higher employee costs to support a larger business from the acquisition of Manitoba Harvest, increases in professional fees related to legal, audit, human resources and IT services to support our growth, and public company costs. Moreover, during the year ended 2019, we incurred $6.59 million in non-recurring costs. We expect continued increase in general and administrative expenses as we build out our global infrastructure. In 2019, we also incurred $8.4 million related to tax equalization expenses for cross-border executives on stock benefits.

General and administrative expenses increased in 2018 and 2017 as compared to prior years primarily due to increases in professional fees related to legal, audit and human resources, IT services to support our growth, public company costs and expansion plans and costs incurred for the startup of the operations of our subsidiaries High Park Farms, Ltd., High Park Holdings, Ltd. and Tilray Portugal Unipessoal, Lda.

Sales and marketing. Sales and marketing expenses increased in 2019 from the comparable period in 2018 primarily due to the acquisition of Manitoba Harvest, development of our Canadian adult-use sales and marketing team, and the development of our European leadership team, as we expand our international presence. In addition, High Park developed a comprehensive portfolio of new brands and products for next phase of the adult-use market. The expanded broad-based portfolio includes innovative cannabis products and formats, including edibles, vape products and CBD beverages. We expect continued increase in sales and marketing expenses as we launch new products.

Sales and marketing expenses increased in 2018 from the comparable period in 2017 primarily due to development of our Canadian adult-use sales and marketing team and the increase in headcount in Tilray Deutschland GmbH.

Research and development. Research and development expenses increased year over year in 2019 and 2018 as compared to the prior years, primarily due to our continued support in advancing cannabinoid-based science to

further understand the potential benefits of medical cannabis as a treatment. During the year ended December 31, 2019, we supported two new clinical research studies with New York University School of Medicine. The two studies will test the efficacy of CBD to treat patients suffering from alcohol use disorder ("AUD") and patients suffering from AUD comorbid with post-traumatic stress disorder ("PTSD"). We expect our research and development expense to increase as we pursue more clinical trial opportunities and continue to invest in developing non-combustible delivery formats and formulations.

Research and development expenses increased in 2018 compared to 2017, primarily due to an increase of new product initiatives and the production of drugs for clinical trials.

Stock-based compensation expenses. Stock-based compensation expenses increased in 2019 as compared to 2018 primarily due to the issuance of stock options and restricted stock units granted under the 2018 Equity Incentive Plan for more employees to support a larger business.

Stock-based compensation expenses increased in 2018 as compared to 2017 primarily due to the issuance of stock options, restricted stock units and certain IPO contingency triggers related to performance-based awards granted under the 2018 Equity Incentive Plan.

Depreciation and Amortization. Depreciation and amortization expenses increased in 2019 compared to 2018 primarily due to increased investment in new cultivation and production facilities as well as investment in acquisitions, resulting in greater fixed assets as well as intangible assets. We expected continued increases in depreciation and amortization as we continue to invest in capital projects to expand our capacity.

Depreciation and amortization increased in 2018 from the comparable period in 2017 due to capital expenditures for expansion of cultivation and production assets.

Impairment of assets. An impairment of $112.1 million was recognized in 2019 primarily due to the analysis of future cash flows for our ABG Profit Participation Agreement, which have been reduced due to the delayed clarity from the FDA regarding CBD products in the United States. The impairment conclusion was made in connection with the preparation and review of the financial statements included in this Annual Report on Form 10-K.

Acquisition-related (income) expenses, net. Acquisition-related (income) expenses resulted in income in 2019 from the comparable period expenses in 2018 due to a change in fair value of contingent consideration for the acquisitions of Manitoba Harvest, Natura and S&S based on actual results to date and forecasts for the remainder of the earn-out periods. The reductions in the fair value of contingent consideration offset acquisition-related expenses incurred during the year.

Non-operating income and expenses

(in thousands of United States dollars)

	Year Ended December 31,			2019 vs 2018 Change		2018 vs 2017 Change	
	2019	2018	2017	$	%	$	%
Foreign exchange (gain) loss, net	$ (5,944)	$ 7,234	$ (1,363)	$ (13,178)	-182%	$ 8,597	N/A
Interest expenses, net	34,690	9,110	1,686	25,580	281%	7,424	N/A
Finance income from ABG	(764)	—	—	(764)	N/A	—	N/A
Loss on disposal of property and equipment	2,436	190	—	2,246	N/A	190	N/A
Other income, net	(2,501)	(2,010)	(12)	(491)	24%	(1,998)	N/A
Total	$ 27,917	$ 14,524	$ 311	$ 13,393	92%	$ 14,213	N/A

Foreign exchange (gain) loss, net. Foreign exchange in 2019 was a $5.9 million gain compared to $7.2 million loss in 2018. As we hold a significant portion of balances in Canadian dollars, the appreciation of foreign exchange rates between Canadian dollars and United States dollars drove the foreign exchange gain in 2019.

Foreign exchange in 2018 was $7.2 million loss compared to $1.4 million gain in 2017. The loss in 2018 was driven by significantly larger cash balances held in Canadian currency and the rapid decline in Canadian currency compared to United States currency.

Interest expenses, net. Interest expenses, net in 2019 was $34.7 million compared to $9.1 million in 2018. The increase in expense in 2019 from 2018 was primarily due to the addition of the $475 million in convertible notes that were issued in October 2018. In 2018 interest expense was related to loans from a third-party mortgage on Tilray Canada, Ltd. and Privateer Holdings debt facilities.

Interest expense in 2018 was $9.1 million compared to $1.7 million in 2017. The increase in expense in 2018 from 2017 was primarily due to the addition of the $475 million in convertible notes that were issued in October 2018. In 2017, interest expense was related to loans from a third-party mortgage on Tilray Canada, Ltd. and Privateer Holdings debt facilities.

Finance income from ABG. Finance income from ABG represents interest income from ABG Profit Participation Arrangement which was entered into in 2019.

Loss on disposal of property and equipment. Loss on disposal of property and equipment in 2019 was $2.4 million compared to $0.2 million in 2018. The loss in 2019 was due to discontinued construction of certain facilities.

Other income, net. Other income, net increased in 2019 compared to 2018 due to gains on the sale of short-term investments during the year ended December 31, 2019, offset by unrealized losses on equity investments recorded at fair value. In 2018, prior to the adoption of ASU 2016-01, unrealized gains and losses on equity investments recorded at fair value were recorded to other comprehensive income.

Other income, net increased by $2.0 million in 2018 compared to 2017 as we did not hold any short-term and long-term investments in 2017.

Net loss and Adjusted EBITDA(1)

(in thousands of United States dollars)

	Year Ended December 31,			2019 vs 2018 Change		2018 vs 2017 Change	
	2019	2018	2017	$	%	$	%
Net loss	$ (321,169)	$ (67,723)	$ (7,809)	$ (253,446)	374%	$ (59,914)	767%
Adjusted EBITDA(1)	$ (89,829)	$ (28,291)	$ (4,889)	$ (61,538)	218%	$ (23,402)	479%

(1) Adjusted EBITDA is a non-GAAP financial measure. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net loss to Adjusted EBITDA, refer to "Non-GAAP Financial Measures

Net loss increased in 2019 from the comparable periods in 2018 and 2017 primarily due to the impairment of assets, inventory valuation adjustments, an increase in operating expenses related to continued growth, the expansion of our international teams, interest related to our convertible notes, and the results of the Manitoba Harvest and Natura businesses acquired.

Adjusted earnings before interest, tax and depreciation ("Adjusted EBITDA") decreased in 2019 from 2018 and 2017 primarily due increase in operating expenses related to continued growth as well as expansion and development into new markets.

Non-GAAP Financial Measures

To supplement our financial statements, which are prepared and presented in accordance with United States generally accepted accounting principles, or GAAP, we use certain measures, as described below, to understand and evaluate our operating performance. These measures, which may be different than similarly titled measures used by other companies, is presented to help investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Adjusted EBITDA

(in thousands of United States dollars)

	Year Ended December 31,		
	2019	2018	2017
Adjusted EBITDA reconciliation:			
Net loss	$ (321,169)	$ (67,723)	$ (7,809)
Inventory valuation adjustments	68,583	4,561	617
Depreciation and amortization expenses	15,849	3,562	1,853
Stock-based compensation expenses	31,842	20,988	139
Other stock-based compensation related expenses	8,411	—	—
Impairment of assets	112,070	—	—
Acquisition-related (income) expenses, net	(31,427)	248	—
Loss from equity method investments	4,504	—	—
Foreign exchange (gain) loss, net	(5,944)	7,234	(1,363)
Interest expenses, net	34,690	9,110	1,686
Finance income from ABG	(764)	—	—
Loss on disposal of property and equipment	2,436	190	—
Other income, net	(2,501)	(2,010)	(12)
Amortization of inventory step-up	2,041	—	—
Deferred income tax recoveries	(8,847)	(4,485)	—
Current income tax expenses	397	34	—
Adjusted EBITDA	$ (89,829)	$ (28,291)	$ (4,889)

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, net loss. There are a number of limitations related to the use of Adjusted EBITDA as compared to net loss, the closest comparable GAAP measure. Adjusted EBITDA excludes:

- Non-cash inventory valuation adjustments;
- Non-cash depreciation and amortization expenses and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Stock-based compensation expenses, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;
- Other stock-based compensation expenses included within general and administrative expenses, relating to tax equalization expenses for cross-border executives on stock benefits.
- Non-cash impairment charges, as the charges are not expected to be a recurring business activity;
- Acquisition and integration expenses and changes in the fair value of contingent consideration, which vary significantly by transaction and are excluded to evaluate ongoing operating results;
- Non-cash loss from equity method investments;
- Non-cash foreign exchange gains or losses, which accounts for the effect of both realized and unrealized foreign exchange transactions. Unrealized gains or losses represent foreign exchange revaluation of foreign denominated monetary assets and liabilities;
- Interest expenses, finance income from ABG, loss on disposal of property and equipment and other income, net, to reflect ongoing operating activities;
- Amortization of purchase accounting step-up in inventory value included in costs of sales - product costs; and
- Current and deferred income tax expenses and recoveries, which could be a significant recurring expense or recovery in our business in the future and reduce or increase cash available to us.

Gross profit (excluding inventory valuation adjustments)

Gross profit (excluding inventory valuation adjustments) is a non-GAAP measure calculated in the Cannabis segment. It is calculated as revenue less cost of sales, adjusted to add back inventory valuation adjustments.

Gross margin percentage (excluding inventory valuation adjustments)

Gross margin percentage (excluding inventory valuation adjustments) is a non-GAAP measure calculated in the Cannabis segment calculated as the gross profit (excluding inventory valuation adjustments), as defined above, divided by revenue.

Gross profit (excluding inventory valuation adjustments and purchase accounting value step-up)

Gross profit (excluding inventory valuation adjustments and purchase accounting value step-up) is a non-GAAP measure calculated in the Hemp segment. It is calculated as revenue less cost of sales, adjusted to add back inventory valuation adjustments and purchase accounting value step-up of $2.0 million for the year ending December 31, 2019 (2018 and 2017 - $0).

Gross margin percentage (excluding inventory valuation adjustments and purchase accounting value step-up)

Gross margin percentage (excluding inventory valuation adjustments and purchase accounting value step-up) is a non-GAAP measure calculated in the Hemp segment calculated as the gross profit (excluding inventory valuation adjustments and purchase accounting value step-up), as defined above, divided by revenue.

Income Taxes

Provision for income taxes, effective tax rate and statutory federal income tax rate for 2019, 2018 and 2017 were as follows:

(in thousands of United States dollars)

	Year Ended December 31,		
	2019	2018	2017
Provision for income taxes	$ (8,450)	$ (4,451)	$ —
Effective tax rate	2.57%	6.17%	0.00%
Statutory federal income tax rate	21.00%	21.00%	35.00%

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the “Act”), which significantly changed United States tax law. The Act lowered the United States statutory federal income tax rate from 35% to 21% effective January 1, 2018.

The Company’s effective tax rate for 2019 was lower than the 2019 United States tax rate primarily due to minimal taxes in foreign tax jurisdictions and no United States current taxes due to net operation losses. Income tax benefit in 2019 was $8.5 million compared to $4.5 million in 2018. The increase in tax benefit in 2019 from 2018 was primarily due to tax attributes related to acquisitions in 2019.

The Company’s effective tax rate for 2018 was lower than the 2018 United States tax rate primarily due to minimal taxes in foreign tax jurisdictions and no United States current taxes due to net operation losses. Income tax benefit in 2018 was $4.5 million compared to $0 in 2017. The increase in tax benefit in 2018 from 2017 was primarily due to the recognition in 2018 of deferred taxable differences that will reverse in future years resulting in recognition of tax benefit from operating losses.

As of December 31, 2019, we had United States net operating loss carryforwards of approximately $27 million that can be carried forward indefinitely and limited in annual use to 80% of current year taxable income. We have Canadian net operating loss carry-forwards of approximately $199 million that can be carried forward 20 years and begin to expire in 2028. We believe that it is more-likely-than-not that the benefit from certain United States and foreign net operating loss carryforwards will not be realized. In recognition of this risk, the change in the total valuation allowance was an increase of $37 million and $6 million for the years ended December 31, 2019 and 2018,

respectively. We continually evaluate the amount of the valuation allowance, if any, by assessing the realizability of deferred tax assets.

Liquidity and Capital Resources

As at December 31, 2019, we had cash and cash equivalents of $97 million, which were held for working capital and general corporate purposes.

In February and March 2018, we issued 7,794,042 shares of Series A preferred stock at $7.10 per share (C$8.90 per share) in exchange for cash gross proceeds of approximately $55.0 million (C$69.1 million) from third-party institutional investors. On our IPO, all shares of the outstanding Series A preferred stock automatically converted into 7,794,042 shares of Class 2 common stock on a one-for-one basis.

In July 2018, we completed our IPO, whereby 10,350,000 shares of our Class 2 common stock were sold at a price of $17.00 per share (C$22.45 per share), which included 1,350,000 shares sold pursuant to the underwriters' option to purchase additional shares. We received net proceeds of $163.7 million after deducting the underwriting discount.

In October 2018, we entered an indenture relating to the issuance of $475.0 million aggregate principal amount of 5.00% convertible notes, which included $25.0 million pursuant to the underwriters' option to purchase an additional aggregate principal amount. Net proceeds from the issuance were approximately $460.134 million, after deducting the initial purchasers' commissions.

In September 2019, we entered into a sales agreement with Cowen and Company, LLC that enables us to issue and sell shares of Class 2 common stock from time to time up to up to an aggregate offering price of $400.0 million through an "at-the-market" equity offering program. During the year ended December 31, 2019, we issued 5,396,501 shares of Class 2 common stock for gross proceeds of approximately $113.5 million under the program.

On February 28, 2020, we entered into a senior secured credit facility with Bridging Finance Inc. in an aggregate principal amount of $59.6 million (C$79.8 million) (the "Senior Facility"). Further information can be found in "Subsequent Events" below.

Our primary need for liquidity is to fund working capital requirements, capital expenditures, debt service obligations and for general corporate purposes. Our ability to fund operations and make planned capital expenditures and debt service obligations depends on future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors.

Our financial statements, in Part II, Item 8 of this Form 10-K, have been prepared on a going-concern basis, which assumes that we will continue to be in operation for the foreseeable future and, accordingly, will be able to realize our assets and discharge our liabilities in the normal course of operations as they come due. Further information can be found in Part II, Item 8 of this Form 10-K, in the Notes to Consolidated Financial Statements in Note 2, "Summary of Significant Accounting Policies."

Current management forecasts and related assumptions illustrate that the Company can adequately manage the operational needs of the business with the additional Senior Facility of $59.6 million (C$79.8 million) secured on February 28, 2020 and as necessary, through accessing capital from the at-the market program with available authorized funding of $271.7 million or other equity offerings. However, given that there can be no guarantee that the Company may be able to raise equity financing under the at-the-market program when, if and as needed, additional evaluation of management's plans and forecasts have been assessed to consider the ability to meet the Company's contractual commitments and obligations. Should there be constraints on access to capital under the at-the-market program or other equity offerings, the Company can manage cash-outflows through reduced capital expenditures and managing the operational expenses of the business that pertain to future investments that are discretionary in nature and can be adequately managed.

The following table sets forth the major components of our statements of cash flows for the periods presented:

(in thousands of United States dollars)

	Year Ended December 31,		
	2019	2018	2017
Net cash used in operating activities	$ (258,065)	$ (46,248)	$ (6,003)
Net cash used in investing activities	(253,181)	(98,620)	(11,815)
Net cash provided by financing activities	114,700	630,998	12,235
Effect of foreign currency translation	6,082	(1,198)	375
Cash and cash equivalents, beginning of year	487,255	2,323	7,531
Cash and cash equivalents, ending of year	96,791	487,255	2,323
Increase (decrease) in cash and cash equivalents	$ (390,464)	$ 484,932	$ (5,208)

Cash flows from operating activities

The changes in net cash used by operating activities in 2019 compared to 2018 primarily related to changes in working capital fluctuations and changes in non-cash expenses, all of which are highly variable. The changes in net cash used by operating activities in 2018 compared to 2017 was primarily due to an increase in operating costs to expand cultivation facilities, enter new markets and public company costs.

Cash flows from investing activities

The change in net cash used in investing activities in 2019 compared to 2018 primarily related to our acquisitions of Manitoba Harvest, Natura and S&S, investment in the ABG Profit Participation Arrangement, and purchase of property and equipment related to our expansion projects in Canada and Portugal. The changes in net cash used in investing activities in 2018 compared to 2017 was primarily due to an increase in investments purchased using proceeds from the convertible notes and IPO as well as capital expenditures for expansion of cultivation and production assets.

Cash flows from financing activities

The change in net cash provided by financing activities in 2019 compared to 2018 primarily related to proceeds from our at-the-market equity offering program, exercise of stock options, and ABG Profit Participation Arrangement. The changes in net cash provided by financing activities in 2018 compared to 2017 includes net proceeds from our convertible notes, Series A preferred stock financing, IPO and repayment of debt facilities.

The table below sets out the cash and cash equivalents, short term investments and inventory:

(in thousands of United States dollars)

	As at December 31, 2019	As at December 31, 2018
Cash and cash equivalents	$ 96,791	$ 487,255
Short-term investments	—	30,335
Inventory	87,861	16,211

We primarily financed our operations through the issuance of common stock, sale of convertible notes and revenue generating activities. We believe that our existing cash will be sufficient to meet our working capital requirements.

We manage our liquidity risk by preparing budgets and cash forecasts to ensure we have sufficient funds to meet obligations. In managing working capital, we may limit the amount of our cash needs by selling inventory at wholesale rates, pursuing additional financing sources and managing the timing of capital expenditures. While we believe we have sufficient cash to meet working capital requirements in the short term, we may need additional sources of capital and/or financing, to meet planned growth requirements and to fund construction activities at our cultivation and processing facilities.

Subsequent Events

During the month of January 2020, we issued 274,044 shares of Class 2 common stock for gross proceeds of approximately $14.8 million under the at-the-market equity offering program.

On January 24, 2020, we entered into (i) an Amended and Restated Profit Participation Agreement (the "A&R Profit Participation Agreement") with ABG, which amended and restated in its entirety the Profit Participation Agreement, dated January 14, 2019, and (ii) the First Amendment to Payment Agreement with ABG (the "Payment Agreement Amendment"), which amends the Payment Agreement, dated January 14, 2019. We agreed with ABG that Tilray will no longer have any obligation to pay the additional consideration with an aggregate value of $83.3 million in cash or in shares of Class 2 common stock, In addition, we will not be entitled to any guaranteed minimum participation rights and beginning January 1, 2020 through December 31, 2028 and we agreed that we will not be entitled to any participation rights until such participation rights with respect to each contract year exceeds $10 million, and in the event the participation rights are achieved, we will be entitled to the full 49% participation rights.

The impact of the A&R Profit Participation Agreement will result in a write-off of the ABG finance receivable of $7.0 million which will be recorded through the statements of net loss and comprehensive loss and $28.9 million through accumulated deficit in January 2020.

During the month of February 2020, we restrucuted our global organization to meet the needs of the current industry environment. As a result, we incurred $0.7 million in restructuring costs.

On February 28, 2020, we ("the Borrower") entered into a credit agreement for a senior secured credit facility in a maximum aggregate principal amount of $59.6 million (C$79.8 million) (the "Senior Facility"). Transaction fees incurred on the Senior Facility are $4.5 million. The Senior Facility consists of a 2-year $59.6 million (C$79.8 million) senior secured term loan facility, of which $49.7 million (C$66.5 million) was drawn at the closing, and of which $9.9 million (C$13.3 million) may be drawn at any point 90 days following closing at the Borrower's election. The Senior Facility will bear interest on the outstanding principal balance at an annual rate equal to the Canadian prime rate plus 8.05%, calculated based on the daily outstanding balance of the Senior Facility calculated and compounded monthly, not in advance and with no deemed reinvestment of monthly payments. The Senior Facility contains certain affirmative and negative covenants. The operational covenant includes a minimum unrestricted cash threshold of $29.9 million (C$40.0 million) for capital expenditures and investments.

Contractual Obligations and Commitments

Lease commitments

We lease various facilities, under non-cancelable finance and operating leases, which expire at various dates through September 2027.

Maturities of lease liabilities:

Year ending December 31,	Operating Leases	Finance Leases
2020	$ 3,493	$ 1,083
2021	3,276	1,083
2022	2,897	7,333
2023	2,824	15,677
2024	2,436	—
Thereafter	7,861	—
Total lease payments	22,787	25,176
Imputed interest	5,059	11,024
Obligations recognized	$ 17,728	$ 14,152

Purchase commitments

The following table reflects our future non-cancellable minimum contractual commitments as at December 31, 2019:

	Total	2020	2021	2022	2023	2024	Thereafter
Purchase commitments	$ 132,743	$ 131,010	$ 1,657	$ 38	$ 38	$ -	$ -
Total	$ 132,743	$ 131,010	$ 1,657	$ 38	$ 38	$ -	$ -

As a result of changing industry dynamics, we are currently in the process of re-negotiating the terms of several supply agreements, including quantities and pricing, related to CBD, cannabis extracts/oils, and hemp flower. The re-negotiations are ongoing and there can be no assurance that terms satisfactory to us can be reached on a timely basis, or at all. The failure of re-negotiations could result in us being contractually obligated to purchase significant amounts of products, some of which may be priced above then-current market prices, or litigation against us, or interruption of the supply of inputs for the manufacturing of our products, all of which could have a material adverse effect on our business, results of operations, financial condition, liquidity and prospects. In addition, any litigation or arbitration resulting in an adverse judgment or award against us could result in a default under our Senior Facility and convertible notes.

In 2018, we signed an agreement with Rose Lifescience Inc. ("Rose") for distribution and marketing of product in Quebec in exchange for a minimum fee of $0.4 million per annum for an initial term of five years. We agreed to purchase the lesser of 2,000 kg per year or 40% of the production of Cannabis at a rate of 115% of cost of goods sold from the Rose facility. As the purchase commitment is an undeterminable variable amount, it is excluded from the above schedule.

In 2018, we entered into a Product and Trademark License Agreement with Docklight LLC, a related party, to use certain intellectual property rights in exchange for payment of royalty depending upon specified percentage of licensed product net sales. As the purchase commitment is an undeterminable variable amount, it is excluded from the above schedule.

Other commitments

We have payments on the ABG finance liability and convertible notes as follows:

	Total	2020	2021	2022	2023	2024	Thereafter
ABG finance liability	$ 8,500	$ 1,000	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
Convertible notes	475,000	—	—	—	475,000	—	—
Total	$ 483,500	$ 1,000	$ 1,500	$ 1,500	$ 476,500	$ 1,500	$ 1,500

Contingencies

In the normal course of business, we may receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material adverse effect on our consolidated financial statements.

Off-Balance Sheet Arrangements

We did not have many off-balance sheet arrangements during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change. Fluctuations in interest rates may impact the level of income and expense recorded on our cash equivalent, short-term investments, convertible notes and the market value of all interest-earning assets, other than those which possess a short term to maturity. A 1% change in the interest rate in effect on December 31, 2019 would not have a material effect on i) fair value of our cash equivalents and short-term investments as the majority of the portfolio have a maturity date of three-months or less, and ii) interest income as interest income is not a significant component of the Company's earnings and cash flow. In addition, the convertible notes bear interest at a fixed rate of 5% and are not publicly traded. Therefore, fair value of the convertible notes and interest expense is not affected by changes in the market interest rates.

Equity Price Risks

As of December 31, 2019, we held long-term equity investments at fair value and equity investments under the measurement alternative. These investment in equities were acquired as part of our strategic transactions.

Accordingly, the changes in fair values of investment in equities measured at fair value or under the measurement alternative are recognized through other income, net in the statements of net loss and comprehensive loss. Based on the fair value of investment in equities held as of December 31, 2019, a hypothetical decrease of 10% in the prices for these companies would reduce the fair values of the investments and result in unrealized loss recorded in other comprehensive income by $2.4 million.

Foreign Currency Risk

Our consolidated financial statements are expressed in United States dollars, but we have net assets and liabilities denominated in Canadian dollars, Euro, Australian dollars and Chilean dollars. As a result, we are exposed to foreign currency translation gains and losses. Revenue and expenses of all foreign operations are translated into United States dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. Appreciating foreign currencies relative to the United States dollar will adversely impact operating income and net earnings, while depreciating foreign currencies relative to the United States dollar will have a positive impact.

A 10% change in the exchange rates for the foreign currencies would affect the carrying value of net assets by approximately $12.5 million as of December 31, 2019, with a corresponding impact to accumulated other comprehensive income. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on our results of operations.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2019 and 2018	F-7
Consolidated Statements of Net Loss and Comprehensive Loss for the Years ended December 31, 2019, 2018, and 2017	F-8
Consolidated Statements of Stockholders' Equity (Deficit) for the Years ended December 31, 2019, 2018 and 2017	F-9
Consolidated Statements of Cash Flows for the Years ended December 31, 2019, 2018 and 2017	F-10
Notes to Consolidated Financial Statements	F-11

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Tilray Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tilray Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of net loss and comprehensive loss, and changes in stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 2, 2020, expressed an adverse opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2019, the Company adopted ASU 2016-02, Leases, codified as ASC 842 Leases, as amended, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Inventory – Cannabis Costing — Refer to Notes 2 and 5 to the financial statements

Critical Audit Matter Description

Inventory is comprised of raw materials, finished goods and work-in-progress for cannabis and hemp products. Cost includes expenditures directly related to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Inventory is stated at the lower of cost or net realizable value, determined using weighted average cost. For cannabis inventory, costs include pre-harvest, post-harvest, shipment and fulfillment, as well as related accessories.

The nature of the process for cannabis inventory costing is manual and requires management to use complex

spreadsheet models updated monthly (“models”) to calculate a month by month continuity of the cost of inventory. In addition, the models need to take into account a variety of inputs and source data in order to calculate cost. Auditing the cost of inventory required an increased extent of audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the cost of cannabis inventory included the following, among others:

- Evaluated the complex spreadsheet models and the inputs to such models used to calculate the cost of cannabis inventory by:
    - Evaluating the incorporation of the source data into the models, testing the formulas used and testing the computational accuracy.
    - Testing purchases used in the models to third party source documentation.
    - Testing production costs used in the models to actual costs incurred.
    - Performing independent calculations of key inputs used in the models and comparing to inputs used by management.
    - Testing management’s allocation of indirect costs between inventory products by assessing the appropriateness of the allocation method, recalculating the allocations and on a sample basis testing the underlying allocations by tracing to source documents.
    - Testing production quantities used in the models by physically observing and verifying inventory quantities.
- As a result of the Company’s material weaknesses identified by the Company in two components of Internal Control – Integrated Framework (2013) issued by COSO, we increased the extent of inventory physical observations and verifications, increased the extent of testing where sampling methodology was used, and utilized third party source documents in the performance of our testing procedures.

ABG Profit Participation Arrangement – Recognition of Loan — Refer to Notes 2, 4, 6, and 26 to the financial statements

Critical Audit Matter Description

On January 14, 2019, the Company entered into a Profit Participation Arrangement (“the Arrangement”) with ABG Intermediate Holdings 2, LLC (“ABG”) that offers the Company various rights and licenses. Since the Arrangement conveys a right for the Company to receive guaranteed minimum cash from ABG over ten years, it meets the definition of a loan pursuant to ASC 310, Receivables. The portion of the loan relating to cash paid to ABG is recorded within prepayments and other current assets (current portion) and in ABG finance receivable and other assets (non-current portion). The portion of the loan relating to shares issued is recorded within additional paid-in capital. Subsequent to December 31, 2019, on January 24, 2020, the Company entered into a new agreement with ABG, which amended and restated in its entirety the Agreement dated January 14, 2019.

There are many components embedded in the Arrangement that resulted in management making judgments on the accounting treatment of the guaranteed minimum in particular (1) determining whether the right to receive the guaranteed minimum was a loan or other form of asset and (2) determining whether a portion should be recorded in equity or should the arrangement be shown entirely as a financial asset. In addition, there was also subjectivity in management’s determination of the interest rate used to calculate the fair value of the loan. Auditing management’s judgments of the accounting treatment of the loan, and management’s determination of the interest rate used to calculate the fair value of the loan required a high degree of subjectivity. This resulted in an increased extent of audit effort, including the need to involve fair value specialists and professionals in our firm with expertise in financial instruments

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management’s judgments of the accounting treatment of the guaranteed minimum, in particular (1) determining whether the right to receive the guaranteed minimum was a loan or other form of asset and (2) determining whether a portion should be recorded in equity or should the arrangement be shown entirely as a

financial asset and management's determination of the interest rate used to calculate the fair value of the loan, included the following among others:

- With the assistance of professionals in our firm with expertise in financial instruments assessed management's judgments of the accounting treatment of the guaranteed minimum, in particular (1) determining whether the right to receive the guaranteed minimum was a loan or other form of asset and (2) determining whether a portion should be recorded in equity or should the arrangement be shown entirely as a financial asset by:
    - Assessing the information in the Arrangement to understand and evaluate that all components were identified;
    - Evaluating management's judgments related to the accounting treatment of the loan by analyzing against various aspects of GAAP, including conceptual framework and guidance.
- With the assistance of fair value specialists, evaluated management's determination of the interest rate used to calculate the fair value of the loan by:
    - Independently calculating the interest rate by obtaining a list of outstanding loans for ABG including the interest rate and interest spread issued for each debt instrument as well as the benchmark interest risk-free rate curve as at each of the loan issue dates.
- Assessed the January 24, 2020 agreement to determine if it had an impact on the December 31, 2019 financial statements.

Indefinite-lived intangible assets – Rights Under the ABG Profit Participation Agreement— Refer to Notes 2, 4 and 10 to the financial statements

Critical Audit Matter Description

The Company has an indefinite-lived intangible, rights under the ABG Profit Participation Arrangement ("ABG participation rights") that is tested for impairment annually or more frequently when events or circumstances indicate that impairment may have occurred. If the carrying value of the indefinite-lived intangible asset exceeds its fair value an impairment charge is recorded. At the reporting date, the Company determined the fair value of the ABG participation rights was below the carrying value. The decline in fair value of the ABG participation rights is attributable to deferred regulatory clarity for sales of CBD products in the United States. The Company recorded an impairment charge of $103 million in the 4th quarter.

In determining the fair value of the ABG participation rights for the purpose of the impairment test using a discounted cash flow approach, the judgments and assumptions with the highest degree of impact and subjectivity are the discount rate and forecasted rate of future CBD related revenue growth for ABG. Auditing management's assumptions used in the ABG participation rights impairment analysis required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the determination of the discount rate and forecasted CBD related revenue for ABG in the determination of the fair value of the ABG participation rights included the following among others:

- Compared the forecasted CBD related revenue for certain ABG brands to actual CBD related revenue and other relevant information.
- Confirmed the forecasted CBD revenue with the counter party to the contract and agreed it to management's model.
- With the assistance of fair value specialists;
    - Evaluated the rate of future revenue growth to assess the reasonableness against market expectations and,
    - Evaluated the reasonableness of the discount rate by (1) testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculation and

(2) developing a range of independent estimates and comparing those to the discount rate selected by management.

Acquisition of Manitoba Harvest – Refer to Notes 2, 3 and 10 to the financial statements

Critical Audit Matter Description

The Company completed the acquisition of all issued and outstanding shares of FHF Holdings Ltd. (“Manitoba Harvest”) on February 28, 2019.The purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, including intangible assets of trademarks, developed technology and customer relationships. Management estimated the fair value of the intangible assets using a discounted cash flow approach. To estimate fair value, management is required to make estimates, and assumptions on the discount rate, rate of future revenue growth and profitability of the acquired business and working capital effects.

Given the fair value determination of the intangible assets acquired for Manitoba Harvest required management to make significant estimates and assumptions related to the determination of the rate of future revenue growth and the discount rate. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the determination of the rate of future revenue growth and the discount rate used to determine the fair value of the intangible assets acquired included the following, among others:

- Assessed the reasonableness of the rate of future revenue growth by comparing the projections to historical results and certain peer companies.
- Evaluated whether the rate of future revenue growth was consistent with evidence obtained in other areas of the audit.
- With the assistance of fair value specialists;
    - Evaluated the reasonableness of the discount rate by (1) testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculation and (2) developing a range of independent estimates and comparing those to the discount rate selected by management.

Basis of Presentation and Going Concern – Disclosure — Refer to Note 2 to the financial statements

Critical Audit Matter Description

The financial statements of the Company are prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. For the fiscal years ended December 31, 2019, 2018 and 2017, the Company reported net losses of $321,169, $67,723 and $7,809, respectively. The Company has contractual obligations such as non-cancelable minimum purchase commitments, interest and lease payments (collectively “obligations”). Currently management’s forecasts and related assumptions illustrate their ability to meet the obligations through management of expenditures and, if necessary, accessing additional funding from the at-the-market program or other equity financing. Should there be constraints on the ability to access capital under the at-the-market program or other equity financing, the Company can manage cash outflows to meet the obligations through reductions in capital expenditures and other operating expenditures.

Management made judgments to conclude that it is probable that the Company’s plans will be effectively implemented and will provide the necessary cash flows to fund the Company’s obligations as they become due. Specifically, the judgments with the highest degree of impact and subjectivity in determining it is probable that the Company’s plans will be effectively implemented included the revenue growth and gross margin assumptions underlying its forecast operating cash flows, its ability to reduce capital expenditures and other operating expenditures and its ability to access funding from the at-the-market program. Auditing the judgments made by management required a high degree of auditor judgment and an increased extent of audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company’s disclosure and the management’s ability to effectively implement its plan included the following, among others:

- Tested key assumptions underlying management’s forecast operating cash flows, including revenue growth and gross margin assumptions.
- Evaluated the reasonableness of management’s forecast operating cash flows by comparing the forecasts to industry and analyst reports.
- Evaluated the probability that the Company will be able to access funding from the at-the-market program by assessing the terms of the program and Company’s history of using the program.
- Evaluated the probability that the Company will be able to reduce capital expenditures and other operating expenditures if required.
- Assessed management’s plans in the context of other audit evidence obtained during the audit to determine whether it supported or contradicted the conclusion reached by management.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 2, 2020

We have served as the Company's auditor since 2017.

TILRAY, INC.
Consolidated Balance Sheets
(in thousands of United States dollars, except for share and per share data)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 96,791	$ 487,255
Short-term investments	—	30,335
Accounts receivable, net of allowance for doubtful accounts of $2,015 and $292, respectively	36,202	16,525
Inventory	87,861	16,211
Prepayments and other current assets	38,173	3,976
Total current assets	259,027	554,302
Property and equipment, net	184,217	80,214
Operating lease, right-of-use assets	17,514	—
Intangible assets, net	228,828	4,486
Goodwill	163,251	—
Equity method investments	11,448	—
Other investments	24,184	16,911
ABG finance receivable and other assets	7,861	754
Total assets	$ 896,330	$ 656,667
Liabilities		
Current liabilities		
Accounts payable	39,125	10,649
Accrued expenses and other current liabilities	50,829	14,818
Accrued obligations under finance lease	—	470
Accrued obligations under operating lease	2,473	—
Total current liabilities	92,427	25,937
Accrued obligations under finance lease	14,152	8,286
Accrued obligations under operating lease	15,255	—
ABG finance liability	5,566	—
Deferred tax liability	53,363	4,424
Convertible notes, net of issuance costs	430,210	420,367
Other liabilities	86	—
Total liabilities	$ 611,059	$ 459,014
Commitments and contingencies (refer to Note 17)		
Stockholders' equity		
Class 1 common stock ($0.0001 par value, 250,000,000 shares authorized; 16,666,667 shares issued and outstanding)	2	2
Class 2 common stock ($0.0001 par value; 500,000,000 shares authorized; 86,114,558 and 76,504,200 shares issued and outstanding, respectively)	9	8
Additional paid-in capital	705,671	302,057
Accumulated other comprehensive income	9,719	3,763
Accumulated deficit	(430,130)	(108,177)
Total stockholders' equity	$ 285,271	$ 197,653
Total liabilities and stockholders' equity	$ 896,330	$ 656,667

The accompanying notes are an integral part of these consolidated financial statements.

TILRAY, INC.
Consolidated Statements of Net Loss and Comprehensive Loss
(in thousands of United States dollars, except for share and per share data)

	Years ended December 31,		
	2019	2018	2017
Revenue (inclusive of excise duties of $13,136, $1,200 and $0, respectively)	$ 166,979	$ 43,130	$ 20,538
Cost of sales			
Product costs	121,892	24,294	8,544
Inventory valuation adjustments	68,583	4,561	617
Gross (loss) profit	(23,496)	14,275	11,377
General and administrative expenses	81,968	29,461	7,499
Sales and marketing expenses	61,084	15,366	7,164
Research and development expenses	6,558	4,264	3,171
Stock-based compensation expenses	31,842	20,988	139
Depreciation and amortization expenses	11,607	1,598	902
Impairment of assets	112,070	—	—
Acquisition-related (income) expenses, net	(31,427)	248	—
Loss from equity method investments	4,504	—	—
Operating loss	(301,702)	(57,650)	(7,498)
Foreign exchange (gain) loss, net	(5,944)	7,234	(1,363)
Interest expenses, net	34,690	9,110	1,686
Finance income from ABG	(764)	—	—
Loss on disposal of property and equipment	2,436	190	—
Other income, net	(2,501)	(2,010)	(12)
Loss before income taxes	(329,619)	(72,174)	(7,809)
Deferred income tax recoveries	(8,847)	(4,485)	—
Current income tax expenses	397	34	—
Net loss	(321,169)	(67,723)	(7,809)
Net loss per share - basic and diluted	$ (3.20)	$ (0.82)	$ (0.10)
Weighted average shares used in computation of net loss per share - basic and diluted	100,455,677	83,009,656	75,000,000
Net loss	(321,169)	(67,723)	(7,809)
Foreign currency translation gain, net	5,174	662	282
Unrealized loss on investments	(21)	(765)	—
Other comprehensive income (loss)	5,153	(103)	282
Comprehensive loss	$ (316,016)	$ (67,826)	$ (7,527)

The accompanying notes are an integral part of these consolidated financial statements.

TILRAY, INC.
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands of United States dollars, except for share and per share data)

	Preferred shares		Common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity (deficit)
	Number of shares	Amount	Number of shares	Amount				
Balance at December 31, 2016	—	$ —	—	$ —	$ 31,589	$ 3,584	$ (32,645)	$ 2,528
Contributions	—	—	—	—	8	—	—	8
Stock-based compensation expenses	—	—	—	—	139	—	—	139
Foreign currency translation gain	—	—	—	—	—	282	—	282
Net loss	—	—	—	—	—	—	(7,809)	(7,809)
Balance at December 31, 2017	—	—	—	—	31,736	3,866	(40,454)	(4,852)
Shares issued for preferred shares, net of issuance costs	7,794,042	2	—	—	52,558	—	—	52,560
Conversion of preferred shares	(7,794,042)	(2)	7,794,042	2	—	—	—	—
Common stock issuance, net of issuance costs	—	—	85,350,000	8	160,784	—	—	160,792
Stock-based compensation expenses	—	—	—	—	20,988	—	—	20,988
Other comprehensive loss	—	—	—	—	—	(103)	—	(103)
Deferred tax liability related to convertible notes, net of issuance costs	—	—	—	—	(8,809)	—	—	(8,809)
Issuance of shares for Alef acquisition	—	—	26,825	—	2,855	—	—	2,855
Equity component related to issuance of convertible notes, net of issuance costs	—	—	—	—	41,945	—	—	41,945
Net loss	—	—	—	—	—	—	(67,723)	(67,723)
Balance at December 31, 2018	—	—	93,170,867	10	302,057	3,763	(108,177)	197,653
Cumulative effect adjustment from transition to ASU 2016-01	—	—	—	—	—	803	(803)	—
Cumulative effect adjustment from transition to ASC 842	—	—	—	—	—	—	19	19
Shares issued for Natura acquisition	—	—	180,332	—	15,099	—	—	15,099
Shares issued for Natura contingent consideration	—	—	238,826	—	4,450	—	—	4,450
Shares issued for Manitoba Harvest acquisition	—	—	2,109,252	—	128,710	—	—	128,710
Shares issued for ABG Profit Participation Arrangement	—	—	1,680,214	—	125,097	—	—	125,097
ABG finance receivable, net of finance income of $2,700	—	—	—	—	(27,553)	—	—	(27,553)
Shares issued for common stock at-the-market, net of issuance costs	—	—	5,396,501	1	111,072	—	—	111,073
Shares issued for investments	—	—	550,646	—	10,551	—	—	10,551
Shares issued for S & S acquisition	—	—	79,289	—	3,189	—	—	3,189
Shares issued under stock-based compensation plans	—	—	1,575,455	—	506	—	—	506
Shares issued for employee compensation	—	—	11,868	—	651	—	—	651
Stock-based compensation expenses	—	—	—	—	31,842	—	—	31,842
Downstream merger	—	—	(2,212,025)	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	5,153	—	5,153
Net loss	—	—	—	—	—	—	(321,169)	(321,169)
Balance at December 31, 2019	—	—	102,781,225	$ 11	$ 705,671	$ 9,719	$ (430,130)	$ 285,271

The accompanying notes are an integral part of these consolidated financial statements.

TILRAY, INC.
Consolidated Statements of Cash Flows
(in thousands of United States dollars, except for per share data)

	Year ended December 31,		
	2019	**2018**	**2017**
Operating activities			
Net loss	$ (321,169)	$ (67,723)	$ (7,809)
Adjusted for the following items:			
Inventory valuation adjustments	68,583	384	204
Depreciation and amortization expenses	15,849	3,562	1,853
Impairment of assets	112,070	—	—
Stock-based compensation expenses	31,842	20,988	139
Gain on sale of short-term investment	(2,631)	—	—
Change in fair value of contingent consideration	(46,914)	—	—
Loss from equity method investments	4,504	—	—
Loss from equity investments measured at fair value	939	6	—
Interest on debt securities	(149)	—	—
Deferred taxes	(8,847)	(4,485)	—
Amortization of discount on convertible notes	9,843	2,180	—
Foreign currency (gain) loss	(5,944)	6,477	(1,363)
Accretion related to obligations under finance leases	367	—	—
Non-cash interest expenses	—	5,669	693
Provision for doubtful accounts	1,723	285	—
Loss (gain) on disposal of property and equipment	2,436	(2)	11
Changes in non-cash working capital:			
Accounts receivable	(14,820)	(16,512)	(507)
Taxes receivable	(5,196)	101	(1,187)
Inventory	(102,643)	(9,226)	(3,295)
Prepayments and other current assets	(46,212)	(2,588)	(433)
Accounts payable	20,003	5,218	4,728
Accrued expenses and other current liabilities	28,215	9,418	963
Other liabilities	86	—	—
Net cash used in operating activities	(258,065)	(46,248)	(6,003)
Investing activities			
Business combinations, net of cash acquired	(163,889)	—	—
Investment in ABG Profit Participation Arrangement	(33,333)	—	—
Investment in equity method investees	(14,201)	—	—
Change in deposits and other assets	(2,689)	—	(397)
Purchases of short-term and other investments	(1,350,666)	(319,373)	—
Proceeds from sales and maturities of short-term investments	1,383,632	274,497	—
Purchases of property and equipment	(73,741)	(50,198)	(10,910)
Proceeds from disposal of property and equipment	6,581	713	23
Purchases of intangible assets	(4,875)	(4,259)	(531)
Net cash used in investing activities	(253,181)	(98,620)	(11,815)
Financing activities			
Proceeds from at-the market equity offering, net of costs	111,073	—	—
Proceeds from ABG Profit Participation Arrangement	4,187	—	—
Payment of ABG finance liability	(500)	—	—
Payment under Privateer Holdings debt facilities	—	(36,940)	—
Advances under Privateer Holdings debt and construction facilities	—	3,453	12,434
Proceeds from Preferred Shares - Series A, net of transaction costs	—	52,560	—
Proceeds from exercise of stock options	5,458	—	—
Payment on the settlement of stock options	(5,014)	—	—
Payment of mortgage debt	—	(9,136)	—
Payment of obligations under finance lease	(504)	—	(199)
Proceeds from issuance of convertible notes, net of issuance costs	—	460,269	—
Proceeds from issuance of common stock pursuant to IPO, net	—	160,792	—
Net cash provided by financing activities	114,700	630,998	12,235
Effect of foreign currency translation on cash and cash equivalents	6,082	(1,198)	375
Cash and cash equivalents			
(Decrease) increase in cash and cash equivalents	(390,464)	484,932	(5,208)
Cash and cash equivalents, beginning of period	487,255	2,323	7,531
Cash and cash equivalents, end of period	$ 96,791	$ 487,255	$ 2,323

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business and Summary

Tilray, Inc., a Delaware corporation, and its wholly owned subsidiaries (collectively "Tilray", the "Company", "we", "our", or "us"), is pioneering the future of medical cannabis research, cultivation, processing and distribution globally, and is one of the leading suppliers of adult-use cannabis in Canada. The Company also markets and distributes food products from hemp seed, offering a broad range of natural and organic food products and ingredients that are sold through retailers and websites globally.

Prior to January 2018, the Company operated its business under Decatur Holdings, B.V. ("Decatur"), which was formed in March 2016. Decatur was incorporated under the laws of the Netherlands on March 8, 2016 as a wholly owned subsidiary of Privateer Holdings, Inc. ("Privateer Holdings"). On January 25, 2018, Privateer Holdings transferred the equity interest in Decatur to Tilray. Decatur was subsequently dissolved on December 27, 2018. The transfers of the equity interests were between entities under common control and were recorded at their carrying amounts. The consolidated financial statements of the Company ("the financial statements") are prepared, on a continuity of interest basis, reflecting the historical financial information of Decatur prior to January 25, 2018.

2. Summary of Significant Accounting Policies

Basis of presentation and going concern

The accompanying financial statements reflect the accounts of the Company. The financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC").

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company's ability to continue as a going concern is dependent upon obtaining additional financing to meet anticipated cash needs for working capital and capital expenditures through the next twelve months.

For the fiscal year ended December 31, 2019 the Company reported a consolidated net loss of $321,169 and a net loss of $67,723 and $7,809 for the year ending December 31, 2018 and December 31, 2017, respectively.

For the years ended December 31, 2019, 2018 and 2017, the Company had negative cash flows used in operating activities of $258,065, $46,248 and $6,003, respectively. The Company had net cash outflows for the year ended December 31, 2019 of $390,464.

As at December 31, 2019 and 2018, the Company had working capital of $166,600 and $528,365 respectively, reflecting a decrease in cash of $361,765 for the year ending December 31, 2019.

Current management forecasts and related assumptions support the view that the Company can adequately manage the operational needs of the business with the additional financing of $59,600 secured on February 28, 2020 (refer to Note 26) and as necessary, through accessing capital from the at-the-market program with available funding of $271,687 (refer to Note 14 and Note 26) or other equity financings. However, due to uncertainties the Company may face in raising additional equity financing in the future, an additional evaluation of management's plans and forecasts was conducted to assess the Company's ability to meet their contractual commitments and obligations over the next twelve months.

These management forecasts and assumptions support the Company's ability to meet its contractual obligations such as non-cancelable minimum purchase commitments for inventory of $132,743 (refer to Note 17), payment of interest on the 5% convertible notes of $23,750 (refer to Note 13), payment of interest on the additional financing (refer to Note 26) and the Company's lease commitments of $4,576 (refer to Note 17).

Should there be constraints on access to capital under the at-the-market program, the Company can manage cash-outflows through reduced capital expenditures and managing the operational expenses of the business that pertain to future investments that are discretionary in nature. Accordingly, the Company has concluded that it is

probable that it is able to implement plans that would effectively mitigate the conditions and events that raise substantial doubt about the entity's ability to continue as a going concern for the next twelve months.

These financial statements do not include any adjustments to the carrying amount and classification of reported assets, liabilities, revenues or expenses that might be necessary should the Company not be successful with the aforementioned initiatives. Any such adjustments could be material.

These financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations.

The statements of net loss and comprehensive loss for the years ended December 31, 2018 and 2017 were reclassified to conform to the current period's presentation. Cost of sales, which was formerly presented as a single line item, is now broken out between product costs and inventory valuation adjustments. Depreciation and amortization expenses as well as acquisition-related (income) expenses, net, which were formerly presented as part of general and administrative expenses, are now presented separately. Loss on disposal of property and equipment is presented seperately from other income, net.

Large accelerated filer status

The Company is now a large accelerated filer and as a result, the Company complies with new and revised accounting standards applicable to public companies for the year ended December 31, 2019. All new accounting pronouncements recently adopted as described below were adopted in the forth quarter of 2019 with an effective date of January 1, 2019. Quarterly financial information presented in the December 31, 2019 financial statements reflect the new and revised accounting standards and therefore do not mirror the 2019 interim period condensed consolidated financial statements.

Basis of consolidation

These financial statements include the accounts of the following entities wholly owned by the Company as of December 31, 2019:

Name of entity	Date of formation	Place of incorporation
Natura Naturals Inc.	May 31, 1985	Canada
Tilray, Inc.	July 8, 2005	United States
Manitoba Harvest USA LLC	February 8, 2010	United States
Tilray Canada, Ltd.	September 6, 2013	Canada
Dorada Ventures, Ltd.	October 18, 2013	Canada
Smith & Sinclair Ltd.	June 1, 2014	United Kingdom
FHF Holdings Ltd.	July 15, 2015	Canada
High Park Farms Ltd.	February 19, 2016	Canada
Tilray Deutschland GmbH	November 3, 2016	Germany
Pardal Holdings, Lda.	April 5, 2017	Portugal
Tilray Portugal Unipessoal, Lda.	April 20, 2017	Portugal
Tilray Australia New Zealand Pty. Ltd.	May 9, 2017	Australia
Tilray Ventures Ltd.	June 6, 2017	Ireland
Manitoba Harvest Japan K.K.	August 29, 2017	Japan
High Park Holdings, Ltd.	February 8, 2018	Canada
Fresh Hemp Foods Ltd.	May 7, 2018	Canada
Natura Naturals Holdings Inc.	May 17, 2018	Canada
National Cannabinoid Clinics Pty Ltd.	September 19, 2018	Australia
Tilray Latin America SpA	November 19, 2018	Chile
Tilray Portugal II, Lda.	December 11, 2018	Portugal
High Park Gardens Inc.	February 7, 2019	Canada
High Park Shops Inc.	August 15, 2019	Canada
Privateer Evolution, LLC	December 12, 2019	United States

The entities listed above are wholly owned by the Company and have been formed or acquired to support the intended operations of the Company and all intercompany transactions and balances have been eliminated in the financial statements of the Company.

During the year ended December 31, 2019 the following entities have been added as a result of business combinations: Natura Naturals Inc., Manitoba Harvest USA LLC, Smith and Sinclair Ltd., FHF Holdings Ltd.,

Mantitoba Harvest Japan K.K., Fresh Hemp Foods Ltd., Natura Naturals Holdings Inc. Refer to Note 3 for further details on business combinations.

On December 12, 2019, the Company closed the merger of Privateer Holdings, with and into a wholly owned subsidiary of the Company pursuant to the Agreement and Plan of Merger and Reorganization with Privateer Holdings (the "Downstream Merger"). As a result, Privateer Evolution, LLC, previously named Down River Merger Sub, LLC, has been added to the wholly owned entities for the year ended December 31, 2019.

The financial statements also include variable interest entities ("VIE"). A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support, is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights, or do not substantively participate in the gains and losses of the entity. Upon inception of a contractual agreement, the Company performs an assessment to determine whether the arrangement contains a variable interest in a legal entity and whether that legal entity is a VIE. The primary beneficiary has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE entity that could potentially be significant to the VIE. Where the Company concludes that it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE. When the Company is not the primary beneficiary, the VIE is accounted for using the equity method and is included in Equity method investments within the balance sheets. At December 31, 2019, 2018 and 2017, the Company had no consolidated VIEs. Refer to Note 7 for the Company's VIEs accounted for using the equity method.

The Company regularly reviews and reconsiders previous conclusions regarding whether the Company is the primary beneficiary of a VIE. The Company also reviews and reconsiders previous conclusions regarding whether the Company holds a variable interest in a potential VIE, the status of an entity as a VIE, and whether the Company is required to consolidate such a VIE in the financial statements when a change occurs.

New accounting pronouncements recently adopted

Financial instruments

On January 1, 2019, the Company adopted FASB ASU No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which updates certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. Most prominent among the changes in the standard is the requirement for changes in the fair value of equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income.

The Company adopted the standard effective January 1, 2019. Adoption of the standard was applied using a modified retrospective approach through a cumulative effect adjustment from accumulated other comprehensive income to accumulated deficit as of the effective date in the amount of $803. The Company elected to measure equity investments without readily determinable fair values using the measurement alternative, at cost with adjustments for observable changes in price or impairments. The cumulative effect adjustment included any previously held unrealized gains and losses held in accumulated other comprehensive income related to the Company's equity investments carried at fair value, other than those measured using the measurement alternative, which is applied prospectively.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases, codified as ASC 842 Leases ("ASC 842"). ASC 842 requires leases to be accounted for using a right-of-use model, which recognizes that, at the date of commencement, a lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the lease term. The lessee recognizes a corresponding right-of-use asset related to this right. Prior to adopting ASC 842, the Company followed the lease accounting guidance as issued in ASC 840, Leases ("ASC 840") under which the Company classified its leases as operating or capital leases based on evaluation of certain criteria of the lease agreement. Effective January 1, 2019, the Company adopted ASC 842 using the modified retrospective approach, which provides a method for recording existing leases at adoption using the effective date as its date of initial application. The Company also applied the practical expedient which provides an additional transition method which allows entities to elect not to recast comparative periods presented. The Company has

elected this practical expedient in the adoption of the ASC 842. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term.

The Company elected the package of practical expedients provided by ASC 842, which allowed the Company to forgo reassessing the following upon adoption of the new standard: (1) whether contracts contain leases for any expired or existing contracts, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing or expired leases. In addition, the Company elected an accounting policy to exclude from the balance sheet the right-of-use assets and lease liabilities related to short-term leases, which are those leases with a lease term of twelve months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

The standard has a material impact in the Company's balance sheets, but does not have an impact in the statements of net loss and comprehensive loss. The most significant impact is the recognition of right-of-use assets and lease liabilities for operating leases, while the accounting for finance leases remains substantially unchanged. As of the date of implementation on January 1, 2019, the impact of the adoption of ASC 842 resulted in the recognition of a right-of-use asset and lease liability on the Company's balance sheet of $3,276 and $3,257, respectively, with a cumulative effect adjustment of $19 to accumulated deficit.

Revenue

On January 1, 2019, the Company adopted ASU 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU, codified as ASC 606 Revenue from Contracts with Customers (collectively, "ASC 606"), which amended revenue recognition principles and provides a single, comprehensive set of criteria for revenue recognition. ASC 606 applies to all contracts with customers except for contracts that are within the scope of other standards.

ASC 606 provides a five-step framework through which revenue is recognized when control of promised goods or services is transferred to a customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company concludes are within the scope of ASC 606, management performs the following five steps: (i) identifies the contract(s) with a customer; (ii) identifies the performance obligations in the contract (s); (iii) determines the transaction price, including whether there are any constraints on variable consideration; (iv) allocates the transaction price to the performance obligations; and (v) recognizes revenue when (or as) the Company satisfies a performance obligation.

The Company adopted ASC 606 using the modified retrospective method to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with pre-adoption standards. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue contracts; as such, no cumulative effect adjustment was recorded.

Accounting for nonemployee share-based compensation

In June 2018, the FASB issued ASU 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"), to simplify the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The provisions of this standard specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The Company adopted the provisions of ASU 2018-07 using a modified retrospective approach on January 1, 2019, which affected the method used to value the stock options and RSUs granted to consultants and advisors. Prior to the adoption of ASU 2018-07, stock options and RSUs were revalued at each reporting period. Pursuant to the requirements of ASU 2018-07 and under the provisions of Topic 718, these stock options and RSUs are now valued at the grant date fair value, consistent with the method the Company uses to value stock options and RSUs to employees. Adoption of the standard resulted in no cumulative effect adjustment.

Use of estimates and significant judgments

The preparation of the Company's financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Estimates and judgments are assessed on an ongoing basis. Revisions to estimates are recognized prospectively.

Examples of key estimates in these financial statements include cash flows and discount rates used in accounting for business combinations including contingent consideration, the value of Class 2 common shares with transfer restrictions, asset impairment including estimated future cash flows and fair values, imputed interest for loans receivable, the allowance for doubtful accounts receivable and loans receivables, provisions for prepayments and other current assets, inventory valuation adjustments that contemplate the market value of, and demand for inventory, estimated useful lives of property and equipment and intangible assets, valuation allowance on deferred income tax assets, determining the fair value of financial instruments, fair value of stock-based compensation, estimated variable consideration on contracts with customers, sales return estimates, the fair value of the convertible notes and equity component and the classification, incremental borrowing rates and lease terms applicable to lease contracts.

Financial statement areas that require significant judgments are as follows:

Variable interest entities - The Company assesses all variable interests in entities and uses judgment when determining if the Company is the primary beneficiary. Other qualitative factors that are considered include decision-making responsibilities, the VIE capital structure, risk and rewards sharing, contractual agreements with the VIE, voting rights and the level of involvement of other parties.

Contingent consideration – Contingent consideration is subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingent consideration involves a significant amount of judgment, including determining a reliable estimate of the amount of cash outflow required to settle the obligation based on significant unobservable inputs as well as estimates around the probability and timing of satisfying the future events on which the contingent consideration is based.

Asset impairment – Asset impairment tests require the allocation of assets to asset groups, where appropriate, which requires significant judgment and interpretation with respect to the integration between the assets and shared resources. Asset impairment tests require the determination of whether there is an indication of impairment. The assessment of whether an indication of impairment exists is performed at the end of each reporting period and requires the application of judgment, historical experience, and external and internal sources of information.

Leases – The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset.

Foreign currency

These financial statements are presented in the United States dollar ("USD"), which is the Company's reporting currency. Functional currencies for the entities in these financial statements are their respective local

currencies, including USD, Canadian dollar (“CAD”), Australian dollar, Chilean Peso, Great Britain Pound, Japanese Yen and Euro.

The assets and liabilities of each of the Company’s subsidiaries are translated to USD at the foreign exchange rate in effect at the balance sheet date. Certain transactions affecting the stockholders’ equity (deficit) are translated at historical foreign exchange rates. The statements of net loss and comprehensive loss and statements of cash flows are translated to USD applying the average foreign exchange rate in effect during the reporting period. The resulting translation adjustments are included in other comprehensive loss.

The Company’s monetary assets and liabilities denominated in foreign currencies are translated to the functional currency by applying the foreign exchange rate in effect at the balance sheet date. Revenues and expenses are translated using the average foreign exchange rate in effect during the reporting period. Realized and unrealized foreign currency differences are recognized in the statements of net loss and comprehensive loss.

Net loss per share

Basic net loss per share is computed by dividing reported net loss by the weighted average number of common shares outstanding for the reported period. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock of the Company during the reporting period. Diluted net loss per share is computed by dividing net loss by the sum of the weighted average number of common shares and the number of potential dilutive common share equivalents outstanding during the period. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of vested share options and the incremental shares issuable upon conversion of the convertible notes. Potential dilutive common share equivalents consist of stock options, restricted stock units (“RSUs”) and restricted stock awards.

In computing diluted earnings per share, common share equivalents are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive. As of December 31, 2019, there were 10,532,988 common share equivalents with potential dilutive impact (2018 - 7,902,263, 2017 - none). Since the Company is in a net loss for all periods presented in these financial statements, there is no difference between the Company’s basic and diluted net loss per share for the periods presented.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Cash and cash equivalents include amounts held in USD, CAD, Euro, Australian dollar, Chilean Peso, Great Britain Pound, Japanese Yen, corporate bonds, commercial paper, treasury bills and money market funds.

Investments

As a result of the adoption of ASU 2016-01 on January 1, 2019, the Company has changed its accounting policy for investments. Investments consist of debt securities and equity investments. Debt securities consists of convertible debt securities. Equity investments generally consist of securities that represent ownership interests in an entity for which the Company does not have a controlling financial interest.

Debt securities

Debt securities are classified as available-for-sale and are recorded at fair value. Unrealized gains and losses during the year, net of the related tax effect, are excluded from income and reflected in other comprehensive income (loss), and the cumulative effect is reported as a separate component of shareholders’ equity until realized. Debt securities are impaired when a decline in fair value is determined to be other-than-temporary. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, credit quality of debt instrument issuers, and the duration and extent to which the fair value is less than cost. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in the statements of net loss and a new cost basis for the investment is established. The Company also evaluates whether there is a plan to sell the security or it is more likely than not that the Company will be required to sell the security before recovery. If neither of the conditions exist, then only the portion of the impairment loss attributable to credit loss is recorded in the statements of net loss and the remaining amount is recorded in other comprehensive income (loss).

Equity investments

Investments in entities over which the Company does not have a controlling financial interest or significant influence are accounted for at fair value. Equity investments without readily determinable fair values are measured at cost with adjustments for observable changes in price or impairments (referred to as the "measurement alternative"). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments are less than carrying values. Changes in value are recorded in other income, net.

Investments in entities over which the Company does not have a controlling financial interest but has significant influence, are accounted for using the equity method, with the Company's share of earnings or losses reported in earnings or losses from equity method investments on the statements of net loss and comprehensive loss. Equity method investments are recorded at cost, plus the Company's share of undistributed earnings or losses, and impairment, if any, within Equity method investments on the balance sheets.

The Company assesses investments in equity method investments if there is reason to believe an impairment may have occurred including, but not limited to, ongoing operating losses, projected decreases in earnings, increases in the weighted-average cost of capital, or significant business disruptions. The significant assumptions used to estimate fair value include revenue growth and profitability, capital spending, depreciation and taxes, foreign currency exchange rates, and discount rate. By their nature, these projections and assumptions are uncertain. If it is determined that the current fair value of an equity method investment is less than the carrying value of the investment, the Company will assess if the shortfall is of a temporary or permanent nature and write down the investment to its fair value if it is concluded the impairment is other than temporary.

Accounting policy related to periods prior to the adoption of ASU 2016-01

Investments consist of treasury bills and equity securities. Equity securities generally consist of securities that represent ownership interests in an enterprise for which do not have significant influence or a controlling financial interest. The Company's investments are classified as available-for-sale securities or as a cost method investment.

Available-for-sale securities

Securities classified as available-for-sale are recorded at fair value. Unrealized gains and losses during the year, net of the related tax effect applicable to available-for-sale, are excluded from income and reflected in other comprehensive income, and the cumulative effect is reported as a separate component of shareholders' equity until realized. If a decline in fair value is deemed to be other-than-temporary, the investment is written down to its fair value and the amount of the write-down is recorded as other-than-temporary impairment loss in the statements of net loss and comprehensive loss. Any portion of such decline related to the securities that are not held-to-maturity and is believed to arise from factors other than credit is recorded as a component of other comprehensive income rather than against income.

Net realized gains and losses on investments are determined in accordance with the specific identification method.

Cost method investments

Equity securities for which the fair value is not readily determinable are carried at cost. Distributions from the equity security are recognized as income dividend when received.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and determined to be other-than-temporary.

Business combinations and goodwill

The Company accounts for business combinations using the acquisition method in accordance with ASC 805, Business Combinations, which requires recognition of assets acquired and liabilities assumed, including contingent assets and liabilities, at their respective fair values on the date of acquisition. Any excess of the purchase consideration over the net fair value of tangible and identified intangible assets acquired less liabilities assumed is

recorded as goodwill. The costs of business acquisitions, including fees for accounting, legal, professional consulting and valuation specialists, are expensed as incurred within acquisition-related (income) expenses, net. Purchase price allocations may be preliminary and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

For business combinations achieved in stages, the Company's previously held interest in the acquiree is remeasured at its acquisition date fair value, with the resulting gain or loss recorded in the statements of net loss and comprehensive loss. For a pre-existing relationship between the Company and the acquiree that is not extinguished on the business combination, such a relationship is considered effectively settled as part of the business combination even if it is not legally cancelled. At the acquisition date, it becomes an intercompany relationship and is eliminated upon consolidation.

The estimated fair value of acquired assets and assumed liabilities are determined primarily using a discounted cash flow approach, with estimated cash flows discounted at a rate that the Company believes a market participant would determine to be commensurate with the inherent risks associated with the asset and related estimated cash flow streams. Contingent consideration in a business combination is remeasured at fair value each reporting period until the contingency is resolved and any change in fair value from either the passage of time or events occurring after the acquisition date, is recorded within acquisition-related (income) expenses, net on the statements of net loss and comprehensive loss.

Fair value measurements

The carrying value of the Company's accounts receivable, accounts payable, accrued expenses and other current liabilities approximate their fair value due to their short-term nature. Debt securities classified as available-for-sale are recorded at fair value based on publicly available market information or other estimates determined by management. Equity investments (excluding equity method investments) are recorded at fair value using quoted market prices or broker or dealer quotations, or using the measurement alternative for equity investments without readily determinable fair values. The fair value for equity investments measured using the measurement alternative is determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables, and discounted cash flow projections. Contingent consideration is measured at fair value on a recurring basis based on discounted cash flow projections.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Inventory

Inventory is comprised of raw materials, finished goods and work-in-progress. Cost includes expenditures directly related to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity.

Cannabis: Inventory cost includes pre-harvest, post-harvest and shipment and fulfillment, as well as related accessories. Pre-harvest costs include labor and direct materials to grow cannabis, which includes water, electricity, nutrients, integrated pest management, growing supplies and allocated overhead. Post-harvest costs include costs associated with drying, trimming, blending, extraction, purification, quality testing and allocated overhead. Shipment and fulfillment costs include the costs of packaging, labelling, courier services and allocated overhead.

Hemp: Inventory cost includes seeds, packaging and co-packing. Seed costs include commodity cost from farmers, genetic seed cost to provide and manage contracted farmers, hulling and processing costs, including labor and overhead. Packaging costs include packaging materials, labor and overhead to running machinery. Co-packing cost are generally for products not manufactured by the Company directly and would include the all costs to produce the products.

Inventory is stated at the lower of cost or net realizable value, determined using weighted average cost. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. At the end of each reporting period, the Company

performs an assessment of inventory and records write-downs for excess and obsolete inventories based on the Company's estimated forecast of product demand, production requirements, market conditions, regulatory environment, and spoilage. Actual inventory losses may differ from management's estimates and such differences could be material to the Company's balance sheets, statements of net loss and comprehensive loss and statements of cash flows.

Property and equipment

Property and equipment are recorded at cost net of accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of buildings ranges from twenty to twenty-five years and the estimated useful life of property and equipment, other than buildings, ranges from three to fifteen years. Land is not depreciated. Leasehold improvements are depreciated over the lesser of the asset's estimated useful life or the remaining lease term.

When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized. Maintenance and repairs are charged to expenses as incurred. Significant expenditures, which extend the useful lives of assets or increase productivity, are capitalized. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items or components of property and equipment.

Construction-in-process includes construction progress payments, deposits, engineering costs, interest expense on long-term construction projects and other costs directly related to the construction of the facilities. Expenditures are capitalized during the construction period and construction in progress is transferred to the relevant class of property and equipment when the assets are available for use, at which point the depreciation of the asset commences.

The estimated useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Capitalization of interest

Interest incurred relating to the construction or expansion of facilities is capitalized to the construction in progress. The Company ceases the capitalization of interest when construction activities are substantially completed and the facility is available for commercial use

Intangible assets

Intangible assets include intangible assets acquired as part of business combinations, asset acquisitions and other business transactions. The Company records intangible assets at cost, net of accumulated amortization and accumulated impairment losses, if any. Cost is measured based on the fair values of cash consideration paid and equity interests issued. The cost of an intangible asset acquired is its acquisition date fair value.

The Company capitalizes certain internal-use software development costs, consisting primarily of contractor costs and employee salaries and benefits allocated to the software. Capitalization of costs incurred in connection with internally developed software commences when both the preliminary project stage is completed and management has authorized further funding for the project, based on a determination that it is probable the project will be completed and used to perform the function intended. Capitalization of costs ceases no later than the point at which the project is substantially complete and ready for its intended use. All other costs are expensed as incurred. Amortization is calculated on a straight-line basis over three years. Costs incurred for enhancements that are expected to result in additional functionalities are capitalized.

Amortization of definite life intangible assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Patents	4 years
Customer relationships	14 to 16 years
Developed technology	10 years
Websites	3 years
Definite life trademarks and licenses	Term of agreements

When there is no foreseeable limit on the period of time over which an intangible asset is expected to contribute to the cash flows of the Company, an intangible asset is determined to have an indefinite life. Indefinite life intangible assets are not amortized, but tested for impairment annually or more frequently when indicators of impairment exist. If the carrying value of an individual indefinite-lived intangible asset exceeds its fair value, such individual indefinite-life intangible asset is impaired by the amount of the excess.

The estimated useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of long-lived assets

The Company reviews long-lived assets, including property and equipment and definite life intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable independent cash flows are available ("asset group"). An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The reversal of impairment losses is prohibited.

Impairment of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are tested for impairment annually, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, the Company may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit (for goodwill) is less than its carrying value, a quantitative impairment test to compare the fair value to the carrying value. An impairment charge is recorded if the carrying value exceeds the fair value.

Leases

As a result of the adoption of ASC 842 on January 1, 2019, the Company has changed its accounting policy for leases. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and accrued obligations under operating lease (current and non-current) in the balance sheets. Finance lease ROU assets are included in property and equipment, net and accrued obligations under finance lease (current and non-current) in the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. A finance lease is a lease in which 1) ownership of the property transfers to the lessee by the end of the lease term; 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise; 3) the lease is for a major part of the remaining economic life of the underlying asset; 4) The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already included in the lease payments equals or exceeds substantially all of the fair value; or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the incremental borrowing rate is used based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

For finance leases, lease expenses are the sum of interest on the lease obligations and amortization of the ROU assets, resulting in a front-loaded expense pattern. The expenses form part of facility costs which are included in product costs within cost of sales within the statements of net loss and comprehensive loss. ROU assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the property and

equipment accounting policy. If ownership of the ROU assets transfers to the Company at the end of the lease term or if the Company is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset, according to the property and equipment accounting policy. For operating leases, the lease expenses are generally recognized on a straight-line basis over the lease term and recorded to general and administrative expenses in the statements of net loss and comprehensive loss.

The Company has elected to apply the practical expedient, for each class of underlying asset, except real estate leases, to not separate non-lease components from the associated lease components of the lessee's contract and account for both components as a single lease component. Additionally, for certain equipment leases, the Company applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Short-term leases include real estate and vehicles and are not significant in comparison to the Company's overall lease portfolio. The Company continues to recognize the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

Accounting policy related to periods prior to the adoption of ASC 842

The Company enters into various leases in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or capital lease. A capital lease is a lease in which 1) ownership of the property transfers to the lessee by the end of the lease term; 2) the lease contains a bargain purchase option; 3) the lease term is equal to 75% or more of the economic life of the leased property; or 4) the present value of the minimum lease payment at the inception of the lease term equals or exceeds 90% of the fair value of the leased property.

An asset and a corresponding liability are established at inception for capital leases. The capital lease assets are included in property and equipment and the capital lease obligations are included in accrued obligations under finance lease. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Convertible notes

The Company accounts for its convertible notes with a cash conversion feature in accordance with ASC 470-20, Debt with Conversion and Other Options ("ASC 470-20"), which requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. The initial proceeds from the sale of convertible notes are allocated between a liability component and an equity component in a manner that reflects interest expense at the rate of similar nonconvertible debt that could have been issued at such time. The equity component represents the excess initial proceeds received over the fair value of the liability component of the notes as of the date of issuance. The resulting debt discount is amortized over the period during which the convertible notes are expected to be outstanding as additional non-cash interest expenses.

Upon repurchase of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, would be recognized as gain (loss) on extinguishment of debt in the statements of net loss and comprehensive loss. The remaining settlement consideration allocated to the equity component would be recognized as a reduction of additional paid-in capital in the balance sheets.

Revenue recognition

As a result of the adoption of ASC 606 on January 1, 2019, the Company has changed its accounting policy for revenue recognition. Revenue is recognized when control of the promised goods or services, through performance obligations by the Company, is transferred to the customer in an amount that reflects the consideration it expects to be entitled to in exchange for the performance obligations.

The Company generates substantially all of its revenue from the sale of cannabis and hemp products through contracts with customers. Cannabis and hemp products are sold through various distribution channels. Revenue is recognized when the control of the goods is transferred to the customer, which occurs at a point in time, typically upon delivery to or receipt by the customer, depending on shipping terms.

Sales taxes collected from customers are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Company considers itself a pass-through conduit for collecting and remitting sales taxes. Excise duties that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer are included in revenue. Freight revenues on all product sales, when applicable, are also recognized, on a consistent manner, at a point in time. The term between invoicing and when payment is due is not significant and the period between when the entity transfers the promised good or service to the customer and when the customer pays for that good or service is one year or less.

The Company considers whether there are other promises in the contracts that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration and the existence of significant financing components (if any).

(i) Variable consideration

Some contracts for the sale of goods may provide customers with a right of return, volume discount, bonuses for volume/quality achievement, or sales allowance. In addition, the Company may provide in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company uses historical evidence, current information and forecasts to estimate the variable consideration. The requirements in ASC 606 on constraining estimates of variable consideration are applied to determine the amount of variable consideration that can be included in the transaction price. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing its obligation to return the customer's consideration. The estimate is updated at each reporting period.

(ii) Significant financing component

The Company may receive short-term advances from its customers. Using the practical expedient in ASC 606, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good to a customer and when the customer pays for that good or service will be one year or less. The Company has not, nor expects to receive long-term advances from customers.

(iii) Contract balance

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

Accounts receivable

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs under the contract.

Right of return assets

Right of return assets represent the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at each reporting period. Refer to above accounting policy on variable consideration.

Accounting policy related to periods prior to the adoption of ASC 606

The Company recognizes revenue as earned when the following four criteria have been met: (i) when persuasive evidence of an arrangement exists, (ii) the product has been delivered to a customer, (iii) the sales price is fixed or determinable, and (iv) collection is reasonably assured. Revenue is recognized net of sales incentives and returns, after discounts for the assurance program, veterans coverage program and compassionate programs.

Direct-to-patient sales are recognized when the products are shipped to the customers. Bulk and adult-use sales under wholesale agreements are recognized based on the shipping terms of the agreements. Export sales under pharmaceutical distribution and pharmacy supply agreements are recognized when products are delivered to the end customers or patients.

Customer loyalty awards are accounted for as a separate component of the sales transaction in which they are granted. A portion of the consideration received in a transaction that includes the issuance of an award is deferred until the awards are ultimately redeemed. The allocation of the consideration to the award is based on an evaluation of the award's estimated fair value at the date of the transaction. The customer loyalty program was discontinued in September 2017 and all customer loyalty awards expired as at December 31, 2017.

Cost of sales

Cost of sales represents costs directly related to manufacturing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling and the depreciation of manufacturing equipment and production facilities. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes. Cost of sales also includes inventory valuation adjustments. The Company recognizes the cost of sales as the associated revenues are recognized.

Stock-based compensation

The Company measures and recognizes compensation expense for stock options and RSUs to employees and non-employees on a straight-line basis over the vesting period based on their grant date fair values. Prior to the adoption of ASU 2018-07 on January 1, 2019, the fair value of stock options and RSUs to non-employees were re-measured at each reporting date until one of either of the counterparty's commitment to perform is established or until the performance is complete. The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option pricing model.

The fair value of RSUs is based on the share price as at date of grant. For stock options and RSUs granted in 2018, prior to the Company's initial public offering, the fair value of common stock at the date of grant was

determined by the Board of Directors with assistance from third-party valuation specialists. The Company estimates forfeitures at the time of grant and revises these estimates in subsequent periods if actual forfeitures differ from those estimates.

For performance-based stock options and RSUs, the Company records compensation expense over the estimated service period adjusted for a probability factor of achieving the performance-based milestones. At each reporting date, the Company assesses the probability factor and records compensation expense accordingly, net of estimated forfeitures.

Fully vested, non-forfeitable equity instruments issued to parties other than employees are measured on the date they are issued where there is no specific performance required by the grantee to retain those equity instruments. Stock-based payment transactions with non-employees are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Where fully vested, non-forfeitable equity instruments are granted to parties other than employees in exchange for notes or financing receivable, the note or receivable is presented in additional paid-in capital on the balance sheets.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management makes an assessment of the likelihood that the resulting deferred tax assets will be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Changes in recognition or measurement are reflected in the period in which judgment occurs.

Accounting changes – segmented reporting

With the acquisition of FHF Holdings Ltd. (“Manitoba Harvest”) on February 28, 2019, the Company began realigning its management structure along with major product categories and determined the process was sufficiently advanced on October 1, 2019 to identify two operating and reportable segments: Cannabis and Hemp. The Company performed a goodwill impairment test immediately before and after the change. The goodwill impairment tests did not result in impairment. Prior period amounts contained in the financial statements have been adjusted to conform to the new segment presentation (refer to Note 25).

New accounting pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires the measurement of current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration. This update will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company expects to implement the provisions of ASU 2016-13 as of January 1, 2020. The Company is currently evaluating the effect of adopting this ASU on the Company’s financial statements.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820). ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU 2018-13 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the effect of adopting this ASU on the Company’s financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning January 1, 2021. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements.

In January 2020, the FASB issued ASU 2020-01, Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) ("ASU 2020-01"), which is intended to clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. ASU 2020-01 is effective for the Company beginning January 1, 2021. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements.

3. Business Combinations

Acquisition of Manitoba Harvest

On February 28, 2019, the Company completed the acquisition of all issued and outstanding shares of Manitoba Harvest. Manitoba Harvest develops and distributes a diverse portfolio of hemp-based natural food and wellness products and enables the Company to expand into the growing cannabidiol ("CBD") product market in the United States.

Subsequent to the acquisition date, the Company revised the preliminary purchase price of the Manitoba Harvest acquisition to include working capital adjustments of $280 related to the acquisition. The Company also revised the preliminary allocation of the purchase price to assets acquired and liabilities assumed at the acquisition date, resulting in a $1,112 decrease in goodwill. The Company completed the final purchase price allocation for Manitoba Harvest. The goodwill of $126,881, assigned to the Hemp reportable segment (refer to Note 11), is attributable to factors such as market share, reputation with customers and vendors, and the skilled workforce of Manitoba Harvest. Goodwill is not deductible for tax purposes. The gross contractual amount of receivables as at the date of acquisition was $6,340, of which approximately $133 was not expected to be collected.

The financial results of Manitoba Harvest are included in the Company's financial statements since acquisition close. The statements of net loss and comprehensive loss include revenue of $58,029 and net loss of $14,441 of Manitoba Harvest for the year ended December 31, 2019, respectively. The Company incurred acquisition costs of $1,328 for the acquisition of Manitoba Harvest.

Acquisition of Natura

On February 15, 2019, the Company acquired the remaining 97% issued and outstanding shares of Natura Naturals Holdings Inc. ("Natura"). Natura is licensed to cultivate and produce medical cannabis, expanding the Company's capacity to supply high-quality branded cannabis products to the Canadian market.

The Company revised the preliminary allocation of the purchase price to assets acquired and liabilities assumed at the acquisition date, resulting in a $2,340 increase in goodwill. The Company completed the final purchase price allocation. The goodwill of $29,314, assigned to the Cannabis reportable segment (refer to Note 11), is attributable to factors such as strong supply chain, quality of products and the skilled workforce of Natura. Goodwill is not deductible for tax purposes.

The financial results of Natura are included in the Company's financial statements since acquisition close. The statements of net loss and comprehensive loss include revenue of $14,544 and net loss of $125 for the year ended December 31, 2019, respectively. The Company incurred acquisition costs of $824 for the acquisition of Natura.

Acquisition of S&S

On July 11, 2019, the Company acquired all issued and outstanding shares of Smith & Sinclair Ltd. (“S&S”), which crafts edible candies, fragrances and creative consumables in the United Kingdom and enables the Company to develop CBD-infused edibles and beverages as well as alcohol-infused edibles for distribution in Canada, United States and Europe. The financial results of S&S are included in the Company’s financial statements since acquisition close. The goodwill of $4,932 is assigned to the Hemp reportable segment (refer to Note 11). The statements of net loss and comprehensive loss include revenue of $1,633 and net loss of $2,774 for the year ended December 31, 2019, respectively.

The final allocations of the purchase price to assets acquired and liabilities assumed on the respective acquisition dates of Manitoba Harvest, Natura and S&S are as follows:

	Manitoba Harvest	Natura	S&S
Assets			
Cash and cash equivalents	$ 5,534	169	137
Accounts receivable	6,207	109	264
Inventory	15,331	3,482	195
Prepayments and other current assets	1,030	166	125
Property and equipment	23,581	17,435	138
Intangible assets(1)(2)(3)	195,966	10,494	2,418
Goodwill	126,881	29,314	4,932
Total assets	374,530	61,169	8,209
Liabilities			
Accounts payable	4,973	3,280	220
Accrued expenses and other current liabilities	4,911	876	89
Deferred tax liability	54,393	2,781	459
Total liabilities	64,277	6,937	768
Net assets acquired	$ 310,253	$ 54,232	$ 7,441

Intangible assets include:
(1) Manitoba Harvest: trademarks - $54,688, developed technology - $6,988 and customer relationships - $134,290
(2) Natura: licenses - $10,494
(3) S&S: trademarks - $1,670, patent - $690 and website - $58

The final purchase price of the Manitoba Harvest, Natura and S&S acquisitions are calculated as follows:

	Manitoba Harvest	Natura	S&S
Cash paid on closing	$ 114,566	$ 15,253	$ 2,420
Cash paid six months after closing	37,490	—	—
Class 2 common stock issued on closing(1)(2)(5)	96,844	15,099	3,189
Class 2 common stock issued six months after closing (1)	31,866	—	—
Working capital adjustment	280	—	—
Contingent consideration	29,207	20,007	1,812
Fair value of previously held interest (3)	—	1,565	—
Effective settlement of pre-existing debt (4)	—	2,308	—
Subscription rights	—	—	20
Total fair value of consideration transferred	310,253	54,232	7,441

(1) For the acquisition of Manitoba Harvest, 1,209,946 shares of Class 2 common stock were issued on closing and 899,306 shares of Class 2 common stock were issued six months after closing.
(2) For the acquisition of Natura, 180,332 shares of Class 2 common stock were issued on closing.
(3) The fair value of the Company's previously held interest in Natura on the acquisition date was determined based on the fair value of total consideration transferred and reflected book value on the acquisition date.
(4) The Company held C$3,000 convertible debt of Natura at the acquisition date. On acquisition, this debt and related accrued interest was effectively settled.
(5) For the acquisition of S&S, 79,289 shares of Class 2 common stock were issued on closing.

Supplemental pro forma information

The unaudited pro forma information for the periods set forth below gives effect to the acquisitions of Manitoba Harvest, Natura and S&S as if the acquisitions had occurred as of January 1, 2018. This pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time:

	Year ended December 31,	
	2019	2018
Revenue	$ 178,885	$ 107,786
Net loss	(325,760)	(74,444)
Net loss per share - basic and diluted	(3.24)	(0.90)

Acquisition-related (income) expenses, net

Acquisition-related (income) expenses, net for the years ended December 31 2019 and 2018 are comprised of the following items:

	Year ended December 31,	
	2019	2018
Acquisition and integration expenses	$ 15,487	$ 248
Change in fair value of contingent consideration	(46,914)	—
Total	$ (31,427)	$ 248

4. ABG Profit Participation Arrangement

On January 14, 2019, the Company entered into a Profit Participation Arrangement ("ABG Arrangement") with ABG Intermediate Holdings 2, LLC ("ABG") that offers the Company: (i) participation rights in up to 49% of the net (i.e. post-expense) cannabis revenues from certain existing ABG brands in perpetuity, (ii) guaranteed minimum receipt of $10,000 annually for ten years (prorated based on total consideration paid to ABG) in quarterly payments for participation rights, (iii) preferred supplier rights of all cannabinoid ingredients for products under cannabis-related licenses of certain existing ABG brands in perpetuity, (iv) preferred royalty rates for the Company to license and develop cannabis products for certain existing ABG brands, and (v) first negotiation and matching rights related to participation rights in net cannabis revenues for any additional brands acquired by ABG after entering into the Profit Participation Arrangement (collectively referred to as "Rights Under The ABG Profit Participation Arrangement").

As consideration for this arrangement, the Company issued 840,107 shares of Class 2 common stock and paid $20,000 in cash in January 2019, paid $13,333 in cash in February 2019, and issued 840,107 shares of Class 2 common stock in March 2019 (refer to Note 14). Under the terms of the ABG Arrangement, the Company shall pay $83,333, in a combination of Class 2 common stock and up to $16,667 in cash at ABG's election, upon certain triggers relating to the regulatory status of tetrahydrocannabinol ("THC") in the United States or receipt of $5,000 in participation rights distributions from cannabis products containing THC outside the United States, in accordance with terms outlined in the ABG Arrangement. The Company will record a liability related to this contingent payment when the triggers are met and the consideration becomes payable.

Since the ABG Arrangement conveys a right for the Company to receive guaranteed minimum cash from ABG over ten years, it meets the definition of a loan pursuant to ASC 310, Receivables. As of December 31, 2019 $671 was recorded in prepayments and other current assets and $6,653 in ABG finance receivable and other assets for the current and non-current portions of the loans relating to cash paid to ABG. The portion of the loans relating to shares issued to ABG of $30,253 is recorded within additional paid-in capital as of December 31, 2019. The allocation of the loans between the asset and equity portions was determined on a relative fair value basis. As the loans have no stated interest rate, fair value was determined using the present value of the expected cash flows at a 12% discount rate, which reflects an appropriate market rate for each loan at the time it was issued. Interest on the loan is calculated using the effective interest rate method and recognized in finance income from ABG Profit Participation Arrangement on the statements of net loss and comprehensive loss for the portion of the loan relating to cash paid to ABG, and in additional paid-in capital on the balance sheet for the portion relating to shares issued to ABG.

As of December 31, 2019, the Company has intangible assets with indefinite life in the amount of $16,765 for the Rights under the ABG Profit Participation Arrangement (refer to Note 10). The intangible assets were impaired at December 31, 2019 in the amount of $102,601, recorded to impairment of assets in the statements of net loss and comprehensive loss, as a result of deferred regulatory clarity for sales of CBD products in the United States, resulting in more conservative estimates of future cash flows related to the Company's Rights under the ABG Profit Participation Arrangement.

The original cost of the Rights under the ABG Profit Participation Arrangement were calculated using the fair value of the cash paid and shares issued, less the fair value attributable to the loan described above.

The Company entered into a Trademark License Agreement with ABG on April 1, 2019 for the use of Prince trademark ("ABG Prince Agreement"). Under the ABG Prince Agreement, the Company's right to use the Prince trademark on products that contain CBD sold in the European Union. The ABG Prince Agreement matures December 31, 2025 with certain extension periods available to the Company.

Under the ABG Prince Agreement, the Company pays a royalty on actual product sales in addition to a guaranteed minimum royalty payment ("GMR") of $500 on April 1, 2019, October 1, 2019, January 1, 2020 and July 1, 2020, with subsequent quarterly payments of $375 commencing January 1, 2021 until maturity of the ABG Prince Agreement.

At inception of the ABG Prince Agreement, the Company recorded an intangible asset of $7,117 in trademarks and licenses within intangible assets (refer to Note 10) with an offsetting ABG finance liability on the balance sheets. The trademark intangible asset and the ABG finance liability were recognized based on the discounted cash flows of the GMR using an effective interest rate of 9%.

The current portion of the ABG finance liability is recorded in accrued expenses and other current liabilities on the balance sheets (refer to Note 12).

Interest expenses recognized is $448 for the period and is recorded in interest expenses, net on the statements of net loss and comprehensive loss.

On January 24, 2020, the Company entered into an amendment related to the ABG Profit Participation Arrangement (refer to Note 26).

5. Inventory

Inventory is comprised of the following items:

	December 31,	
	2019	**2018**
Raw materials	$ 15,926	$ 2,132
Work-in-process	53,973	12,812
Finished goods	17,962	1,267
Total	$ 87,861	$ 16,211

Inventory is written down for any obsolescence, spoilage and excess inventory or when the net realizable value of inventory is less than the carrying value. Inventory valuation adjustments included in cost of sales on the statements of net loss and comprehensive loss is comprised of the following:

	Year ended December 31,		
	2019	**2018**	**2017**
Raw materials	$ 788	$ —	$ —
Work-in-process	61,302	4,561	617
Finished goods	6,493	—	—
Total	$ 68,583	$ 4,561	$ 617

During the year ended December 31, 2019, cannabis products were written down by $49,378 primarily as a result of an accumulation of oil and cannabis by-product to be converted into oil, as regulations did not allow the sale of these products until December 2019. In addition, hemp products were written down by $3,880 primarily due to the fact the United States CBD market has progressed at a slower pace than expected due to the lack of clarity from the United States Food and Drug Administration, which is responsible for establishing the regulatory framework for CBD products. Also included in inventory valuation adjustments in cost of sales is $15,325 relating to a loss on advance payment on future purchases of inventory to secure supply (refer to Note 6).

6. Prepayments and Other Current Assets

Prepayments and other current assets are comprised of the following items:

	December 31,	
	2019	2018
Deposits	$ 25,490	$ 1,511
Prepayments	5,847	1,496
Taxes receivable	6,165	969
ABG finance receivable - current	671	—
Total	$ 38,173	$ 3,976

Deposits include advance payments on future purchases of inventory to secure supply. During the year ended December 31, 2019, the Company determined that certain suppliers are unable to provide an amount of inventory equivalent to the prepayment. As a result, deposits have been written down by $14,154 and $1,171, for Cannabis and Hemp, respectively, totaling $15,325 recorded in inventory valuation adjustments in the statements of net loss and comprehensive loss (refer to Note 5).

7. Investments

Short-term investments

The Company’s short-term investments consist of debt securities classified as available-for-sale investments. All short-term investments have contractual maturities of one year or less. As at December 31, 2019, there were no short-term debt securities remaining and therefore total unrealized gains and losses recognized to accumulated other comprehensive loss during the year ended December 31, 2019 was nil. Gross realized gains on the sale of short-term investments recognized in other income, net was $2,631.

Other investments

Long-term investments are comprised of the following items:

	December 31, 2019
Equity investments measured at fair value	$ 4,183
Equity investments under measurement alternative	$ 14,954
Debt securities classified as available-for-sale method	$ 5,047
Total other investments	$ 24,184

The Company’s equity investments at fair value consist of publicly traded shares and warrants held by the Company. The Company’s equity investments under measurement alternative include equity investments without readily determinable fair values. The Company’s debt securities under available-for-sale method consists of convertible debt instruments with interest rates ranging from 10% – 12% and with contractual maturities in 2022.

For the year ended December 31, 2019, there was no realized gain or loss recognized related to equity investments at fair value. Unrealized losses recognized in other income, net during the year ended December 31, 2019 on equity investments still held at December 31, 2019 is $939. There were no impairments or adjustments to equity investments under the measurement alternative.

Unrealized gains of $17 in accumulated other comprehensive income at December 31, 2019 relates to the long-term available-for-sale debt securities.

Equity method investments

On December 31, 2018, the Company entered into a joint venture with Anheuser-Busch InBev ("AB InBev") to research and develop non-alcohol beverages containing cannabis. Under the terms of the arrangement, the Company and AB InBev each have 50% ownership and 50% voting interest in the Plain Vanilla Research Limited Partnership ("Fluent"), headquartered in Canada. The Company has determined that Fluent is a VIE, but the Company is not the primary beneficiary as the Company does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Accordingly, the Company does not consolidate the financial statements of Fluent and accounts for this investment using the equity method of accounting. At the date of initial investment there was no difference in the carrying value of the investment and the proportional interest in the underlying equity in the net assets of Fluent. At December 31, 2019 the maximum exposure to loss is limited to the Company's equity investment in the joint venture.

The Company has made capital contributions of $12,000 to Fluent during the year ended December 31, 2019. In addition, the Company had purchased $4,300 of equipment which was subsequently sold to Fluent at the net book value of $4,300 during the year ended December 31, 2019.

The Company provides production support services to Fluent on a cost recovery basis. During the year ended December 31, 2019, total fees charged were $388, which are included in accounts receivable at December 31, 2019.

On September 19, 2019, the Company entered into a joint venture with Cannfections Group Inc. ("Cannfections") to develop and manufacture confectionary cannabis products. Under the terms of the arrangement, the Company and Cannfections each have 50% ownership and 50% voting interest. At the date of initial investment, there was no difference in the carrying value of the investment and the proportional interest in the underlying equity in the net assets of Cannfections. During the year ended December 31, 2019, the Company contributed $3,600 to the joint venture, consisting of $1,901 of cash and $1,699 of Class 2 common stock.

The Company's ownership interests in its equity method investments as of December 31, 2019 were as follows:

	Approximate ownership %	Carrying value December 31, 2019	Loss from equity method investments Year ended December 31, 2019
Investment in Fluent	50%	$ 7,836	$ 4,437
Investment in Cannfections	50%	$ 3,612	$ 67
Total equity method investments		$ 11,448	$ 4,504

Summary financial information for the equity method investments on an aggregated basis was as follows:

	December 31, 2019
Current assets	$ 13,942
Non current assets	$ 4,987
Current liabilities	$ 1,561
Non current liabilities	$ —

	Year ended December 31, 2019
Revenues	$ 113
Gross profit	$ 78
Net loss	$ (9,008)

Disclosures related to periods prior to the adoption of ASU 2016-01

The Company's short-term investments are classified as available-for-sale investments and the long-term investments are classified as either available-for-sale or cost method investments.

The following table summarizes the unrealized gains and losses and estimated fair value of our short-term investments as of December 31, 2018:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Treasury bills	$ 30,367	$ 32	$ 64	$ 30,335
Total	$ 30,367	$ 32	$ 64	$ 30,335

Short-term investments consist of treasury bills, which are deemed to be low risk based on their credit ratings from the major rating agencies. All short-term investments have contractual maturities of one year or less.

The following table summarizes the unrealized gains and losses and estimated fair value of our long-term investments as of December 31, 2018:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Investment in equities	$ 17,714	$ —	$ 803	$ 16,911
Total	$ 17,714	$ —	$ 803	$ 16,911

Investment in equities are reported in long-term investments on the balance sheets. The following table provides a summary of the classification of investment in equities:

	December 31, 2018	December 31, 2017
Investments in equities under available-for-sale method	$ 1,845	$ —
Investment in equities under the cost method	15,066	—
Total investment in equities	$ 16,911	$ —

Total unrealized loss recognized to other comprehensive income related to the long-term available-for-sale equity securities during the year ended December 31, 2018 was $803.

As at December 31, 2017, the Company did not hold any short-term and long-term investments.

8. Property and Equipment, Net

Property and equipment, net consisted of the following:

	December 31,	
	2019	2018
Land	6,417	$ 4,498
Buildings and leasehold improvements	109,172	51,111
Laboratory and manufacturing equipment	31,173	6,131
Office and computer equipment	2,659	970
ROU assets under finance lease	14,753	9,661
Construction-in-process	37,160	15,343
	201,334	87,714
Less: accumulated depreciation	(17,117)	(7,500)
Total	$ 184,217	$ 80,214

For the year ended December 31, 2019, total depreciation on property and equipment was $9,282 (2018 - $3,410 and 2017 – $1,457). Depreciation expenses included in cost of sales relating to manufacturing equipment and production facilities for the year ended December 31, 2019 is $4,242 (2018 – $1,964 and 2017 – $1,303). Depreciation expenses related to general office space and equipment of $1,783 (2018 – $149, 2017 - $95) is included in depreciation and amortization expenses. The remaining depreciation is capitalized in the cost of inventory.

The Company had $119,184 in property and equipment additions during the year ended December 31, 2019 (2018 – $44,451). Additions to building and leasehold improvements primarily relate to the Company's acquisitions of Manitoba Harvest, Natura and S&S (refer to Note 3). Additions also include a non-cash finance lease asset of $4,617 (2018 - $114) and for the year ended December 31, 2019, there is $652 (2018 – $158 and 2017 - $34) of capitalized interest included in construction-in-progress.

Additions to construction-in-process primarily relate to the ongoing construction of the Company's London, Ontario and Portugal facilities. The Company has discontinued the construction of certain facilities resulting in a loss of $2,436 recorded to loss on disposal of property and equipment in the statements of net loss and comprehensive loss.

9. Leases

The Company has operating and finance leases for facilities and certain equipment. Operating and finance leases have remaining weighted-average remaining lease terms of 9 years and 4 years, respectively, as at December 31, 2019, some of which include options to extend the leases for up to 10 years and some of which include options to terminate the leases within 1 year.

Components of lease expenses

	December 31, 2019
Finance lease cost	
Amortization of ROU assets	$ 588
Interest on lease liabilities	370
Operating lease expenses(1)	2,519
Short term lease expenses(1)	256
Sublease income(2)	(230)
Total lease expenses	$ 3,503

(1) Included in general and administrative expenses
(2) Included in other income, net

Supplemental cash flow information related to leases

	December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	2,312
Operating cash flows from finance leases	336
Financing cash flows from finance leases	504
Non-cash additions to ROU assets and lease liabilities	
Operating leases	16,043
Finance leases	4,617

Other information about lease amounts recognized in the financial statements

	December 31, 2019
Weighted-average remaining lease term (years) – operating leases	9
Weighted-average remaining lease term (years) – finance leases	4
Weighted-average discount rate – operating leases	5.73%
Weighted-average discount rate – finance leases	8.42%

Refer to Note 17 for lease commitments.

Disclosures related to periods prior to the adoption of ASC 842

At December 31, 2018, the Company leased various facilities, under non-cancelable capital and operating leases, which expire at various dates through September 2027. Under the terms of the operating lease agreements, the Company is responsible for certain insurance and maintenance expenses. The Company recorded rent expenses on a straight-line basis over the terms of the underlying leases. Rent expenses for the year ended December 31, 2018 was $745 (2017 – $175).

At December 31, 2018, aggregate future minimum rental payments under all non-cancelable capital and operating leases were as follows:

	Operating Leases December 31, 2018	Capital Leases December 31, 2018
2019	$ 916	$ 733
2020	857	733
2021	727	733
2022	589	733
2023	510	183
Thereafter	1,372	—
	$ 4,971	$ 3,115

The supplemental cash flow information of the Company's leases prior to the adoption of ASC 842 was as follows:

	Year ended December 31, 2018	2017
Non-cash financing activities		
Capital lease obligation	—	$ 8,958
Non-cash investing		
Addition to property and equipment under capital lease	114	$ 8,958

10. Intangible Assets

Intangible assets are comprised of the following items:

	December 31,						
	2019				2018		
	Cost	Accumulated Amortization	Impairment	Net	Cost	Accumulated Amortization	Net
Definite-lived intangible assets:							
Patent	716	99	—	617	—	—	—
Customer relationships	135,953	7,132	—	128,821	—	—	—
Developed technology	7,074	590	—	6,484	—	—	—
Websites	5,157	3,331	—	1,826	3,755	2,253	1,502
Trademarks and licenses	9,135	925	—	8,210	—	—	—
Total	158,035	12,077	—	145,958	3,755	2,253	1,502
Indefinite-lived intangible assets:							
Cultivation license	10,689	—	—	10,689	—	—	—
Alef license	4,086	—	4,086	—	2,984	—	2,984
Trademarks	55,416	—	—	55,416	—	—	—
Rights under ABG Profit Participation Arrangement	119,366	—	102,601	16,765	—	—	—
Total	189,557	—	106,687	82,870	2,984	—	2,984
Total intangible assets	$ 347,592	$ 12,077	$ 106,687	$ 228,828	$ 6,739	$ 2,253	$ 4,486

As of December 31, 2019, there are no intangible assets not yet available for use (December 31, 2018 – $3,027).

Intangible asset additions during the year ended December 31, 2019 primarily related to customer relationships, developed technology and trademarks as part of the acquisition of Manitoba Harvest, cultivation license and supply contract as part of the acquisition of Natura and trademarks as part of the acquisition of S & S (refer to Note 3). Moreover, indefinite-lived rights under the ABG Profit Participation Arrangement and definite-lived trademarks under the ABG Prince Agreement were acquired during the year ended December 31, 2019 (refer to Note 4).

Amortization expenses for intangibles was $9,824, $374, and $549 in 2019, 2018, and 2017, respectively. Expected future amortization expenses for intangible assets as of December 31, 2019 are as follows: 2020 – $11,674; 2021 – $11,328; 2022 - $10,757; 2023 - $10,428, 2024 – $10,423; and thereafter – $91,348.

In the fourth quarter of fiscal 2019, the Company decided not to pursue cannabis cultivation in Chile and as a result the Alef license was impaired by the entire value of $4,086 which was recorded in impairment of assets on the statements of net loss and comprehensive loss.

In connection with the preparation and review of these financial statements, the Company determined that the fair value (Level 3) of Rights under ABG Profit participation Arrangement was below the carrying value. The decline in fair value of Rights under ABG Profit participation Arrangement is primarily due to deferred regulatory clarity for sales of CBD products in the United States, resulting in a reduced estimate of future cash flows related to the Company's Rights under the ABG Profit Participation Arrangement. As a result, the Company incurred a non-cash impairment charge of $102,601 presented in impairment of assets in the accompanying statements of net loss and comprehensive loss (refer to Note 4).

11. Goodwill

The following table shows the change in carrying amount of goodwill:

	Hemp	Cannabis	Total
Goodwill - January 1, 2019	—	—	—
Acquisition of Manitoba Harvest	126,881	—	126,881
Acquisition of Natura	—	29,314	29,314
Acquisition of S & S	4,932	—	4,932
Foreign currency translation adjustment	1,501	623	2,124
Goodwill - December 31, 2019	$ 133,314	$ 29,937	$ 163,251

12. Accounts Payable, Accrued Expenses and Other Current Liabilities

Accounts payable, accrued expenses and other current liabilities are comprised of the following items:

	December 31, 2019	December 31, 2018
Accounts payable - trade	$ 39,057	$ 9,716
Accounts payable - related parties	68	933
Total accounts payable	$ 39,125	$ 10,649
Accrued payroll and employment related withholding taxes	24,765	3,278
Other accrued expenses and current liabilities	17,032	5,673
Accrued interest on convertible notes	5,938	5,302
ABG finance liability - current	1,500	—
Accrued legal and professional fees	1,174	565
Contingent consideration for acquisitions	420	—
Total accrued expenses and other current liabilities	$ 50,829	$ 14,818

The acquisition of Manitoba Harvest (refer to Note 3) included contingent consideration whereby the Company may pay a maximum of $37,129 payable in shares of Class 2 common stock, based on the gross branded CBD product sales in the United States for the period from January 1, 2019 to December 31, 2019. The estimated fair value of contingent consideration at the purchase date was $29,207. CBD sales for 2019 did not achieve the thresholds and as a result the fair value is nil at December 31, 2019. The adjustment to fair value is recorded to acquisition-related (income) expenses, net.

The acquisition of Natura (refer to Note 3) included contingent consideration whereby the Company issued promissory notes with an aggregate principal amount of $20,007. The ultimate payment amounts are based on production levels of consumer grade dry finished cannabis flower from Natura facilities during four periods from February 1, 2019 to January 31, 2020 and are payable in shares of Class 2 common stock. The Company has paid $4,450 in Class 2 common stock on December 2, 2019. Production levels for the remaining period were not expected to be achieved and as a result the fair value is nil at December 31, 2019. The adjustment to fair value is recorded to acquisition-related (income) expenses, net.

The acquisition of S&S (refer to Note 3) included contingent consideration with an aggregate principal of $1,812 which has been remeasured to $420 at December 31, 2019. The adjustment to fair value is recorded to acquisition-related (income) expenses, net.

13. Convertible notes

In October 2018 the Company issued convertible notes with a face value of $475,000. The net proceeds from the offering were approximately $460,134, after deducting commissions and other fees incurred.

The convertible notes bear interest at a rate of 5.00% per annum, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2019. Additional interest may accrue on the convertible notes in specified circumstances. The convertible notes will mature on October 1, 2023, unless earlier repurchased, redeemed or converted. There are no principal payments required over the five year term of the convertible notes, except in the case of redemption or events of defaults.

The convertible notes are governed by an Indenture between the Company, as issuer, and GLAS Trust Company LLC, as trustee. The convertible notes are the Company’s general unsecured obligations and rank senior in right of payment to all of the Company’s indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment with any of the Company’s unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of Company’s secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables but excluding intercompany obligations) of the Company’s current or future subsidiaries.

The Indenture includes customary covenants and sets forth certain events of default after which the convertible notes may be declared immediately due and payable, including certain types of bankruptcy or insolvency involving the Company.

To the extent the Company so elects, the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture will, for the first 365 days after such event of default, consist exclusively of the right to receive additional interest on the notes. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of the Company's common stock, at the Company's election (the "cash conversion option"). The initial conversion rate for the convertible notes is 5.9735 shares of common stock per one thousand dollar principal amount of notes, which is equivalent to an initial conversion price of approximately $167.41 per share of common stock, which represents approximately 2,837 shares of common stock, based on the $475,000 aggregate principal amount of convertible notes outstanding as of December 31, 2019. Throughout the term of the convertible notes, the conversion rate may be adjusted upon the occurrence of certain events.

Prior to the close of business on the business day immediately preceding April 1, 2023, the convertible notes will be convertible only under the specified circumstances. On or after April 1, 2023 until the close of business on the business day immediately preceding the maturity date, holders may convert all or any portion of their convertible notes, in multiples of one thousand dollar principal amount, at the option of the holder regardless of the forementioned circumstances.

As a result of the cash conversion option, the Company separately accounts for the value of the embedded conversion option as a component of equity. The value of the embedded conversion option is the residual of the net proceeds of the issuance, less the estimated fair value of the debt without the conversion feature, and amounted to $57,595 at issuance. The estimated fair value of the debt without the conversion feature, was determined using the expected cash flows of the convertible notes discounted by the estimated interest rate of similar nonconvertible debt; the debt discount is being amortized as additional non-cash interest expenses over the term of the convertible notes using the interest method with an effective interest rate of 8% per annum. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

As of December 31, 2019, the convertible notes are not yet convertible. The convertible notes will become convertible upon the satisfaction of the above circumstances. In accounting for the transaction costs related to the issuance of the convertible notes, the Company allocated the total amount of offering costs incurred to the debt and equity components based on their relative values. Transaction costs attributable to the convertible notes totaling $13,467, are being amortized as non-cash interest expenses over the term of the convertible notes, and offering costs attributable to the equity component, totaling $1,398, were recorded within stockholders' equity (deficit). The remaining unamortized debt discount related to the convertible notes of $34,219 as of December 31, 2019 will be accreted over the remaining term of the convertible notes, which is approximately 45 months.

As at December 31, 2019, the Company was in compliance with all the covenants set forth under the Indenture.

The following table sets forth the net carrying amount of the convertible notes:

	December 31, 2019	December 31, 2018
5.00% convertible notes	$ 475,000	$ 475,000
Unamortized discount	(34,219)	(41,687)
Unamortized transaction costs	(10,571)	(12,946)
Net carrying amount	$ 430,210	$ 420,367

The following table sets forth total interest expenses recognized related to the convertible notes:

	Year Ended December 31,	
	2019	2018
Contractual coupon interest	$ 23,750	$ 5,302
Amortization of discount	7,468	2,152
Amortization of direct issue costs	2,375	28
Total	$ 33,593	$ 7,482

14. Stockholders' Equity

Common and preferred stock

The Company's certificate of incorporation authorized the Company to issue the following classes of shares with the following par value and voting rights as of December 31, 2019. The liquidation and dividend rights are identical among Class 1 common stock and Class 2 common stock, and all classes of common stock share equally in our earnings and losses.

	Par Value	Authorized	Voting Rights
Class 1 common stock	$ 0.0001	250,000,000	10 votes for each share
Class 2 common stock	$ 0.0001	500,000,000	1 vote for each share
Preferred stock	$ 0.0001	10,000,000	N/A

In connection with the ABG Profit Participation arrangement (refer to Note 4), the Company issued 840,107 shares of Class 2 common stock in January 2019 at a deemed issuance price of $79.35 per share and 840,107 shares of Class 2 common stock in March 2019 at a deemed issuance price of $79.35 per share. Given that the shares of Class 2 common stock issued to ABG were not registered with the SEC and subject to transfer restrictions, the fair values of the issuances were $89.13 and $59.77 per share, respectively, as recorded in the statements of stockholders' equity (deficit) (refer to Note 4).

In February 2019, the Company issued 180,332 shares of Class 2 common stock at a deemed issuance price of $83.73 per share in connection with the closing of the Natura acquisition (refer to Note 3). On December 2, 2019, the Company issued 238,826 Class 2 common stock in relation to contingent consideration (refer to Note 3 and Note 12).

In connection with the acquisition of Manitoba Harvest, the Company issued 1,209,946 shares of Class 2 common stock in March 2019 at a deemed issuance price of $80.04 per share on closing and 899,306 shares of Class 2 common stock in August 2019 at a deemed issuance price of $35.48 per share as share consideration six months after close (refer to Note 3).

In connection with the acquisition of S&S, the Company issued 79,289 shares of Class 2 common stock in July 2019 at a deemed issuance price of $40.22 per share on closing (refer to Note 3).

On September 10, 2019, the Company entered into a sales agreement with Cowen and Company, LLC pursuant to which the Company can issue and sell, through a sales agent, shares of Class 2 common stock from time to time up to up to an aggregate offering price of $400 million through an "at-the-market" equity offering program.

For the year ended December 31, 2019 the Company issued a total of 5,396,501 shares of Class 2 common stock for gross proceeds of $113,543 (net proceeds of $111,073 after issuance costs) under the at-the-market program.

Pursuant to the Downstream Merger, all of Privateer Holdings capital stock outstanding of 58,333,333 shares of Tilray Class 2 common stock and 16,666,667 shares of Tilray Class 1 common stock immediately prior to the effective time of the Downstream Merger, were cancelled and automatically converted solely into the right to receive the applicable portion of an aggregate shares of Tilray Class 2 common stock and shares of Tilray Class 1 common stock, inclusive of shares of Tilray Class 2 common stock held in escrow for contingent release to Privateer Holdings stockholders, issuable as consideration in Downstream Merger. In connection with the Downstream Merger, the Company exchanged the shares held by Privateer Holdings and issued the same value of shares to the underlying Privateer Holdings shareholders at a conversion rate of 1.07290. The Company did not pay any cash consideration in connection with the Downstream Merger and there was no impact on the statements of balance sheets or statements of net loss and comprehensive loss.

15. Stock-Based Compensation

Original Stock Option Plan

Certain employees and other service providers of the Company participate in the equity-based compensation plan of Privateer Holdings, Inc (the "Original Plan") under the terms and valuation method detailed below. For the year ended December 31, 2019, the total stock-based compensation expenses associated with the

Original Plan was $469 (December 31, 2018 – $359 and 2017 – $139). There were no new grants under the Original Plan for the year ended December 31, 2019.

The Original Plan was assumed by the Company on December 12, 2019 as a result of the Downstream Merger and as a result, at December 31, 2019, the Original Plan has 3,134,431 shares of Tilray common stock reserved for issuance. All outstanding options are subject to the terms of the Original Plan until exercised, terminated or expired by their terms. Stock options granted under the Original Plan are either incentive stock options or nonqualified stock options. Prior to the Downstream Merger, stock options and shares of Privateer Holdings common stock issued under the Original Plan were determined by the Board of Directors of Privateer Holdings and were not issued at less than 100% of the fair value of the shares on the date of the grant. Fair value was determined by the Board of Directors of Privateer Holdings. Stock options generally vested over a period of four years and expire, if not exercised, 10 years from the date of grant. Shares of Privateer Holdings common stock were issued in exchange for services based on the fair value of the services or the fair value of the Privateer Holdings common stock at the time of grant, as determined by the Board of Directors of Privateer Holdings. Prior to the Downstream Merger, the compensation expenses under the Original Plan was allocated from Privateer Holdings to Tilray employees who held options under the Original Plan.

As a result of the Downstream Merger, the Company also assumed 692,843 stock options under the Original Plan (refer to Note 14), together with additional Privateer Holdings stock options not previously allocated to Tilray, which were converted at a conversion rate of 1.07290 into 3,134,431 of Tilray stock options outstanding under the Original Plan until exercised. Of the 3,134,431 options issued as part of the Downstream Merger, 2,404,000 shares were fully vested and all performance obligations related to the options had been performed. The stock options assumed as a result of the Downstream Merger were not remeasured as the fair value of the stock options before and after the Downstream Merger was the same.

The fair value of each stock option to employees granted under the Original Plan was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019	2018	2017
Expected stock option life	—	5.15 years	5.84 years
Expected volatility	—	48.82%	56.23%
Risk-free interest rate	—	2.35%	2.01%
Expected dividend yield	—	-%	-%

The expected life of the stock options represented the period of time stock options were expected to be outstanding and was estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior. Expected volatility was based on historical volatilities of public companies operating in a similar industry to Privateer Holdings. The risk-free rate is based on the United States Treasury yield curve in effect at the time of grant. The expected dividend yield was determined based on the stock option's exercise price and expected annual dividend rate at the time of grant.

Stock option activity for the Company up to and including the Downstream Merger under the Original Plan

	Stock Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance December 31, 2018	592,594	$ 4.14	8.1	$ 989
Allocated to Tilray	143,794	4.21		
Granted	—	—		
Exercised	(25,751)	3.95		
Forfeited	(9,527)	4.25		
Cancelled	(8,267)	3.46		
Converted with Downstream Merger	(692,843)	4.22		
Balance December 31, 2019	—	$ —	—	$ —
Vested and expected to vest, December 31, 2019	—	$ —	—	$ —
Vested and exercisable, December 31, 2019	—	$ —	—	$ —

The weighted-average fair values of all stock options granted in 2019, 2018 and 2017 were $0, $3.05 and $1.79, respectively. The total intrinsic values of stock options exercised in 2019, 2018 and 2017 were $350 , $176 and $19, respectively. As of December 31, 2019, the total remaining unrecognized compensation expenses related to non-vested stock options amounted to $0 (2018 - $557), which will be amortized over the weighted-average remaining requisite service period of approximately 0 years (2018 - 1.1 years). The total fair values of stock options vested in 2019, 2018 and 2017 were $669, $276 and $145, respectively.

Downstream Merger time-based stock option activity

	Stock Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance December 31, 2018	—	—	—	$ —
Assumed on Downstream Merger	3,134,431	2.99		
Exercised	(107,359)	1.81		
Forfeited	—	-		
Cancelled	(13,068)	9.04		
Balance December 31, 2019	3,014,004	$ 3.04	5.8	$ 44,108
Vested and expected to vest, December 31, 2019	2,992,598	$ 2.98	5.8	$ 43,717
Vested and exercisable, December 31, 2019	2,733,170	$ 2.77	5.5	$ 40,423

The weighted-average fair values of time-based stock options assumed on the Downstream Merger in 2019 was $2.37 per share. The total intrinsic values of these stock options exercised in 2019 was $1,686. As of December 31, 2019, the total remaining unrecognized compensation expenses related to non-vested stock options amounted to $921, which will be amortized over the weighted-average remaining requisite service period of approximately 0.8 year. The total fair value of stock options vested in 2019 was $2,789 .

New Stock Option and Restricted Stock Unit Plan

The Company adopted the 2018 Equity Incentive Plan (the “2018 EIP”) as amended and approved by stockholders in May 2018 under the terms and valuation methods detailed in our Annual Financial Statements. The 2018 EIP authorizes the award of stock options, restricted stock units (“RSUs”) and stock appreciation rights (“SARs”) to employees, including officers, non-employee directors and consultants and the employees and consultants of our affiliates. Shares subject to awards granted under the 2018 EIP that expire or terminate without being exercised in full, or that are paid out in cash rather than in shares, do not reduce the number of shares available for issuance under the 2018 EIP. Additionally, shares become available for future grant under the 2018 EIP if they were issued under the 2018 EIP and if the Company repurchases them or they are forfeited. This includes shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award. The maximum number of shares of common stock subject to stock awards granted under the 2018 EIP or otherwise during any one calendar year to any non-employee director, taken together with any cash fees paid by the Company to such non-employee director during such calendar year for service on the Board of Directors, will not exceed five hundred thousand dollars in total value, calculating the value of any such stock awards based on the grant date fair value of such stock awards for financial reporting purposes, or, with respect to the calendar year in which a nonemployee director is first appointed or elected to our Board of Directors, one million dollars.

Stock options represent the right to purchase shares of our Class 2 common stock on the date of exercise at a stated exercise price. The exercise price of a stock option generally must be at least equal to the fair market value of our shares of Class 2 common stock on the date of grant. The Company’s compensation committee may provide for stock options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to the Company’s right of repurchase that lapses as the shares vest. The maximum term of stock options granted under the 2018 EIP is ten years.

RSUs represent a right to receive Class 2 common stock or their cash equivalent for each RSU that vests, which vesting may be based on time or achievement of performance conditions. Unless otherwise determined by our compensation committee at the time of grant, vesting will cease on the date the participant no longer provides services to the Company and unvested shares will be forfeited. If an RSU has not been forfeited, then on the date specified in the RSUs, the Company will deliver to the holder a number of whole shares of Class 2 common stock, cash or a combination of shares of our Class 2 common stock and cash. Additionally, dividend equivalents may be credited in respect of shares covered by the RSUs. Any additional shares covered by the RSU credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying RSU agreement to which they relate. The RSUs generally vest over a 3-or-4 year period. The fair value of RSUs are based on the share price as at date of grant.

SARs provide for a payment, or payments, in cash or shares of Class 2 common stock to the holder based upon the difference between the fair market value of shares of our Class 2 common stock on the date of exercise and the stated exercise price. The maximum term of SARs granted under the 2018 EIP is ten years. No SARs were issued to date.

The 2018 EIP permits the grant of performance-based stock and cash awards. The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates or business segments and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be conclusively determined by the Board of Directors.

As of May 21, 2018, 9,199,338 shares of Class 2 common stock had been reserved for issuance under the 2018 EIP. The number of shares of Class 2 common stock reserved for issuance under the 2018 EIP will automatically increase on January 1 of each calendar year, for a period of not more than ten years, starting on January 1, 2019 and ending on and including January 1, 2027, in an amount equal to 4% of the total number of shares of our common stock outstanding on December 31 of the prior calendar year, or a lesser number of shares determined by our Board of Directors. The shares reserved include only the outstanding shares related to stock options and RSUs, and excludes stock options outstanding under the Original Plan. The number of shares reserved for issuance under the 2018 EIP is 12,926,172, effective as of January 1, 2019.

For the year ended December 31, 2019, the total stock-based compensation expenses associated with the 2018 EIP was $31,373 (December 31, 2018 - $20,629).

The fair value of each stock option granted to employees under the 2018 EIP is estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Assumptions 2019	Assumptions 2018
Expected stock option life (years)	8.97 years	5.79 years
Expected volatility	61.33%	58.54%
Risk-free interest rate	2.10%	2.92%
Expected dividend yield	-%	-%

The expected life of the award is estimated using the simplified method since the Company does not have adequate historical exercise data to estimate the expected term. Expected volatility is based on historical volatilities of public companies operating in a similar industry to the Company. A forfeiture rate is estimated at the time of grant to reflect the amount of awards that are granted but are expected to be forfeited by the award holder prior to vesting. The estimated forfeiture rate applied to these amounts is derived from management’s estimate of the future stock option forfeiture behavior over the expected life of the awards. The risk-free rate is based on the United States Treasury yield curve in effect at the time of grant.

Stock option and RSU activity for the Company under the 2018 EIP is as follows:

Time-based stock option activity

	Stock Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance December 31, 2018	6,015,791	$ 13.54	7.7	$ 342,916
Granted	10,000	70.25		
Exercised	(621,363)	7.76		
Forfeited	(91,048)	30.16		
Cancelled	(6,250)	7.76		
Balance December 31, 2019	5,307,130	$ 14.04	8.4	$ 44,297
Vested and expected to vest, December 31, 2019	5,072,605	$ 13.80	8.4	$ 42,537
Vested and exercisable, December 31, 2019	2,512,513	$ 11.91	8.4	$ 21,840

The weighted-average fair values of time-based stock options granted in 2019 was $40.11 per share (2018 - $7.74). The total intrinsic values of these stock options exercised in 2019 and 2018 were $29,655 and $0 respectively. As of December 31, 2019, the total remaining unrecognized compensation expenses related to non-vested stock options amounted to $23,649 (2018 - $38,250), which will be amortized over the weighted-average remaining requisite service period of approximately 1.9 years (2018 - 2.8 years). The total fair value of stock options vested in 2019 were $16,708 (2018 - $5,508).

Performance-based stock option activity

	Stock Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance December 31, 2018	600,000	$ 7.76	9.4	$ 37,668
Granted	—	—		
Exercised	(80,000)	7.76		
Forfeited	—	—		
Cancelled	—	—		
Balance December 31, 2019	520,000	$ 7.76	8.4	$ 4,872
Vested and expected to vest, December 31, 2019	520,000	$ 7.76	8.4	$ 4,872
Vested and exercisable, December 31, 2019	520,000	$ 7.76	8.4	$ 4,872

The weighted-average fair values of all performance-based stock options granted in 2019 was $0 per share (2018 - $4.15). The total intrinsic values of stock options exercised in 2019 and 2018 were $5,054 and $0 respectively. As of December 31, 2019, the total remaining unrecognized compensation expenses related to non-vested stock options amounted to $0 (2018 - $593), which will be amortized over the weighted-average remaining requisite service period of approximately 0 years (2018 - 0.6 years). The total fair value of stock options vested in 2019 were $1,246 (2018 - $1,246).

Time-based RSU activity

	Time-based RSUs	Weighted-average grant-date fair value per share
Non-vested December 31, 2018	237,222	$ 49.86
Granted	1,370,703	41.00
Vested	(122,289)	38.16
Forfeited	(62,244)	56.35
Non-vested December 31, 2019	1,423,392	$ 42.05

As of December 31, 2019, there was approximately $41,898 (2018 - $10,336) of total unrecognized compensation cost related to non-vested time-based RSUs that will be recognized as expenses over a weighted-average period of 2.3 years (2018 - 3.2 years). The total intrinsic values of time-based RSUs vested in 2019 and 2018 were $3,446, and $0 respectively. The total fair value of time-based RSUs vested in 2019 were $4,667 (2018 - $0)

Performance-based RSU activity

	Performance-based RSUs	Weighted-average grant-date fair value per share
Non-vested December 31, 2018	1,050,000	$ 7.76
Granted	—	—
Vested	(784,375)	$ 7.76
Forfeited	—	—
Non-vested December 31, 2019	265,625	$ 7.76

As of December 31, 2019, there was approximately $330 (2018 - $1,882) of total unrecognized compensation cost related to non-vested performance-based RSUs that will be recognized as expenses over a weighted-average period of 1.0 year (2018 - 1.7 years). The total intrinsic values of performance-based RSUs vested in 2019 and 2018 were $46,423 and $0 respectively. The total fair value of performance-based RSUs vested in 2019 were $6,087 (2018 - $ 0).

16. Accumulated Other Comprehensive Income (“AOCI”)

The components of AOCI, net of tax, were as follows:

	Foreign Currency Translation Adjustments	Unrealized (loss) gain on cash equivalents and investments
Balance as at January 1, 2018	$ 3,866	$ —
Other comprehensive income (loss)	662	(765)
Balance as at December 31, 2018	4,528	(765)
Cumulative effect adjustment from transition to ASU 2016-01	—	803
Other comprehensive income (loss)	5,174	(21)
Balance as at December 31, 2019	$ 9,702	$ 17

17. Commitments and Contingencies

Legal proceedings

In the normal course of business, the Company may become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material effect on the financial statements.

Lease commitments

The Company leases various facilities, under non-cancelable finance and operating leases, which expire at various dates through September 2027.

Maturities of lease liabilities:

Year ending December 31,	Operating Leases	Finance Leases
2020	$ 3,493	$ 1,083
2021	3,276	1,083
2022	2,897	7,333
2023	2,824	15,677
2024	2,436	—
Thereafter	7,861	—
Total lease payments	22,787	25,176
Imputed interest	5,059	11,024
Obligations recognized	$ 17,728	$ 14,152

Purchase commitments

The following table reflects the Company's future non-cancellable minimum purchase commitments for inventory as of December 31, 2019:

	Total	2020	2021	2022	2023	2024	Thereafter
Purchase commitments	$ 132,743	$ 131,010	$ 1,657	$ 38	$ 38	$ -	$ -
Total	$ 132,743	$ 131,010	$ 1,657	$ 38	$ 38	$ -	$ -

As a result of changing industry dynamics, the Company is currently in the process of re-negotiating the terms of several supply agreements, including quantities and pricing, related to CBD, cannabis extracts/oils, and hemp flower. The re-negotiations are ongoing and there can be no assurance that terms satisfactory to the Company can be reached on a timely basis, or at all.

In 2018, the Company signed an agreement with Rose Lifescience Inc. ("Rose") for distribution and marketing of product in Quebec in exchange for a minimum fee of $384 per annum for an initial term of five years. The Company has agreed to purchase the lesser of 2,000 Kg per year or 40% of the production of Cannabis at a rate of 115% of cost of goods sold from the Rose facility. As the purchase commitment is an undeterminable variable amount, it is excluded from the above schedule.

In 2018, the Company entered into a Product and Trademark License Agreement with Docklight LLC, a related party (refer to Note 22), to use certain intellectual property rights in exchange for payment of royalty depending upon specified percentage of licensed product net sales. As the purchase commitment is an undeterminable variable amount, it is excluded from the above schedule.

Other commitments

The Company has payments on the ABG finance liability (refer to Note 4) and convertible notes (refer to Note 13) as follows:

	Total	2020	2021	2022	2023	2024	Thereafter
ABG finance liability	$ 8,500	$ 1,000	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
Convertible notes	475,000	—	—	—	475,000	—	—
Total	$ 483,500	$ 1,000	$ 1,500	$ 1,500	$ 476,500	$ 1,500	$ 1,500

18. Revenue from Contracts with Customers

The Company reports two segments: cannabis and hemp, in accordance with ASC 280 Segment Reporting. The Company generates revenues from the cannabis and hemp segments through contracts with customers, each with a single performance obligation, being the sale of products. The Company determines that revenue information disclosed in business segment information in Note 25 disaggregates revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

For certain long-term arrangements, the Company has performance obligations for goods it has not yet delivered. For these arrangements, the Company does not have a right to bill for the undelivered goods. The Company has determined that any unbilled consideration relates entirely to the value of undelivered goods. Accordingly, the Company has not recognized revenue, and has elected not to disclose amounts, related to these undelivered goods. As of December 31, 2019, other than accounts receivable, net of allowance for doubtful debts, the Company has no contract balances in the balance sheets.

There are no applicable disclosures related to periods prior to the adoption of ASC 606.

19. General and Administrative Expenses

General and administrative expenses are comprised of the following items:

	Year ended December 31,		
	2019	2018	2017
Salaries and benefits	$ 39,565	$ 11,721	$ 3,717
Professional fees	21,189	7,557	1,715
Travel expenses	4,565	2,031	287
Other expenses	16,649	8,152	1,780
Total	$ 81,968	$ 29,461	$ 7,499

20. Income Taxes

For financial reporting purposes, loss before income taxes includes the following components:

	Year ended December 31,		
	2019	2018	2017
United States	$ (156,010)	$ (42,418)	—
Canada	(151,736)	(25,333)	(7,411)
Portugal	(11,781)	(2,208)	—
Other countries	(10,092)	(2,215)	(398)
Total	$ (329,619)	$ (72,174)	$ (7,809)

The (recoveries) expenses for income taxes consists of:

	Year ended December 31,		
	2019	2018	2017
Current:			
United States	$ 151	$ —	$ —
Canada	112	—	—
Other countries	134	34	—
Total	397	34	—
Deferred:			
United States	$ (4,390)	$ (4,485)	$ —
Canada	(3,383)	—	—
Other countries	(1,074)	—	—
Total	(8,847)	(4,485)	—
Total	$ (8,450)	$ (4,451)	$ —

	Year ended December 31,		
	2019	2018	2017
Loss before income taxes:	$ (329,619)	$ (72,174)	$ (7,809)
Income tax benefits at statutory rate	(69,220)	(15,157)	(2,733)
Tax impact of foreign operations	(9,193)	(1,864)	675
Foreign exchange and other	1,015	1,399	(480)
Non-deductible expenses	483	5,331	61
Changes in enacted rates	(3)	—	(288)
Utilization of losses not previously recognized	—	—	(9)
Stock based and other compensation	2,113	—	—
Change in valuation allowance	66,355	5,840	2,774
Income tax benefits, net	$ (8,450)	$ (4,451)	$ —

The following table summarizes the components of deferred tax:

	Year ended December 31,		
	2019	2018	2017
Deferred assets			
Operating loss carryforwards - United States	$ 5,843	$ 4,173	$ —
Operating loss carryforwards - Canada	59,755	13,723	8,297
Operating loss carryforwards - Other Countries	5,158	607	148
Property and equipment	—	2,510	183
Currently nondeductible interest	4,915	—	—
Outside basis difference	21,546	—	—
Deferred financing costs	208	27	37
Investment tax credits and related pool balance	180	57	57
Other	931	—	8
Total Deferred tax assets	98,536	21,097	8,730
Less valuation allowance	(84,337)	(14,433)	(8,601)
Net deferred tax assets	14,199	6,664	129
Deferred tax liabilities			
Property and equipment	(5,800)	(2,328)	—
Intangible assets	(54,814)	(289)	(129)
Deferred financing costs	—	—	—
Equity portion of convertible notes	(6,948)	(8,471)	—
Total deferred tax liabilities	(67,562)	(11,088)	(129)
Net deferred tax liability	$ (53,363)	$ (4,424)	$ —

Effective January 1, 2018, the United States tax law provides a deduction for the foreign-source portion of dividends received from specified foreign corporations. As such, the Company does not maintain an indefinite reinvestment assertion on unremitted foreign earnings and has recorded a deferred tax liability, as necessary, for any estimated foreign, federal, or state tax liabilities associated with a future repatriation of foreign earnings.

At December 31, 2019, the Company had United States net operating loss carryforwards of approximately $27,000 that can be carried forward indefinitely and limited in annual use to 80% of the current year taxable income. The Company has Canadian net operating loss carry-forwards of approximately $223,000 that can be carried forward 20 years and begin to expire in 2028. Management believes that it is more-likely-than-not that the benefit from certain United States and foreign net operating loss carryforwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance on the deferred tax assets relating to these carryforwards. The net change in the total valuation allowance was an increase of $66,355 and $5,840 for the years ended December 31, 2019 and 2018, respectively.

The Company recognizes the financial statement impact of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest impact that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The total amount of gross unrecognized tax benefits was $86, $0, and $0 as of December 31, 2019, 2018 and 2017 respectively. There is a reasonable possibility that the Company's unrecognized tax benefits will change within twelve months due to audit settlements or the expiration of statute of limitations, but the Company does not expect the change to be material to the financial statements.

The Company recognizes interest and, if applicable, penalties (not included in the "unrecognized tax benefits" table above) for any uncertain tax positions. Interest and penalties are recorded as a component of income tax expenses. In the years ended December 31, 2019, 2018 and 2017, the Company recorded approximately $0, $0 and $0, respectively, of interest and penalty expenses related to uncertain tax positions. As of December 31, 2019 and 2018, the Company had a cumulative balance of accrued interest and penalties on unrecognized tax positions of $0 and $0, respectively.

The Company and its subsidiaries are subject to United States federal income tax as well as the income tax of multiple state and foreign jurisdictions. The Company is not currently under audit in any jurisdiction for any period. Major jurisdictions where there are wholly owned subsidiaries of Tilray, Inc. which require income tax filings include the Canada, Portugal, Germany, Australia, United Kingdom, and Chile. The earliest periods open for review by local taxing authorities are fiscal years 2015 for Canada, 2017 for Portugal, 2016 for Germany, 2017 for Australia, 2014 for the U.K. and 2018 for Chile. Within the next four fiscal quarters, the statute of limitations will begin to close on fiscal year 2016 Canadian income tax returns.

21. Supplemental Cash Flow Information(1)

	Year ended December 31,		
	2019	2018	2017
Cash paid for interest	$ 28,206	$ 1,189	$ 1,157
Cash paid for income taxes	145	—	—
Non-cash financing activities			
Conversion of preferred stock to common stock	—	2	—
Non-cash investing			
Alef acquisition	—	2,855	—
Acquisition of Manitoba Harvest	158,197	—	—
Acquisition of Natura	38,979	—	—
Acquisition of S&S	5,021	—	—
Investment in ABG Profit Participation Arrangement, net of receivable	97,544	—	—
Purchases of investments	10,551	—	—

(1) For supplemental cash flow information related to leases, refer to Note 9.

22. Related-Party Transactions

The Company was a wholly owned subsidiary of Privateer Holdings prior to the Company's Series A preferred stock financing and initial public offering. Prior to the close of the Downstream Merger on December 12, 2019 (refer to Note 14), Privateer Holdings held more than 10% of the Company's outstanding shares of Class 2 common stock and held 100% of the Company's Class 1 common stock.

In the normal course of business, the Company entered into related party transactions with Privateer Holdings and its subsidiaries, including charges for services provided by executives and employees of Privateer Holdings. Transactions disclosed below with Privateer Holdings relate to the period up to December 12, 2019. Transactions disclosed below that were previously subsidiaries of Privateer Holdings continue to be related parties as they remain under common control.

Privateer Holdings

Pursuant to the Subversive Capital Alliance Agreement dated May 15, 2018 between Privateer Holdings and Subversive Capital, LLC ("Subversive") as agent for Privateer Holdings, Subversive held 5,530 shares of S&S at a cost of £347.96 per share (£1,924 in aggregate) on July 11, 2019. Subversive is a company controlled by Michael Auerbach, who is a member of the Company's Board of Directors. On July 11, 2019, the Subversive Capital Alliance Agreement was terminated in connection with the Company's acquisition of S&S and the Company paid £1,924 in cash to Subversive for the 5,530 shares, which represented approximately 30% ownership of S&S and only the original cost basis in such shares. The cash paid to Subversive as part of the purchase consideration for the acquisition of S&S reflected no gain on its investment, thereby eliminating any economic conflict of interest or appearance thereof. In accordance with the Company's Related-Persons Transactions Policy, the Audit Committee of the Board of Directors, comprised solely of the independent directors, approved the acquisition of S&S and the payment to Subversive.

During the second quarter of 2019, the Company assumed a real estate operating lease upon assignment from Privateer Holdings. In connection with this lease, the Company reimbursed Privateer Holdings $2,070 for leasehold improvements at cost and $1,000 for the security deposit held by the landlord at cost, recorded within property and equipment and deposits and other assets, respectively, on the balance sheets as of December 31, 2019.

Management services charged by Privateer Holdings for services performed include management services, support services, business development services and research and development services recorded in operating expenses for the year ended December 31, 2019 in the amounts of $1,054 (2018 – $3,878). Depending on the nature of the services performed, these expenses are included within general and administrative expenses, sales and marketing expenses or research and development expenses in the statements of net loss and comprehensive loss. Pursuant to the Company's agreement with Privateer Holdings entered in February 2018 and terminated in February 2019, personnel compensation was charged at cost plus a 3.0% markup and other services at cost. As of December 31, 2019, no amounts are recorded within accounts payable for management services due to Privateer Holdings (December 31, 2018 – $3,878).

Previously Privateer Holdings' subsidiaries

Leafly Holdings, Inc. ("Leafly") operational expenses

The Company pays on behalf of Leafly, previously a wholly owned subsidiary of Privateer Holdings, certain operational expenses and vice-versa. These payments are then recharged to the company that incurred the expenses. During the year ended December 31, 2019, operational expenses of $272 was recorded within general and administrative expenses in the statements of net loss and comprehensive loss. Payments made during the year ended December 31, 2018 were deemed immaterial.

Docklight LLC ("Docklight") royalty and management services

The Company pays Docklight, previously a wholly owned subsidiary of Privateer Holdings, a royalty fee for using their branding on company products. Additionally, the Company receives management services from Docklight, for which the Company is charged management fees. During the year ended December 31, 2019, fees and services of $176 were recorded within general and administrative expenses in the statements of net loss and comprehensive loss. Payments made during the year ended December 31, 2018 were deemed immaterial. During the year ended December 31, 2019, the Company sold $165 of Hemp CBD Isolate to Docklight. Refer to Note 17 for purchase commitments with Docklight.

Other Related Parties

Ten Eleven management fees

In February 2019, the Company entered into a management agreement with Ten Eleven Management LLC doing business as Privateer Management ("Ten Eleven"), pursuant to which Ten Eleven provides the Company with certain general administrative and corporate services on an as-requested basis for a monthly service fee. Prior to the Downstream Merger on December 12, 2019, the owners of Ten Eleven collectively held more than 10% of the Company's outstanding shares of Class 1 common stock indirectly through investment in Privateer Holdings. Subsequent to the Downstream Merger, the owners of Ten Eleven own the shares of Tilray directly. In February 2020, the Company extended the agreement with Ten Eleven to continue services until March 2020. During the year ended December 31, 2019, management services of $275 was recorded within general and administrative expenses in the statements of net loss and comprehensive loss. No amounts were recorded for the comparative periods in 2018.

Fluent and Cannfections

The Company has joint venture arrangements with a 50% ownership and voting interest in each Fluent and Cannfections. Refer to Note 7 for details over transactions with these entities for the year ended December 31, 2019.

23. Financial Instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, accounts receivable and short-term investments.

The Company's cash and cash equivalents are deposited in major financial institutions in Canada, Australia, Portugal, Germany, Netherlands and the United States. To date, the Company has not experienced any losses on its cash deposits. Accounts receivable are unsecured and the Company does not require collateral from its customers.

The Company is also exposed to credit risk from the potential default by any of its counterparties on its financial assets.

The Company evaluates the collectability of its accounts receivable and provides an allowance for potential credit losses as necessary. As at December 31, 2019 and December 31, 2018, the Company is not exposed to any significant credit risk related to counterparty performance of outstanding accounts receivable. Allowance for doubtful accounts at December 31, 2019 is $2,015 (2018 - $292).

During the year ended December 31, 2019, the Company had advanced and subsequently written off $5,383, recorded in impairment of assets in the statements of net loss and comprehensive loss, relating to a working capital loan which is not expected to be collected.

Foreign currency risk

As the Company conducts its business in many areas of the world involving transactions denominated in a variety of currencies, the Company is exposed to foreign currency risk. A significant portion of the Company's assets, revenue, and expenses are denominated in the Canadian dollar. A 10% change in the exchange rates for the Canadian dollar would affect the carrying value of net assets by approximately $12,457 as of December 31, 2019 (2018 - $2,817), with a corresponding impact to accumulated other comprehensive income. For the year ended December 31, 2019, the Company had foreign currency gain of $5,944 (2018 – loss of $7,234, 2017 – gain of $1,363).

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2019 and December 31, 2018, the most significant financial liabilities are accounts payable, accrued expenses and other current liabilities, and convertible notes.

24. Fair Value Measurement

The Company complies with ASC 820, Fair Value Measurements, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability.

The following tables present information about the Company's assets that are measured at fair value on a recurring basis as of December 31, 2019 and 2018 indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2019				
Investments				
Equity investments measured at fair value	4,183	—	—	4,183
Debt securities classified as available-for-sale	727	—	4,320	5,047
Acquisition-related contingent consideration	—	—	420	420
Total recurring fair value measurements	$ 4,910	$ —	$ 4,740	$ 9,650

	Quoted prices in active markets for identical assets (Level 1)	Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2018				
Cash equivalents	$ 203,761	$ —	$ —	$ 203,761
Investments				
Short-term investments - debt securities	30,335	—	—	30,335
Equity investments measured at fair value	1,163	682	—	1,845
Total recurring fair value measurements	$ 235,259	$ 682	$ —	$ 235,941

Items measured at fair value on a recurring basis

The Company's financial assets and liabilities required to be measured on a recurring basis are its short-term investments – debt securities, equity investments measured at fair value, debt securities classified as available-for-sale and acquisition-related contingent consideration.

Debt securities classified as available-for-sale (including short-term investments) and equity investments recorded at fair value: The estimated fair value is determined using quoted market prices or broker or dealer quotations.

Acquisition-related contingent consideration: Contingent consideration is recorded within accrued expenses and other current liabilities and primarily reflects the consideration for: (i) the acquisition of Manitoba Harvest payable in shares of Class 2 common stock contingent on revenues earned in 2019, (ii) the acquisition of Natura payable in shares of Class 2 common stock contingent on production levels, and (iii) the acquisition of S&S. For Manitoba Harvest acquisition, the estimated fair value of the contingent consideration was valued using a probability-weighted discounted cash flow model based on internal forecasts and the estimated cost of debt for the Company. For Natura acquisition, the estimated fair value of the contingent consideration on the acquisition date was valued using a discounted cash flow analysis based on internal forecast projected using a Monte Carlo simulation model, an expected quarterly production distribution function, and a weighted average cost of capital adjusted to account for revenue risk derived as of the date of acquisition. Significant increases (decreases) in the volatility of revenue levels or in any of the probabilities of achievement of specified milestones, or decreases (increases) in the discount rate would result in a significantly higher (lower) fair value, respectively, and commensurate changes to contingent consideration. The contingent consideration is reassessed and adjusted to fair value at each reporting date through acquisition-related (income) expense, net (refer to Note 3 and 12).

The opening balances of assets and liabilities categorized within Level 3 of the fair value hierarchy measured at fair value on a recurring basis are reconciled to the closing balances as follows:

	Debt securities classified as available-for-sale	Acquisition-related contingent consideration
Opening balance as at January 1, 2019	$ —	$ —
Additions and settlements		
Additions	4,171	51,026
Settlements	—	(4,450)
Total gains or losses for the period:	—	—
Included in net loss	—	—
Interest expenses, net	149	—
Acquisition-related (income) expenses, net	—	(46,914)
Foreign currency translation gain, net	—	758
Closing balance as at December 31, 2019	$ 4,320	$ 420

Items measured at fair value on a non-recurring basis

The Company's non-financial assets, such as prepayments and other current assets, ABG finance receivable, long lived assets, including property and equipment and intangible assets, are measured at fair value when there is an indicator of impairment and are recorded at fair value only when an impairment charge is recognized. In connection with an evaluation of such non-financial assets during the year ended December 31, 2019, the carrying values of prepayments and intangible assets were concluded to exceed their fair values. As a result, the Company recorded impairment charges that incorporates fair value measurements based on Level 3 inputs (refer to Note 6 and Note 10).

The estimated fair value of cash and cash equivalents, accounts receivable, net, accounts payable, and accrued expenses and other current liabilities at December 31, 2019 and 2018 approximate their carrying amount due to short term nature of these instruments.

25. Business Segment Information

As of October 1, 2019, the Company has two operating segments based on major product categories: Cannabis and Hemp. These operating segments are also the Company's reportable segments. Historical financial information has been recast to reflect the current segment structure.

The Cannabis segment cultivates, processes and distributes medical and adult-use cannabis products in a variety of formats, as well as related accessories, on a global basis. The Hemp segment cultivates, processes and distributes a diverse portfolio of hemp-based natural food and wellness products within North America.

The results of each segment are regularly reviewed by the Company's Chief Executive Officer, who is the Company's chief operating decision maker, to assess the performance of the segment and make decisions regarding the allocation of resources. The Company's chief operating decision maker uses revenue and gross profit as the measure of segment profit or loss. The accounting policies of each segment are the same as those set out under the summary of significant accounting policies in Note 2. There are no intersegment sales or transfers.

	Year ended December 31,					
	2019		2018		2017	
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
Cannabis	$ 107,147	$ (42,302)	$ 43,130	$ 14,275	$ 20,538	$ 11,377
Hemp	$ 59,832	$ 18,806	$ —	$ —	$ —	$ —
Total	$ 166,979	$ (23,496)	$ 43,130	$ 14,275	$ 20,538	$ 11,377

No asset information is provided for the segments because the Company's chief operating decision maker does not receive asset information by segment on a regular basis.

Total revenue and gross profit for the reportable segments is equal to the Company's consolidated revenue and gross profit.

	Year ended December 31,		
	2019	2018	2017
Gross profit for the segments	$ (23,496)	$ 14,275	$ 11,377
General and administrative expenses	(81,968)	(29,461)	(7,499)
Sales and marketing expenses	(61,084)	(15,366)	(7,164)
Research and development expenses	(6,558)	(4,264)	(3,171)
Depreciation and amortization expenses	(11,607)	(1,598)	(902)
Stock-based compensation expense	(31,842)	(20,988)	(139)
Impairment of assets	(112,070)	—	—
Acquisition-related income (expense), net	31,427	(248)	—
Loss from equity method investments	(4,504)	—	—
Foreign exchange (loss) gain, net	5,944	(7,234)	1,363
Interest expense, net	(34,690)	(9,110)	(1,686)
Finance income from ABG	764	—	—
Loss on disposal of property and equipment	(2,436)	(190)	
Other income, net	2,501	2,010	12
Loss before income taxes	$ (329,619)	$ (72,174)	$ (7,809)

Sources of revenue were as follows:

	Year Ended December 31,		
	2019	2018	2017
Dried cannabis	$ 82,753	$ 21,674	$ 16,260
Cannabis extracts	24,139	21,179	3,965
Hemp products	59,832	—	—
Accessories and other	255	277	313
Total	$ 166,979	$ 43,130	$ 20,538

Channels of revenue were as follows:

	Year Ended December 31,		
	2019	2018	2017
Cannabis			
Adult-use	$ 55,763	$ 3,521	$ —
Canada - medical	12,556	18,052	19,642
International - medical	13,378	2,912	896
Bulk	25,450	18,645	—
Total Cannabis revenue	$ 107,147	$ 43,130	$ 20,538
Hemp	59,832	—	—
Total	$ 166,979	$ 43,130	$ 20,538

Revenue attributed to geographic region based on the location of the customer was as follows:

	Year Ended December 31,		
	2019	2018	2017
Canada	$ 130,291	$ 40,209	$ 19,775
United States	23,516	—	—
Other countries	13,172	2,921	763
Total	$ 166,979	$ 43,130	$ 20,538

Long-lived assets consisting of property and equipment, net of accumulated depreciation, attributed to geographic regions based on their physical location were as follows:

	December 31,	
	2019	2018
Canada	$ 144,065	$ 64,687
Portugal	36,908	15,455
United States	3,171	—
Other countries	73	72
Total	$ 184,217	$ 80,214

Major Customers

Two customers accounted for 13% each of revenue for the year ended December 31, 2019. One customer accounted for 24% of the Company's revenue for the year ended December 31, 2018. No one customer accounted for greater than 10% of the Company's revenue for the year ended December 31, 2017.

Two customers accounted for 20% and 10%, respectively, of the Company's accounts receivable balance as of December 31, 2019. Two customers accounted for 30% and 16%, respectively, of the Company's accounts receivable balance as of December 31, 2018. No one customer accounted for greater than 10% of the Company's accounts receivable as of December 31, 2017.

26. Subsequent Events

During the month of January 2020, we issued 274,044 shares of Class 2 common stock for gross proceeds of approximately $14,770 under the at-the-market equity offering program.

On January 24, 2020, the Company entered into (i) an Amended and Restated Profit Participation Agreement (the "A&R Profit Participation Agreement") with ABG, which amended and restated in its entirety the Profit Participation Agreement, dated January 14, 2019, and (ii) the First Amendment to Payment Agreement with ABG (the "Payment Agreement Amendment"), which amends the Payment Agreement, dated January 14, 2019. The Company and ABG agreed that Tilray will no longer have any obligation to pay the additional consideration with an aggregate value of $83,333 in cash or in shares of Class 2 common stock, In addition, the Company will not be entitled to any guaranteed minimum participation rights and beginning January 1, 2020 through December 31, 2028, the Company agreed that it will not be entitled to any participation rights until such participation rights with respect to each contract year exceeds $10,000, and in the event the participation rights are achieved, the Company will be entitled to the full 49% participation rights.

The impact of the A&R Profit Participation Agreement will result in a write-off of the ABG finance receivable of $7,030 which will be recorded through the statement of net loss and comprehensive loss and $28,900 through accumulated deficit in January 2020.

During the month of February 2020, the Company restructured its global organization to meet the needs of the current industry environment. As a result, the Company incurred $650 in restructuring costs.

On February 28, 2020, the Company ("the Borrower") entered into a credit agreement for a senior secured credit facility in a maximum aggregate principal amount of $59,600 (the "Senior Facility"). Transaction fees incurred on the Senior Facility are $4,500. The Senior Facility consists of a 2-year $59,600 senior secured term loan

facility, of which $49,700 was drawn at the closing, and of which $9,900 may be drawn at any point 90 days following closing at the Borrower's election. The Senior Facility will bear interest on the outstanding principal balance at an annual rate equal to the Canadian prime rate plus 8.05%, calculated based on the daily outstanding balance of the Senior Facility calculated and compounded monthly, not in advance and with no deemed reinvestment of monthly payments. The Senior Facility contains certain affirmative and negative covenants. The operational covenant includes a minimum unrestricted cash threshold of $29,868 for capital expenditures and investments.

27. Quarterly Financial Data (unaudited)

The following table contains selected quarterly data for 2019 and 2018. The information should be read in conjunction with the Company's financial statements and related notes included elsewhere in this report. The Company believes that the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
2019[1]				
Revenue	$ 23,038	$ 45,904	$ 51,101	$ 46,936
Gross profit	5,385	12,273	15,853	(57,007)
Operating loss	(28,332)	(32,961)	(23,785)	(216,624)
Net loss	(29,369)	(36,301)	(36,351)	(219,148)
Net loss per share—basic and diluted[2]	$ (0.31)	$ (0.37)	$ (0.37)	$ (2.14)
2018				
Revenue	$ 7,808	$ 9,744	$ 10,047	$ 15,531
Gross profit	3,896	4,177	3,068	3,134
Operating loss	(3,740)	(10,990)	(20,012)	(22,908)
Net loss	(5,181)	(12,833)	(18,699)	(31,010)
Net loss per share—basic and diluted[2]	$ (0.07)	$ (0.17)	$ (0.21)	$ (0.33)

1 In the fourth quarter of 2019, the Company adopted ASU 2016-01, ASC 842, ASC 606 and ASU 2018-07. Each interim period in 2019 has been recast to reflect the effects of this adoption. Refer to Note 2 for further discussion of the new accounting pronouncements recently adopted.

2 Earnings per share for the four quarters combined may not equal earnings per share for the year due to rounding.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer (the Company's principal executive officer and principal financial officer, respectively), evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, (or "DCPs"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. DCPs include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of the Company's DCPs as of December 31, 2019, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as a result of the material weaknesses in the Company's internal control described below, as of such date, the Company's DCPs were not effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rules 13a-15(f) and 15d(f) under the Exchange Act, internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with United States Generally Accepted Accounting Policies ("U.S. GAAP"). Due to inherent limitations, the Company's internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal control can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company, under the supervision and participation of the CEO and CFO, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

As permitted by SEC guidance, management has excluded from its assessment the internal control over financial reporting at FHF Holdings Ltd. ("Manitoba Harvest"), for which control was acquired on February 28, 2019, and Natura Naturals Holdings Inc. ("Natura Naturals"), for which control was acquired on February 15, 2019. The financial statements of these entities constitute, in aggregate, 50% of total assets, 44% of revenues and 6% of net loss of the consolidated financial statement amounts as of and for the year ended December 31, 2019.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

As a result of management's evaluation of the effectiveness of the Company's internal control over financial reporting, management concluded that as of December 31, 2019, the company had material weaknesses

relating to two components of the COSO framework. These material weaknesses are summarized below, and remediation efforts are outlined in the "Remediation of Material Weaknesses in Internal Control over Financial Reporting" section below.

Material Weaknesses in Internal Control

As of December 31, 2019, the Company identified material weaknesses as of December 31, 2019 in two components of internal control as defined by COSO 2013 (Control Environment and Control Activities).

Control environment: The Company did not maintain an effective control environment based on the criteria established in the COSO framework. The Company has identified deficiencies in the principles associated with the control environment of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) appropriate organizational structure, reporting lines, and authority and responsibilities in pursuit of objectives, (ii) our commitment to attract, develop, and retain competent individuals, and (iii) holding individuals accountable for their internal control related responsibilities.

As of December 31, 2019, the Company did not maintain an effective control environment primarily attributable to the following factor:

- The Company did not have a sufficient complement of accounting and financial reporting personnel with an appropriate level of knowledge, U.S. GAAP proficiency, experience and training commensurate with our financial reporting requirements.

Control activities: The Company did not fully design and implement effective control activities based on the criteria established in the COSO framework. The Company has identified deficiencies in the principles associated with the control activities component of the COSO framework. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) Selecting and developing control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels and (ii) deploying control activities through policies that establish what is expected and procedures that put policies into action.

The Company did not have effective controls in response to the risks of material misstatement. This material weakness is primarily attributable to the following factors:

- The Company did not have an adequate process or appropriate controls in place to support the accurate reporting of our financial results and disclosures on our Form 10-K.
- The Company did not have effective controls over the completeness and accuracy of key spreadsheets and reports used in financial reporting.
- The Company did not have adequate review procedures around the recording of manual entries.

Due to the existence of the above material weaknesses, management, including the CEO and CFO, has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2019. These material weaknesses create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis.

Deloitte LLP, an independent registered public accounting firm, has audited the Company's Financial Statements for the fiscal year ended December 31, 2019 and has included its attestation report on management's assessment of the Company's internal control over financial reporting.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

While the Company believes it has improved its organizational capabilities, the material weaknesses remain unremediated as of December 31, 2019 and the Company's remediation activities are continuing to take place in 2020. Additionally, although the Company implemented control enhancements in the third and fourth quarters of 2019, there was insufficient time to demonstrate full remediation of monthly and quarterly controls by December 31, 2019.

The Company continues to strengthen our internal control over financial reporting and are committed to ensuring that such controls are designed and operating effectively. The Company is implementing process and control improvements to address the above material weaknesses as follows:

- The Company has supplemented existing accounting resources with external advisors to assist with performing technical accounting activities. In addition, the Company is enhancing the review controls over the application of GAAP and accounting measurements for significant accounts, transactions and related financial statement disclosures and enhancing existing controls that support management's assertions with respect to the completeness, accuracy and validity of complex accounting measurements on a timely basis. The Company plans to hire full time employees with technical accounting expertise and public company experience, as needed.
- The Company began the process of implementing additional consolidation and financial close related controls and automating manual processes, each of which is expected to increase the efficiency of processing transactions, produce accurate and timely information in order to address various operational and compliance needs and reduce our reliance on end-user spreadsheets.
- The Company is designing and implementing procedures and controls to appropriately identify and assess changes made to master data that could significantly impact data integrity and the internal control framework, including but not limited to maintaining customer and vendor master files, perpetual inventory records, and inventory cycle counts.
- The Company began the process of formalizing procedures to ensure appropriate internal communications between the accounting department and other operating departments necessary to support the proper functioning of internal controls.

Management has made significant progress with the Company's remediation plans and will continue to take measures in 2020 to remediate these material weaknesses. In addition, under the direction of the Audit Committee of the Board of Directors, management will continue to review and make necessary changes to the overall design of the Company's internal control environment, as well as to refine policies and procedures to improve the overall effectiveness of internal control over financial reporting of the Company.

The material weaknesses in the Company's internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The Company is working to have these material weaknesses remediated as soon as possible. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls will be met, and no evaluation of controls can provide absolute assurance that all control deficiencies or material weaknesses have been or will be detected. There is no assurance that the remediation will be fully effective. As described above, these material weaknesses have not been remediated as of the filing date of this Form 10-K. If these remediation efforts do not prove effective and control deficiencies and material weaknesses persist or occur in the future, the accuracy and timing of the Company's financial reporting may be materially and adversely affected.

Changes in Internal Controls over Financial Reporting

Other than those described above, there have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-5(f) under the Exchange Act) during the quarter and year ended December 31, 2019, that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Tilray, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Tilray, Inc. and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated March 2, 2020, expressed an unqualified opinion on those financial statements, included an explanatory paragraph regarding the Company's adoption of ASU 2016-02, Leases, codified as ASC 842 Leases, as amended, using the modified retrospective approach.

As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at FHF Holdings Ltd. ("Manitoba Harvest"), for which control was acquired on February 28, 2019 and Natura Naturals Holdings Inc. ("Natura Naturals"), for which control was acquired on February 15, 2019. The financial statements of these entities constitute, in in aggregate 50% of total assets, 44% of revenues and 6% of net loss of the consolidated financial statement amounts as of and for the year ended December 31, 2019. Accordingly, our audit did not include the internal control over financial reporting at Manitoba Harvest and at Natura Naturals.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: a) Control Environment - control deficiencies constituting material weaknesses, either individually or in the aggregate, relating to: (i) appropriate organizational structure, reporting lines, and authority and responsibilities in pursuit of objectives, (ii) our commitment to attract, develop, and retain competent individuals, and (iii) holding individuals accountable for their internal control related responsibilities. b) Control Activities - control deficiencies constituting material weaknesses, either individually or in the aggregate, relating to: i) Selecting and developing control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels, (ii) deploying control activities through policies that establish what is expected and procedures that put policies into action. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2019, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 2, 2020

Item 9B. Other Information.

On February 28, 2020, we ("the Borrower") entered into a credit agreement for a senior secured credit facility in a maximum aggregate principal amount of $59.6 million (C$79.8 million) (the "Senior Facility"). Transaction fees incurred on the Senior Facility are $4.5 million. The Senior Facility consists of a 2-year $59.6 million (C$79.8 million) senior secured term loan facility, of which $49.7 million (C$66.5 million) was drawn at the closing, and of which $9.9 million (C$13.3 million) may be drawn at any point 90 days following closing at the Borrower's election. The Senior Facility will bear interest on the outstanding principal balance at an annual rate equal to the Canadian prime rate plus 8.05%, calculated based on the daily outstanding balance of the Senior Facility calculated and compounded monthly, not in advance and with no deemed reinvestment of monthly payments. The Senior Facility contains certain affirmative and negative covenants. The operational covenant includes a minimum unrestricted cash threshold of $29.9 million (C$40.0 million) for capital expenditures and investments.

The proceeds from the Senior Facility will be used for general corporate purposes, including working capital or such other reasonable business purposes not otherwise prohibited by the Senior Facility. The forgoing summary of the terms and conditions of the Senior Facility is qualified in its entirety by reference to the full text of the Senior Facility, which is attached to this Annual Report on Form 10-K as Exhibit 10.25.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

(1) The information required by this Item concerning our executive officers and our directors and nominees for director, including information with respect to our audit committee and audit committee financial expert, may be found under the section entitled “Proposal No. 1 Election of Directors,” “Information Regarding the Board of Directors and Corporate Governance,” and “Executive Officers” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

(2) The information required by this Item concerning our code of ethics may be found under the section entitled “Information Regarding the Board of Directors and Corporate Governance” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

(3) The information required by this Item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 may be found in the section entitled “Delinquent Section 16(a) Reports” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item may be found under the sections entitled “Director Compensation,” “Executive Compensation” and “Equity Compensation Plan Information” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(1) The information required by this Item with respect to security ownership of certain beneficial owners and management may be found under the section entitled “Security Ownership of Certain Beneficial Owners and Management” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

(2) The information required by this Item with respect to securities authorized for issuance under our equity compensation plans may be found under the sections entitled “Equity Compensation Plan Information” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

(1) The information required by this Item concerning related party transactions may be found under the section entitled “Transactions with Related Persons” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

(2) The information required by this Item concerning director independence may be found under the sections entitled “Information Regarding the Board of Directors and Corporate Governance—Independence of the Board of Directors” and “Information Regarding the Board of Directors and Corporate Governance—Information Regarding Committees of the Board of Directors” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item may be found under the section entitled “Proposal No. 3 - Ratification of Appointment of Independent Registered Public Accounting Firm” appearing in the 2020 Proxy Statement. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements and Report of Independent Registered Public Accounting Firm

(2) Financial Statement Schedules

Financial Statement Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

(3) Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item 601 of Regulation S-K).

(b) Exhibits

The exhibits listed below on the Exhibit Index are filed herewith or are incorporated by reference to exhibits previously filed with the SEC.

Exhibit No.	Description of Document	Incorporate by Reference			
		Schedule Form	File Number	Exhibit	Filing Da
2.1*	Arrangement Agreement among the Registrant and High Park Gardens Inc. and Natura Naturals Holdings Inc. dated January 21, 2019	8-K	001-38594	2.1	1/25/201
2.2*	Arrangement Agreement among 1197879 B.C. LTD. and FHF Holdings LTD. and the Registrant and others dated February 19, 2019	8-K	001-38594	2.2	2/25/201
2.3*	Amending Agreement by and among the Registrant, 1197879 B.C. Ltd., FHF Holdings Ltd. and Compass Group Diversified Holdings, LLC dated February 27, 2019	8-K	001-38594	2.3	3/4/201
2.4*	Agreement and Plan of Merger and Reorganization, among the Registrant, Down River Merger Sub, LLC, Privateer Holdings, Inc. and Michael Blue as the Stockholder Representative, dated September 9, 2019	8-K	001-38594	2.1	9/10/201
3.1	Amended and Restated Certificate of Incorporation, as currently in effect	8-K	001-38594	3.1	12/17/20
3.2	Amended and Restated Bylaws currently in effect	S-1	333-225741	3.4	7/9/201
4.1	Indenture, dated October 10, 2018, between the Registrant and GLAS Trust Company LLC	8-K	001-38594	4.1	10/10/20
4.2	Form of 5.00% Convertible Senior Note due 2023 (included in Exhibit 4.1)	8-K	001-38594	4.2	10/10/20
4.3	Description of Securities of the Registrant				
10.1+	Amended and Restated 2018 Equity Incentive Plan	S-1	333-225741	10.2	7/9/201
10.2+	Form of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice under the Amended and Restated 2018 Equity Incentive Plan	S-1	333-225741	10.3	7/9/201
10.3+	Form of Restricted Stock Unit Award Agreement under the Amended and Restated 2018 Equity Incentive Plan	S-1	333-225741	10.4	7/9/201
10.4+	Privateer Holdings Inc. 2011 Equity Incentive Plan as amended	S-8	333-235581	99.1	12/19/20
10.5+	Forms of Notice of Stock Option Grant, Stock Option Agreement and Exercise Notice and Restricted Stock Purchase Agreement for Privateer Holdings Inc. 2011 Equity Incentive Plan	S-8	333-235581	99.2	12/19/20
10.6	Form of Indemnity Agreement by and between the Registrant and its directors and officers	S-1	333-225741	10.5	7/9/201
10.7+	Employment Agreement by and between the Registrant and Brendan Kennedy dated May 30, 2018	S-1	333-225741	10.6	6/20/201
10.8+	Employment Agreement by and between the Registrant and Mark Castaneda dated May 30, 2018	S-1	333-225741	10.7	6/20/201
10.9+	Employment Agreement by and between the Registrant and Edward Wood Pastorius, Jr. dated May 30, 2018	S-1	333-225741	10.8	6/20/201
10.10	Credit Facility Agreement between Lafitte Ventures, Ltd. and Privateer Holdings, Inc., dated January 1, 2016	S-1	333-225741	10.9	6/20/201
10.11	Clarification of Credit Facility Agreement between Lafitte Ventures, Ltd. and Privateer Holdings, Inc., dated March 5, 2018	S-1	333-225741	10.10	6/20/201
10.12	Construction Facility Agreement between Privateer Holdings, Inc. and Bouchard Ventures, Ltd., dated November 1, 2017	S-1	333-225741	10.11	6/20/201

Exhibit No.	Description of Document	Incorporate by Reference			
		Schedule Form	File Number	Exhibit	Filing Da
10.13	Trademark License Terms & Conditions between Docklight LLC and High Park Company, dated February 13, 2018	S-1	333-225741	10.13	6/20/201
10.14	Board Services Agreement by and between the Registrant and Michael Auerbach dated June 1, 2018	S-1	333-225741	10.14	7/9/201
10.15	Board Services Agreement by and between the Registrant and Rebekah Dopp dated June 1, 2018	S-1	333-225741	10.15	7/9/201
10.16	Board Services Agreement by and between the Registrant and Maryscott Greenwood dated May 29, 2018	S-1	333-225741	10.16	7/9/201
10.17	Board Services Agreement by and between the Registrant and Christine St. Clare dated June 1, 2018	S-1	333-225741	10.17	7/9/201
10.18	Payment Agreement by and between the Registrant and ABG Intermediate Holdings to, LLC dated January 14, 2019	8-K	001-38594	10.19	1/15/201
10.19	Amended and Restated Profit Participation Agreement by and between the Registrant and ABG Intermediate Holdings 2, LLC dated January 20, 2020				
10.20	Sales Agreement, dated as of September 10, 2019, by and between the Registrant and Cowen and Company, LLC	8-K	001-38594	1.1	9/10/201
10.21	First Amendment to Payment Agreement by and between the Registrant and ABG Intermediate Holdings 2, LLC dated January 24, 2020				
10.22	Employment Agreement by and between the Registrant and Andrew Pucher, Jr. dated November 8, 2018				
10.23	Employment Agreement by and between the Registrant and Jon Levin, dated January 13, 2020				
10.24	Employment Agreement by and between the Registrant and Michael Kruteck, dated January 20, 2020				
10.25*	Credit Agreement, dated as of February 28, 2020, between High Park Holdings, Ltd. and Bridging Finance Inc.				
10.26*	Guarantee by and among the Registrant and certain guarantors named therein and Bridging Finance Inc., dated February 28, 2020.				
10.27*	U.S. Pledge and Security Agreement, by and among the Registrant, Manitoba Harvest USA LLC and Bridging Finance Inc., dated February 28, 2020.				
10.28*	Canadian Security Agreement, by and among High Park Holdings, Ltd., each of the obligors named therein, and Bridging Finance Inc., dated February 28, 2020.				
21.1	Subsidiaries of Registrant				
23.1	Consent of Deloitte LLP, Independent Registered Public Accounting Firm				
31.1	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002				

Exhibit No.	Description of Document	Incorporate by Reference			
		Schedule Form	File Number	Exhibit	Filing Da
31.2	Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Net Loss and Comprehensive Loss , (iii) Consolidated Statements of Stockholders' Equity (Deficit), (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

+ Indicates management contract or compensatory plan.
* Schedules and certain other information have been omitted pursuant to Item 601(b)(2) of Regulations S-K. The registrant will furnish copies of any such schedules to the Securities and Exchange Commission upon request.
** Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.
† Registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 406 promulgated under the Securities Act.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Tilray, Inc.

Date: March 2, 2020

By: /s/ Brendan Kennedy

Brendan Kennedy

President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Brendan Kennedy **Brendan Kennedy**	President, Chief Executive Officer and Director *(Principal Executive Officer)*	March 2, 2020
/s/ Mark Castaneda **Mark Castaneda**	Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 2, 2020
/s/ Michael Auerbach **Michael Auerbach**	Director	March 2, 2020
/s/ Rebekah Dopp **Rebekah Dopp**	Director	March 2, 2020
/s/ Maryscott Greenwood **Maryscott Greenwood**	Director	March 2, 2020
/s/ Christine St.Clare **Christine St.Clare**	Director	March 2, 2020

Exhibit 4.3

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT OF 1934

Tilray, Inc. ("Tilray," "we," "us," "our") has one class of securities registered under Section 12(b) of the Securities Exchange Act of 1934, as amended: our Class 2 common stock.

The following summary of the terms of the capital stock of Tilray is not meant to be complete and is qualified entirely by reference to the relevant provisions of the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law") and the complete text of Tilray's Amended and Restated Certificate of Incorporation (the "amended and restated certificate of incorporation") and Amended and Restated By-Laws (the "by-laws"). Both our certificate of incorporation and by-laws are exhibits to our Annual Report on Form 10-K, of which this Exhibit 4.1 is a part.

Except as otherwise specified below, references to voting by our stockholders contained in this "Description of Capital Stock" are references to voting by holders of capital stock entitled to attend and vote generally at general meetings of our stockholders.

Capital Stock

Our authorized capital stock is divided into:

- 250,000,000 shares of Class 1 common stock with a par value of $0.0001 per share;
- 500,000,000 shares of Class 2 common stock with a par value of $0.0001 per share; and
- 10,000,000 undesignated shares of preferred stock with a par value of $0.0001 per share.

The rights and restrictions to which the Class 1 common stock and Class 2 common stock are prescribed in our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation entitles our board of directors, without stockholder approval, to determine the terms of the undesignated shares of preferred stock issued by us.

Common Stock

Voting Rights

Holders of our Class 1 common stock and Class 2 common stock have identical rights, provided that, except as otherwise expressly provided in our amended and restated certificate of incorporation or required by applicable law, on any matter that is submitted to a vote of our stockholders, each holder of Class 1 common stock is entitled to 10 votes for each share of Class 1 common stock held by such holder and each holder of Class 2 common stock is entitled to one vote for each share of Class 2 common stock held by such holder.

Holders of shares of Class 1 common stock and Class 2 common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, except that there will be a separate vote of our Class 1 common stock and Class 2 common stock in the following circumstances:

- if we propose to treat the shares of a class of our common stock differently with respect to any dividend or distribution of cash, property or shares of our stock paid or distributed by us;
- if we propose to treat the shares of a class of our common stock differently with respect to any subdivision or combination of the shares of a class of our common stock; or
- if we propose to treat the shares of a class of our common stock differently in connection with a liquidation, dissolution or change in control (by merger, asset sale or other similar transaction) with respect to any consideration into which the shares are converted or any consideration paid or otherwise distributed to our stockholders.

In addition, there will be a separate vote of and approval requirement for our Class 1 common stock in order for us to, directly or indirectly, take action in the following circumstances:

- if we propose to amend, waive, alter or repeal any provision of our amended and restated certificate of incorporation or our bylaws in a manner that modifies the voting, conversion or other powers, preferences or other special rights or privileges or restrictions of the Class 1 common stock; or
- if we reclassify any outstanding shares of Class 2 common stock into shares having rights as to dividends or liquidation that are senior to the Class 1 common stock or the right to more than one vote for each share thereof.

Cumulative voting for the election of directors is not provided for in our amended and restated certificate of incorporation, which means that the holder of our Class 1 common stock can elect all of the directors then standing for election as long as it holds approximately 10.01% of all outstanding shares of our capital stock.

Dividends and Distributions

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of Class 1 common stock and Class 2 common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine. We do not anticipate paying any cash dividends in the foreseeable future.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, on any outstanding shares of preferred stock and payment of other claims of creditors.

The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that we may designate and issue in the future.

Conversion Rights

Each share of Class 1 common stock is convertible at any time at the option of the holder into one share of Class 2 Common stock. In addition, each share of Class 1 common stock will automatically convert into one share of Class 2 common stock upon any transfer, whether or not for value and whether voluntary or involuntary or by operation of law, except for certain transfers described in our amended and restated certificate of incorporation, including certain transfers for tax and estate planning purposes. The amended and restated certificate of incorporation eliminated the exception for transfers among the Founders (as defined therein), including the exception for the entry into certain voting arrangements among the Founders. In addition, upon the date on which the outstanding shares of Class 1 common stock represent less than 10% of the aggregate number of shares of Class 1 common stock and Class 2 common stock then outstanding, all outstanding shares of Class 1 common stock shall convert automatically into Class 2 common stock, and no additional shares of Class 1 common stock will be issued.

Rights of Repurchase

We currently have no rights to repurchase shares of our common stock, except as described in “—Options and Restricted Stock Units” below.

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to redemption.

Preferred Stock

Pursuant to our amended and restated certificate of incorporation, our board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series. Our board of directors also has the authority to determine or alter the designation, rights, preferences, privileges and restrictions granted to or imposed upon any unissued series of preferred stock, any or all of which may be greater than the rights of the Class 1 common stock and Class 2 common stock. Our board of directors, without stockholder approval, may issue preferred stock with voting, conversion or other rights that are superior to the voting and other rights of the holders of Class 1 common stock and Class 2 common stock. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of Tilray without further action by the stockholders, and may have the effect of delaying or preventing changes in management of Tilray. In addition, the issuance of preferred stock may have the effect of decreasing the market price of the Class 2 common stock and may adversely affect the voting power of holders of Class 1 common stock and Class 2 common stock and reduce the likelihood that Class 1 common stock and Class 2 common stockholders will receive dividend payments and payments upon liquidation.

Our board of directors will determine the rights, preferences, privileges and restrictions of the preferred stock of each series. This description will include:

- the title and stated value;
- the number of shares we are offering;
- the liquidation preference per share;
- the purchase price per share;
- the dividend rate per share, dividend period and payment dates and method of calculation for dividends;
- whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;
- our right, if any, to defer payment of dividends and the maximum length of any such deferral period;
- the procedures for any auction and remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption or repurchase, if applicable, and any restrictions on our ability to exercise those redemption and repurchase rights;
- any listing of the preferred stock on any securities exchange or market;
- whether the preferred stock will be convertible into our Class 2 common stock or other securities of ours, including warrants, and, if applicable, the conversion period, the conversion price, or how it will be calculated, and under what circumstances it may be adjusted;
- whether the preferred stock will be exchangeable for debt securities, and, if applicable, the exchange period, the exchange price, or how it will be calculated, and under what circumstances it may be adjusted;
- voting rights, if any, of the preferred stock;
- preemption rights, if any;
- restrictions on transfer, sale or other assignment, if any;
- a discussion of any material or special U.S. federal income tax considerations applicable to the preferred stock;
- the relative ranking and preferences of the preferred stock as to dividend rights and rights if we liquidate, dissolve or wind up our affairs;

- any limitations on issuances of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock being issued as to dividend rights and rights if we liquidate, dissolve or wind up our affairs; and
- any other specific terms, rights, preferences, privileges, qualifications or restrictions of the preferred stock.

When we issue shares of preferred stock, the shares will be fully paid and nonassessable.

Unless we specify otherwise, the preferred stock will rank, with respect to dividends and upon our liquidation, dissolution or winding up:

- senior to all classes or series of our common stock and to all of our equity securities ranking junior to the preferred stock;
- on a parity with all of our equity securities the terms of which specifically provide that the equity securities rank on a parity with the preferred stock; and
- junior to all of our equity securities the terms of which specifically provide that the equity securities rank senior to the preferred stock.

The term “equity securities” does not include convertible debt securities.

The General Corporation Law of the State of Delaware, the state of our incorporation, provides that the holders of preferred stock will have the right to vote separately as a class on any proposal involving fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

Anti-Takeover Provisions

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permits our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change of control;
- provides that the authorized number of directors may be changed only by resolution of our board of directors;
- provides that, subject to the rights of any series of preferred stock to elect directors, directors may be removed with or without cause, by the holders of a majority of our then-outstanding shares of capital stock entitled to vote generally at an election of directors for so long as key holders (including Privateer Holdings, Brendan Kennedy, Michael Blue, or Christian Groh or their permitted entities or transferees) holds a majority of our then-outstanding shares of capital stock entitled to vote generally at an election of directors, or otherwise by the holders of at least 66 2/3% of all of our then-outstanding shares of the capital stock entitled to vote generally at an election of directors;
- provides that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provides that any action to be taken by our stockholders may be taken by written consent or electronic transmission pursuant to Section 228 of the Delaware General Corporation Law, so long as the key holders hold a majority of our then-outstanding capital stock entitled to vote generally at an election of directors;

- provides that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide advance notice in writing and also specify requirements as to the form and content of a stockholder's notice;
- provides that special meetings of our stockholders may be called by the chairperson of our board of directors, our chief executive officer, by our board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors or, for so long as the key holders hold a majority of our then-outstanding capital stock entitled to vote generally at an election of directors, one or more stockholders that in the aggregate represent at least 50% of the total votes entitled to be cast at the meeting;
- provides that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal as possible and with the directors serving three-year terms, therefore making it more difficult for stockholders to change the composition of our board of directors; and
- does not provide for cumulative voting rights, unless required by law, therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose. For so long as Privateer Holdings holds a majority of our then-outstanding capital stock entitled to vote generally at an election of directors, the amendment of any of these provisions would require approval of the holders of a majority of all of our then-outstanding capital stock entitled to vote generally in the election of directors; otherwise, the amendment of any of these provisions would require approval by the holders of at least 66 2/3% of all of our then-outstanding capital stock entitled to vote generally in the election of directors.

The combination of these provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to reduce our vulnerability to hostile takeovers and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of delaying changes in our control or management. As a consequence, these provisions may also inhibit fluctuations in the market price of our stock.

[***] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Privileged & Confidential

Profit Participation Agreement

This Profit Participation Agreement (this "Agreement") is effective as of January 14, 2019 (the "Effective Date") and is entered into by and between **ABG Intermediate Holdings 2, LLC**, a limited liability company organized in the state of Delaware ("ABG") and **Tilray, Inc.**, a corporation organized in the state of Delaware ("Company"). Each of Company and ABG shall be referred to herein individually as a "Party" and collectively as the "Parties" unless specifically identified.

WHEREAS, ABG or its Affiliates (as hereinafter defined) owns and/or controls all right, title and interest in and to various intellectual property rights in and to the Then-Current ABG 2018 Brands (as hereinafter defined), together with the goodwill of the business symbolized by such intellectual property rights (the "Existing Trademarks");

WHEREAS, Company is primarily engaged in the cultivation of cannabis and the design, manufacture, distribution and sale of Cannabis Products (as hereinafter defined) for medical and recreational, adult use; and

WHEREAS, ABG and Company desire to work together with respect to the exploitation of the ABG 2018 Brands (as hereinafter defined) in connection with Cannabis Products (as hereinafter defined) globally in jurisdictions where the applicable use of Cannabis Products does not violate applicable law and, to that end, the Parties desire to enter into this Agreement, pursuant to which Company will purchase from ABG the contractual right to receive the Participation Rights (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing recitals (which are specifically incorporated herein by this reference), and the mutual agreements contained herein and for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1.
DEFINITIONS

1.1 "ABG 2018 Brands" shall be defined as those brands owned or controlled by ABG or its Affiliates as of December 31, 2018, as set forth on *Exhibit A*, attached hereto and incorporated herein by this reference.

1.2 "Affiliates" of any person or entity means persons or entities controlled by such person or entity.

1.3 "Calendar Quarter" means each three (3) month period ending on each of March 31, June 30, September 30 and December 31 of each year.

1.4 "Calendar Year" means each calendar year (i.e., January 1 through December 31) of the Term.

1.5 "Cannabis Ingredients" shall be defined as any naturally occurring cannabinoid, compound, derivative or preparation of the Cannabis Plant ("Natural Cannabinoid") or any synthetic (i.e., human-made) version of such Natural Cannabinoid(s).

1.6 "Cannabis License" shall be defined as a license agreement (or an extension or renewal thereof) for the design, manufacture, distribution and sale of Cannabis Products (as hereinafter defined) bearing the intellectual property rights of a Then-Current Brand which agreements, extensions or renewals are fully executed by ABG or its Affiliates during the Term (as hereinafter defined).

1.7 "Cannabis Plant" shall be defined as the following species of the cannabis genus: cannabis sativa, cannabis indica and cannabis ruderalis.

1.8 "Cannabis Products" shall be defined as any products that include or are made or derived from any part of the Cannabis Plant or any synthetic (i.e., human-made) cannabinoids, including, without limitation, extracts, topicals and edibles and any products infused with any cannabinoid, compound, derivative or preparation of the Cannabis Plant such as concentrates, oils or resin. Notwithstanding the foregoing, Cannabis Products shall specifically exclude any of the following products made with or from cannabis: textiles, paper, building materials and technical products (e.g., fuel, coatings, varnishes, etc.).

1.9 "Change of Control" means a transaction in which (a) a person or entity, in one or a series of related transactions, directly or indirectly, acquires all or at least eighty percent (80%) of a Party's assets; (b) a Party, directly or indirectly, in one or more related transactions (i) consolidates or merges with or into (whether or not such Party is the surviving entity) one or more other entities; (ii) consummates an ownership interest purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another person or entity; or (iii) reorganizes, recapitalizes or reclassifies its ownership interest such that its voting ownership interests are owned or acquired by any other person or entity and, in each case of this clause (b), whereby such other person or entity acquires ownership interests equal to more than fifty percent (50%) of the then outstanding ownership interests of such person (including, on an as-converted basis, the issuance or sale of convertible securities which may be converted into membership interests of such Party); or (c) any one or a group of persons or entities, in one or a series of related transactions, directly or indirectly, acquires more than fifty percent (50%) of the then outstanding voting ownership interests of such Party (including, on an as if converted basis, convertible securities which may be converted into voting ownership interests of such Party) (such acquiring person or entity pursuant to clauses (a), (b) or (c), the "Acquiring Person"). Notwithstanding anything contained in the definition of "Change of Control" to the contrary, a "Change of Control" shall not occur if any transaction or event contemplated thereby is with any person or entity controlled by, controlling or under common control with such Party. For additional clarity, (x) a transfer or other disposition, whether by spin off, spin out or another similar transaction, of Privateer Holding Inc.'s ownership interest in Company to the then-current owners of Privateer Holding Inc. on a pro rata basis shall not, in and of itself, constitute a Change of Control of Company for purposes of this Agreement, and (y) "sale, lease, exchange, license or other transfer" shall not include any commercial transaction in the ordinary course of business, or any sale and leaseback transaction, the principal purpose of which is to provide financing to Company or one or more direct or indirect Subsidiaries.

1.10 "Company 2018 Brands" shall be defined as those brands owned or controlled by Company or its Affiliates as of December 31, 2018.

1.11 "Company Participating Brands" shall be defined as the Then-Current ABG 2018 Brands and those Then-Current Future Brands (as hereinafter defined).

1.12 "Company Participating Trademarks" shall be defined as all right, title and interest in and to the various intellectual property rights in and to the Company Participating Brands, together with the goodwill of the business symbolized by such intellectual property rights.

1.13 "Company Trademarks" shall be defined as all right, title and interest in and to the various intellectual property rights in and to the Company 2018 Brands, together with the goodwill of the business symbolized by such intellectual property rights.

1.14 "Contract Year" means each twelve (12) month period during the Term. Notwithstanding the foregoing, the period from the Effective Date through December 31, 2019 shall be deemed a Contract Year and subsequently, each Calendar Year thereafter shall be successive Contract Years.

1.15 "Future ABG Brands" means, as of any date of determination, the brands which ABG or its Affiliates owns or controls a majority interest in as of such date excluding the ABG 2018 Brands.

1.16 "Future ABG Brand Trademarks" shall be defined as all right, title and interest in and to the various intellectual property rights in and to the Future ABG Brands, together with the goodwill of the business symbolized by such intellectual property rights.

1.17 "Gross Cannabis Revenue" shall be defined as: any and all revenue (including, but not limited to, royalties) determined in accordance with GAAP as consistently applied by ABG actually received by ABG or its Affiliates from any Cannabis Licenses during the applicable accounting period of a given Calendar Year ***less*** any marketing and advertising payments received by ABG or its Affiliates which ABG or its Affiliates are contractually obligated by unaffiliated third parties to spend.

1.18 "Licensed Cannabis Products" shall be defined as Cannabis Products bearing the intellectual property rights of any Company Participating Brands.

1.19 "Net Cannabis Revenue" shall be defined as Gross Cannabis Revenue ***less***: [***].

1.20 "Term" shall be defined as the period commencing on the Effective Date and continuing in perpetuity.

1.21 "Then-Current ABG 2018 Brands" shall be defined as, as of any date of determination, the ABG 2018 Brands which ABG or its Affiliates owns or controls a majority interest in as of such date.

1.22 "Then-Current Brands" shall be defined as, as of any date of determination, the brands which ABG or its Affiliates owns or controls a majority interest in as of such date.

1.23 "Then-Current Future Brands" means Future ABG Brands in which Company purchases Future ABG Brand Participation Rights in accordance with Article 8 below.

ARTICLE 2.
PURCHASE OF PROFIT PARTICIPATION RIGHTS

2.1 Subject to the terms and conditions of this Agreement, ABG hereby sells, and Company hereby purchases, the right to receive up to forty-nine percent (49%) (with the applicable percentage determined in accordance with Section 2.2) of the Net Cannabis Revenue of the Then-Current ABG 2018 Brands (the "ABG 2018 Brands Participation Rights") in exchange for the consideration to ABG set forth in the Payment Agreement between the Parties of even date herewith ("Consideration"), a copy of which is set forth on ***Exhibit B***, attached hereto and incorporated herein ("Payment Agreement").

2.2 Until all Consideration payable under the Payment Agreement (including conditional future Consideration) has been paid in full, Company's Participation Rights (as hereinafter defined) at the last business day of any Calendar Quarter during the Term of this Agreement shall be equal to the full Participation Rights multiplied by a fraction, the numerator of which is the value of the Consideration actually received by ABG (with Consideration in the form of Class 2 common stock measured at the value assigned to such Class 2 common stock in the Payment Agreement) and the denominator of which is Two Hundred Fifty Million United States Dollars ($250,000,000 USD) (such fraction, the "Pro Rata Adjustment"). Solely for illustrative purposes, if, as of the last day of a Calendar Quarter, ABG has received Consideration under the Payment Agreement of Thirty-Three Million Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three United States Dollars ($33,333,333 USD) in immediately available funds and common stock transferred to ABG with a value (calculated based on the applicable VWAP (as defined in the Payment Agreement)) equal to One Hundred Thirty-Three Million, Three Hundred Thirty Three Thousand Three Hundred Thirty-Three United States Dollars ($133,333,333 USD) (i.e., with an aggregate value of $166,666,666 USD), Company's Participation Rights for such Calendar Quarter would be thirty-two and sixty-seven tenths of one percent (32.67%) (i.e., 2/3 ($166,666,666 USD / $250,000,000 USD) of 49%).

ARTICLE 3.
GUARANTEED MINIMUM PARTICIPATION RIGHTS

3.1 "Guaranteed Minimum Participation Rights" (also referred to herein as "GMPR(s)") shall be defined as non-returnable advances payable by ABG to Company recoupable against Participation Rights earned in the same Contract Year, or, in accordance with Section 3.3 or the third sentence of this Section 3.1, subsequent Contract Years. Subject to Section 3.2 below, for each of the first ten (10) Contract Years during the Term, the GMPR shall be Ten Million United States Dollars ($10,000,000 USD) payable pursuant to Section 3.5 below. For the remainder of the Term (i.e., after the first 10 Contract Years), there shall not be GMPRs and, subject to the terms and conditions contained herein, Company shall be entitled to the actual earned Participation Rights for such Contract Year(s) except for any GMPR Shortfall (as hereinafter defined) that may be carried from prior Contract Years pursuant to Section 3.3.

3.2 Notwithstanding the foregoing or anything to the contrary contained herein, in any Calendar Quarter, Company shall only be entitled to its [***] (as hereinafter defined). [***].

3.3 GMPR Shortfall Carry-Forward. ABG shall be required to make GMPR payments to Company as and when required hereunder. In the event that the GMPR actually paid to Company in any given Contract Year is greater than the Participation Rights actually earned and paid to Company in the same Contract Year (the difference between Company's actual earned and received Participation Rights and GMPR shall be defined herein as a "PR Shortfall"), then ABG shall carry any un-recouped PR Shortfall to the immediately succeeding Contract Year during the Term (and ABG shall continue to carry such un-recouped PR Shortfall to successive Contract Years during the Term, to the extent the same has not yet been fully recouped), and to the extent Company has any PR Overages (as hereinafter defined) in any Contract Year to which such PR Shortfall has been carried, ABG shall apply such PR Overages to such PR Shortfall; it being understood that if PR Overages exceed the PR Shortfall, then ABG shall be required to pay the balance of the PR Overages to Company pursuant to the terms of this Agreement. "PR Overage(s)" shall be defined as any Participation Rights actually earned by Company in a given Contract Year, which Participation Rights are in excess of the GMPR for the same Contract Year.

3.4 For the avoidance of doubt, in any given Contract Year, once ABG has paid to Company the total amount of the GMPR for such Contract Year (whether by way of quarterly GMPR payments, Participation Rights in excess of the GMPR, or either or both of the foregoing): (i) ABG shall no longer be required to make quarterly GMPR payments to Company for that Contract Year and (ii) for the remainder of such Contract Year, ABG shall pay Company based on actual earned Participation Rights.

3.5 ABG shall pay the GMPR to Company in equal quarterly installments each Calendar Quarter together with Quarterly Statements (as hereinafter defined). ABG hereby acknowledges that the GMPR is payable to Company even if ABG fails to enter into any Cannabis Licenses during the Term, and is a condition of Company entering into the Agreement.

ARTICLE 4.
PAYMENTS; AND FINANCIAL STATEMENTS

4.1 Payments by ABG. ABG will pay all amounts due to Company pursuant to the Participation Rights and GMPRs, as set forth in this Agreement, within [***] following the expiration of each Calendar Quarter during the Term so long as none of Company or any of its Affiliates are then in any uncured breach of its respective payment obligations under any Company License Agreement (as defined in Section 5.1 below). ABG will pay all sums then due and owing to Company pursuant to this Agreement by wire transfer in accordance with the wire instructions and bank account information provided to ABG by Company in writing as set forth on *Exhibit C*, attached hereto and incorporated herein by reference ("Bank Account") which Company may update from time to time by written notice to ABG.

4.2 Accounting. ABG shall prepare and maintain complete and accurate books of account and records (including the originals or copies of documents supporting entries in the books of account) covering all transactions relating to this Agreement. ABG will compute the amount due to Company in accordance with Articles 2 and 3 above and furnish to Company within [***] following the end of each Calendar Quarter during the Term and continuing until all payments required hereunder are made, a complete and accurate statement (each, a "Quarterly Statement"). Each Quarterly Statement will include the following information: (a) revenue calculation and quantity invoiced and applicable royalties and revenues received by ABG or its Affiliates during the preceding Calendar Quarter; and (b) a Net Cannabis Revenue calculation. On reasonable request from Company, and from time to time, ABG will provide Company with backup and support materials with respect to any item contained in any Quarterly Statement, such that Company will have sufficient information to evaluate the sources of any item contained in such Quarterly Statement. Such Quarterly Statements will be accompanied by a certification signed by ABG's chief financial officer (or equivalent) indicating that he or she has reviewed and agrees with all the information contained in such Quarterly Statement.

4.3 Audit Rights. Company shall have the right to inspect and audit ABG's books of account solely in connection with payments made to Company pursuant to Section 4.1 hereof and as so far as they relate to Company's Participation Rights, no more frequently than [***] during any [***] period upon no less than [***] prior written notice to ABG and at ABG's principal offices during ABG's normal business hours at Company's sole expense, unless [***].

4.4 Objections to Quarterly Statements. If Company has any objection to a Quarterly Statement during a Contract Year, then Company shall give ABG specific notice of that objection and reasons for it within [***] from the date that Company received the Quarterly Statement for the final Calendar Quarter of such Contract Year (except if pursuant to an audit conducted by Company in accordance with Section 4.3 in which case Company shall have [***] from the date such audit was completed to submit such notice to ABG) and in each case, the Parties shall meet and discuss (either telephonically or in-person) any objections and work to resolve any such objections in good faith.

ARTICLE 5.
PRE-NEGOTIATED CANNABIS PRODUCTS LICENSE TERMS

5.1 The Parties each acknowledge and agree that during the Term, Company (or its Affiliates) may wish to enter into license agreement(s) with ABG or its appropriate Affiliate(s) in connection with the design, manufacture, distribution and sale of Cannabis Products bearing the intellectual property rights of Company Participating Brand(s) (each, a "Company License Agreement").

5.2 In the event Company wishes to enter into a Company License Agreement, the Parties shall negotiate the same in good faith; provided, however, and ABG hereby acknowledges and agrees that, unless the Parties mutually agree otherwise, and subject to Article 6 below, the royalty rate in all Company License Agreements (i.e., for all Company Participating Brands) shall be [***] (and, for the avoidance of doubt [***] and Company shall not be required to pay any guaranteed minimum royalties (i.e., non-returnable advances recoupable against royalties earned) such that royalties are paid to ABG as earned. Notwithstanding the foregoing or anything to the contrary contained herein, in the event that ABG acquires ownership or control of a majority interest in any brand and Company or any of its Affiliates has a license agreement with respect to such brand's Cannabis Products, the terms of such agreement shall remain in place and such brand shall not be subject to this Section 5.2.

5.3 Notwithstanding Section 5.2 above, the following shall apply:

(a) Specifically in connection with the Partnered Brands (as hereinafter defined) the Parties hereby acknowledge and agree that, unless the Parties mutually agree otherwise and subject to Article 6 below, the royalty rate for all Cannabis License Agreements shall be [***]. "Partnered Brands" shall be defined as the following ABG 2018 Brands: [***].

(b) (i)Specifically in connection with the Minority Stakeholder Brands (as hereinafter defined) the Parties hereby acknowledge and agree that, unless the Parties mutually agree otherwise and subject to Section 6.2 below, the royalty rates for all Cannabis License Agreements shall be [***], ***unless*** ABG receives any bona fide offer from a Comparable Third Party (as hereinafter defined) for the applicable Minority Stakeholder Brand (each, a "Third-Party Offer"). In such instance, the royalty rate(s) contained in the Third-Party Offer shall apply, it being understood however, that in the event the royalty rate(s) contained in the Third-Party Offer are less than [***]. Further to the foregoing, "Minority Stakeholder Brands" shall be defined as the ABG 2018 Brands set forth on *Exhibit D*, and any Then-Current Brands in which ABG or its Affiliates owns or controls a majority interest (but not, for the avoidance of doubt, all ownership interests). "Comparable Third Party" as used herein means a third-party of comparable creditworthiness and reputation to Company, to be determined by ABG in its reasonable, good faith discretion. For the avoidance of doubt, nothing in this Section 6.2 shall supersede or conflict with Company's rights described in Section 6.2. For the avoidance of doubt, those Minority Stakeholder Brands which are also Partnered Brands shall be governed by this Section 5.3(b).

(ii) For the avoidance of doubt, notwithstanding anything to the contrary contained herein, the following shall apply:

(A) in the event ABG receives any Third-Party Offer, ABG shall promptly notify Company of the same; and

(B) in connection with Minority Stakeholder Brands, notwithstanding anything to the contrary contained in Article 6, ABG shall be permitted to solicit, discuss and/or negotiate Cannabis License(s) for Cannabis Product(s) bearing such Minority Stakeholder Brands with Comparable Third Parties in order to potentially obtain Third-Party Offers.

5.4 In connection with each Company License Agreement, if any, Company hereby acknowledges and agrees that Company (or its applicable Affiliate) must meet ABG's then-current compliance requirements, including that Company shall comply with any and all applicable laws at the time of entering into such Company License Agreement and throughout the term thereof.

ARTICLE 6.
[***]

6.1 [***].

6.2 [***].

6.3 [***].

ARTICLE 7.
ABG AS REPRESENTATIVE OR SUBLICENSOR OF COMPANY FOR CANNABIS PRODUCTS & OTHER PRODUCTS

The Parties hereby acknowledge and agree that during the Term: (a) Company may wish to license the Company Trademarks in connection with the design, manufacture, distribution and sale of products other than Cannabis Products (collectively, "Other Products") and/or Cannabis Products; and (b) in connection with such licensing endeavors, Company may wish to engage ABG to perform certain services, including without limitation, acting as a sub-licensor, brand management, brand strategy, business development (e.g., outreach to ABG's retail distribution network) and marketing. In the event Company desires to engage ABG to provide such services, the Parties shall negotiate in good faith appropriate remuneration to ABG, it being specifically understood that Company shall have no obligation to utilize or request such services from ABG and ABG shall have no obligation to provide such services. If the Parties mutually agree on terms for the provision of such services by ABG, then the same shall be expressly set forth in writing in an amendment to this Agreement or a services agreement between the Parties.

ARTICLE 8.
GOOD FAITH NEGOTIATION OF PROFIT PARTICIPATION FOR FUTURE ABG BRANDS

8.1 During the Term, ABG may acquire additional brands and in such event, Company may wish to purchase forty-nine percent (49%) of the Net Cannabis Revenue of some or all of the Future ABG Brands (specifically excluding the ABG 2018 Brands) (any such purchased rights with respect to the Then-Current Future Brands, the "Future ABG Brand Participation Rights", and together with the ABG 2018 Brands Participation Rights, the "Participation Rights").

8.2 During the Term, in the event ABG reasonably believes exercising good faith business judgment that it shall acquire any Future ABG Brands, ABG shall notify Company of the same no less than [***] prior to the tentative closing date of the transaction unless the circumstances do not permit such advance notice in which case ABG shall notify Company as soon as commercially practicable. In connection with any acquisition of Future ABG Brands, ABG shall use all commercially reasonable efforts to ensure that there will be no restrictions regarding exploitation of such Future ABG Brands in connection with Cannabis Products; provided, however, and Company acknowledges and agrees that (a) in connection with the acquisition of celebrity brands (of living or deceased celebrities), the sale of such brand may be conditioned upon certain brand restrictions related to Cannabis Products which ABG may be unable to negotiate to remove; and (b) ABG makes no representation or warranty to Company or otherwise that there shall not be any restrictions as a result of third-party trademark registrations, common law rights of third parties in and to the Future ABG Brand Trademarks related to cannabis Products or existing contractual restrictions related to Cannabis Products.

8.3 During the Term, in the event ABG acquires any Future ABG Brands, promptly following the closing date of any such transaction, ABG shall notify Company of the same (each, an "Acquisition Notice"). In the event Company wishes to purchase the Future ABG Brand Participation Rights for such brand(s), then Company shall respond to ABG's Acquisition Notice within [***] of Company's receipt of the Acquisition Notice indicating such interest, it being understood during such [***] period, at Company's request, subject to ABG and Company entering into a customary non-disclosure agreement reasonably satisfactory to ABG, ABG shall use commercially reasonable efforts to provide any projections ABG may have for Cannabis Products for such Future ABG Brand(s), historical data on Cannabis Products bearing such Future ABG Brand(s), if any and any other data, materials or agreements which Company may reasonably request. In the event Company responds expressing interest in purchasing the Future ABG Brand Participation Rights for the Future ABG Brand(s) specified in the Acquisition Notice, the Parties shall negotiate the terms and conditions of the same in good faith, including, without limitation, the purchase price for the Future ABG Brand Participation Rights and potentially an increase to the GMPRs.

8.4 In the event that the Parties mutually agree on terms and conditions in connection with Company acquiring Future ABG Brand Participation Rights in accordance with Section 8.3, ABG hereby acknowledge and agrees that Company may elect to pay the purchase price for such Future ABG Brand Participation Rights by foregoing and applying some or all Participation Rights payments under this Agreement in excess of all GMPR(s) to the payment of such purchase price until Company has foregone and applied an amount of Participation Rights equal to the purchase price plus a per annum interest rate (the "Company Borrow Rate") accruing on all unpaid portions of the purchase price equal to such rate identified in (i) the Second Lien Credit Agreement dated December 29, 2017 among ABG Intermediate Holdings 2 LLC, as borrower, ABG Intermediate Holdings 1 LLC, as holdings, and Bank of America, N.A., as administrative agent, and the other parties thereto, subject to such adjustments and/or amendments thereto (the "Second Lien Credit Agreement") or (ii) such other agreement as ABG or its Affiliate(s) may negotiate in lieu of the Second Lien Credit Agreement, from time to time, to facilitate debt financing for the purpose of Future ABG Brands or other mergers and acquisition activities. For the avoidance of doubt, as of the date of full and complete execution hereof, such Company Borrow Rate was [***]% per annum.

8.5 For the avoidance of doubt, in the event that Company does not acquire Future ABG Brand Participation Rights for any Future ABG Brands, the same Future ABG Brands shall nonetheless be subject to Article 6.

ARTICLE 9.
SALE BY ANY ABG AFFILIATE(S) OF ANY THEN-CURRENT BRANDS

9.1 Other than in the event of an ABG Change of Control pursuant to Article 12 hereof, in the event, during the Term, a person or entity ("Brand Purchaser"), in one or a series of related transactions, directly or indirectly, acquires a controlling interest in any Affiliate or a group of Affiliates of ABG's assets, (a) such Brand Purchaser will assume the rights and obligations of such Affiliate(s) of ABG under this Agreement, including without limitation, the payment obligations with respect to the Participation Rights; and (b) the Participation Rights payable by ABG to Company hereunder, including without limitation, the GMPRs payable, for each Calendar Quarter from and after the closing date of such transaction shall be reduced by the amount payable by the Brand Purchaser to Company attributable to the same Calendar Quarter.

9.2 In the event, in any Calendar Quarter, the Participation Rights, including the GMPRs, paid to Company by ABG results in an overpayment (i.e., as a result of Company having received any amounts from the Acquiring Party of any Affiliates of ABG pursuant to Section 9.1 above), ABG shall have the right to reduce the next quarterly payment to Company by such amount.

ARTICLE 10.
COMPANY AS PREFERRED SUPPLIER IN CANNABIS LICENSE AGREEMENTS

10.1 Preferred Supplier. [***].

10.2 Company Branded-Cannabis Products.

(a) Subject to Section 10.4 below, ABG shall use commercially reasonable efforts in good faith, at Company's request and sole discretion and in accordance with applicable laws, to contractually require the front of the packaging for Licensed Cannabis Products made with Cannabis Ingredients supplied by Company to include Company's or its Affiliates' name, logo or other reasonable preferred branding (e.g., "Powered by Tilray"). In the event ABG contractually requires the same, the Parties shall discuss, in good faith, the grant of rights in the applicable Company Trademark(s) to the third-party licensee and the enforcement of Company's brand standards and guidelines for the same.

(b) In the event the packaging for Licensed Cannabis Products includes or at any time has included Company's or its Affiliate's name, logo or other reasonable preferred branding (e.g., "Powered by Tilray") and pursuant to Section 10.4 below, the third-party licensee purchases the Cannabis Ingredients for such Licensed Cannabis Products from a third-party supplier (i.e., other than Company), such third-party Cannabis Ingredients shall meet Company's then-current standard operating procedures applicable to the Company's own Cannabis Ingredients of the same kind.

10.3 Pricing. The pricing for Cannabis Ingredients supplied by Company in accordance with Section 10.1 shall be the fair market value of such Cannabis Ingredients at the time of sale.

10.4 [***].

ARTICLE 11.
REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 Representations, Warranties and Covenants of ABG. ABG hereby represents, warrants and covenants to Company, the following:

(a) it owns or controls all right, title and interest in and to the Existing Trademarks and, subject to 11.1(b), it shall use commercially reasonable efforts to own or control all right, title and interest in and to the Company Participating Trademarks (specifically excluding the Existing Trademarks). It is authorized to enter into this Agreement and to grant the Participation Rights granted to Company herein. It has not sold, assigned, leased or in any manner disposed of or encumbered the Participation Rights granted to Company herein, and is otherwise under no disability, restriction or prohibition from entering into or performing its obligations under this Agreement;

(b) in connection with those ABG 2018 Brands for which ABG or its Affiliates do not have the right to exploit the same in connection with certain Cannabis Products as a result of ABG or its Affiliate lacking trademark registration(s) and/or common law rights in the applicable jurisdiction and for which Company or a third party wishes to enter into a Cannabis License, ABG shall use commercially reasonable, good faith efforts to register the applicable Then-Current Brand Trademark in the appropriate trademark class(es) for the applicable Cannabis Product(s) it being specifically understood that (i) ABG makes no representation or warranty that ABG will be successful in obtaining new trademark registration(s) in the appropriate classes in any jurisdiction(s); and (ii) ABG has no control over the timeline to secure trademark registrations in any jurisdiction;

(c) it has taken commercially reasonable action to maintain and protect its intellectual property rights in the Existing Trademarks and it shall take commercially reasonable action to maintain and protect its intellectual property rights in the Company Participating Trademarks during the Term;

(d) to the knowledge of ABG, the Existing Trademarks do not materially interfere with, infringe upon, misappropriate, or otherwise conflict with any intellectual property rights of any other person or entity. To the knowledge of ABG, no other person or entity is interfering with, infringing upon, misappropriating or otherwise in conflict with any intellectual property rights of the Existing Trademarks;

(e) it shall contractually require all third-party licensees pursuant to Cannabis Licenses to covenant to ABG that the design, manufacture, distribution, advertising, marketing, assembly, packaging, labeling, boxing, crating, marking, packing, shipping, import, export, storage, purchase and sale of all Cannabis Products subject to any such Cannabis License will comply with all applicable laws;

(f) it will use commercially reasonable efforts to ensure that all products sold using the ABG 2018 Brands will be of quality in design, material and workmanship that is equal to or higher than the products manufactured and sold using the Existing Trademarks before the date of this Agreement; and no injurious deleterious or defamatory material, writing or images will be used in or on the ABG 2018 Brands; and

(g) during the Term, it will provide Company with no less than [***] written notice and engage in reasonable consultation with Company prior to executing any agreement that would result in commissions paid and/or credited to unaffiliated third parties in connection with Gross Cannabis Revenue.

11.2 Representations, Warranties and Covenants of the Parties. Each Party hereby represents, warrants and covenants to the other that:

(a) it is duly organized, validly existing and in good standing under the laws of its state of organization;

(b) it has the full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement constitutes the valid and legal binding obligation of such enforceable in accordance with the terms and conditions set forth herein;

(c) ABG or its Affiliates have the right to exploit certain ABG 2018 Brands in connection with certain Cannabis Products without any limitation and without obtaining the consent of any third party;

(d) it is not required to give any notice to, make any filing with or obtain any authorization, consent or approval of any authority, person or entity in order for such Party to consummate the transactions set forth herein;

(e) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement will not (i) violate in any material respect any law to which it subject; (ii) violate or result in a breach of or default or acceleration under its Certificate of Formation, Limited Liability Agreement/Operating Agreement (as applicable), any resolutions adopted by its members of managers or any instrument or agreement to which it is a party or by which the it is bound; or (iii) violate any judgment, order, injunction, decree or award against or binding upon it; and

(f) it is as of the Effective Date in compliance with, and throughout the Term, it will comply with any and all applicable laws, and it will not engage in any cannabis activities in the United States unless permitted under applicable federal and state law;

11.3 Representations, Warranties and Covenants of Company. Company hereby represents, warrants and covenants to ABG that:

(a) it has substantial knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of an investment in the Participation Rights; and it has substantial net worth such that it can bear the economic risk of its purchase of the Participation Rights;

(b) it has had the opportunity to ask representatives of ABG certain questions and request certain information regarding the terms and conditions of this Agreement and the finances, operations, business and prospects of ABG and has had any and all such questions and requests answered to its satisfaction; and that it understands the risks and other considerations relating to the purchase of the Participation Rights;

(c) it owns or controls all right, title and interest in and to the Company Trademarks;

(d) it has taken commercially reasonable action to maintain and protect its intellectual property rights in the Company Trademarks and it shall take commercially reasonable action to maintain and protect its intellectual property rights in the Company Trademarks during the Term;

(e) to the knowledge of Company, the Company Trademarks do not materially interfere with, infringe upon, misappropriate, or otherwise conflict with any intellectual property rights of any person or entity. To the knowledge of Company, no other person or entity is interfering with, infringe upon, misappropriating or otherwise in conflict with any intellectual property rights of the Company Trademarks; and

(f) it will use commercially reasonable efforts to ensure that all products sold using the Company 2018 Brands will be of quality, design, material and workmanship that is equal to or higher than the products manufactured and sold using the Company Trademarks before the Effective Date, and no injurious, deleterious or defamatory material, writing or images will be used in or on the Company 2018 Brands.

11.4 No Representations. Except for the representations and warranties contained in this Article 10 or as set forth in the Payment Agreement, neither Party nor any other Person makes any express or implied representation or warranty with respect to such Party, and each Party hereby disclaims any such other representations or warranties, whether written or oral. In particular, without limiting the foregoing disclaimer, neither Party nor any other Person makes or has made any representation or warranty to the other Party or any of their Affiliates or representatives (except for the representations and warranties made contained in this Article 11 or as set forth in the Payment Agreement), including in any oral or written information presented to the other Party or any of their Affiliates or representatives in the course of their due diligence investigation, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

ARTICLE 12.
CHANGE OF CONTROL

12.1 Solely in the event of a Change of Control of ABG, ABG may assign this agreement and all rights and obligations of ABG to the Acquiring Party or its Affiliate and the Acquiring Party will assume the obligations of ABG herein unless ABG continues to honor this Agreement or Company and ABG agree on other mutually acceptable terms.

12.2 Solely in the event of a Change of Control of Company, Company may assign this agreement and all rights and obligations of Company to the Acquiring Party or its Affiliate (provided that to the extent ABG cannot contractually comply with Article 5 and/or Article 6 hereof with the Acquiring Party or Affiliate because of the identity of the assignee, Company shall not have the right to assign the rights contain in such Articles to the Acquiring Party or such Affiliate). In the event of such assignment, the Acquiring Party will assume the obligations of Company herein unless Company and ABG agree on other mutually acceptable terms.

ARTICLE 13.
INDEMNIFICATION

13.1 Company's Indemnity Obligation. Company will indemnify, defend and hold harmless ABG and its parents, subsidiaries, affiliated companies and their respective officers, directors, shareholders, employees, agents, attorneys, successors and assigns (each, individually, an "ABG Indemnified Party") from and against any and all claims, liabilities, demands, causes of action, judgments, settlements, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) arising solely out of: (a) the breach by Company of a representation, warranty or covenant in this Agreement; and (b) the failure by Company to perform any of its obligations under this Agreement. Company's liability to any ABG Indemnified Party under this Section 13.1 will be reduced to the extent that: (y) any loss, claim, damage, liability or expense is determined by a court of competent jurisdiction to result directly, in whole or in part, from any such ABG Indemnified Party's willful misconduct or gross negligence; or (z) to the extent that ABG is required to indemnify Company pursuant to Section 13.2 below.

13.2 ABG's Indemnity Obligation. ABG will indemnify, defend and hold harmless Company from and against any and all claims, liabilities, demands, causes of action, judgments, settlements, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) arising out of or in connection with: (a) the breach by ABG of a representation, warranty or covenant in this Agreement; (b) the failure by ABG to perform any of its obligations under this Agreement; (c) the gross negligence, bad faith or unlawful conduct of ABG in connection with the performance of its obligations under this Agreement; (d) any claim related to the use of third party copyrighted materials on or in connection with the Then-Current ABG 2018 Brands; and (e) claims of copyright infringement, trademark infringement or other intellectual property infringement relating to the Company Participating Brands, except for claims arising out of a Company License Agreement. ABG's liability to Company under this Section 13.2 will be reduced to the extent that: (y) any loss, claim, damage, liability or expense is determined by a court of competent jurisdiction to result directly, in whole or in part, from Company's willful misconduct or gross negligence; or (z) to the extent that Company is required to indemnify ABG pursuant to Section 13.1 above.

13.3 Indemnification. The Party to be indemnified hereunder (the "Indemnitee") must give the indemnifying Party hereunder (the "Indemnitor") prompt written notice of any action, claim or proceeding brought against it for which it is entitled to indemnification hereunder, and the Indemnitor, in its sole discretion, then may take such action as it deems advisable under the circumstances to defend such action, claim or proceeding on behalf of the Indemnitee. In the event that appropriate action is not taken by the Indemnitor within [***] after its receipt of written notice from the Indemnitee, the Indemnitee will have the right to defend such action, claim or proceeding, but no settlement thereof may be made without the prior written approval of the Indemnitor, which approval will not be unreasonably withheld, delayed or conditioned. Even if appropriate action is taken by the Indemnitor, the Indemnitee may, at its own cost and expense, be represented by its own counsel in such action, claim or proceeding. In any event, the Indemnitee and the Indemnitor will keep each other fully advised of all developments and will cooperate fully with each other in all respects in connection with any such action, claim or proceeding. The provisions of this Section will survive any expiration or termination of this Agreement.

ARTICLE 14.
CONFIDENTIALITY

14.1 Confidential Information. For purposes of this Agreement, "Confidential Information" shall be defined as, with respect to each Party: non-public and/or proprietary information relating to a Party's business or operations, which information may be written, oral or maintained in electronic or any other form, which information is obtained, received, developed or derived by such Party, either directly or indirectly, by any means of communication or expression, prior to or during the Term of this Agreement, and shall include, without limitation: (a) finances, technology or other technical data, trade secrets, inventions, processes, formulas and know-how, (b) designs, drawings, services, products, product plans, product development, marketing, marketing plans and information, customers, potential business partners, market information, suppliers, vendors, retailers, manufacturers, factories, (c) all documents, analyses, reports, research, business plans, studies, diagrams, marketing information or other materials that contain information and (d) the existence of this Agreement and the terms hereof. All Confidential Information is and shall remain the property of the disclosing Party.

14.2 Exclusions from Confidential Information. As used in this Agreement, the term 'Confidential Information' shall not include any information that: (a) now or hereafter becomes, through no unauthorized act by or on behalf of the receiving Party, generally known or available to the public; (b) known to the receiving Party, by lawful means, at the time the receiving Party receives the same from the disclosing Party; (c) furnished to the receiving Party by a third party that does not have an obligation of confidentiality to the disclosing Party with respect thereto; or (d) independently developed by the receiving Party without use of or access to the disclosing Party's Confidential Information.

14.3 Obligations. Each Party acknowledges that it may have access to the other Party's Confidential Information, the value of which may be impaired by misuse, or by disclosure to a third party. The receiving Party agrees that it will not disclose such Confidential Information, except that the receiving Party may disclose the other Party's Confidential Information in order to perform the receiving Party's obligations under this Agreement, but solely to those who: (a) have a "need to know" such Confidential Information, (b) are instructed and have agreed, in writing, not to disclose the Confidential Information, or use the Confidential Information for any purpose other than pursuant to the terms of this Agreement. The receiving Party shall take reasonable precautions to protect the confidentiality of the other Party's Confidential Information. Such precautions may, if requested by the disclosing Party, include the use of separate written confidentiality agreements, in a form approved by the disclosing Party. Following the expiration or termination of this Agreement, no Party shall disclose or use any of the other Parties' Confidential Information for any purpose, unless otherwise agreed in writing by the disclosing Party. Each Party agrees to notify the other Party of the circumstances surrounding any inadvertent disclosure of Confidential Information by the receiving Party.

14.4 Mandatory Disclosure. Nothing in this Agreement shall prevent the receiving Party from disclosing Confidential Information of the disclosing Party to the extent the receiving Party is required to do so by the rules of an applicable securities market or exchange, or is legally compelled to do so by any governmental investigative or judicial agency or court pursuant to proceedings over which such agency or court has jurisdiction; provided, however, that prior to any such disclosure, the receiving Party shall (a) assert the confidential nature of the Confidential Information to the market, exchange or agency or court; (b) promptly notify the disclosing Party in writing of the requirement, order or request to disclose; and (c) at the disclosing Party's sole cost and expense (excluding the receiving Party's outside attorney fees), cooperate fully with the disclosing Party in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting the confidentiality of the Confidential Information. Any Confidential Information that is disclosed under this Section shall otherwise remain subject to the provisions of this Agreement.

ARTICLE 15.
MISCELLANEOUS

15.1 Relationship of the Parties. Except for the purposes described in Section 15.14, this Agreement does not constitute and will not be construed to constitute an agency, partnership, joint venture or any other type of unnamed relationship between ABG and Company. Neither Party will have the right to obligate or to bind the other Party in any manner whatsoever, and nothing contained in this Agreement will give or is intended to give any rights of any nature to any third party. Company shall have no control or input on the management of ABG.

15.2 Press Releases and Other Communications. ABG and Company shall agree on the timing, content and release of any press release or other public communication containing any information about this Agreement, the Parties, or their respective affiliates and related parties. No such release or communication shall be made without the prior written approval of each of ABG and Company.

15.3 Addresses and Notices. All notices, requests, demands and other communications required or permitted to be made hereunder shall be in writing and shall be deemed duly given: (a) at the time of delivery, if hand delivered to the corporate office for the Party to whom Notice is being delivered, against a signed receipt therefor; (b) one (1) day after dispatch, if sent to the Party at the address and/or contact listed in this Agreement for such type of notice, by: (i) registered or certified mail, return receipt requested, first class postage prepaid, or (ii) nationally recognized overnight delivery service; or (c) at the time of transmission, if sent to the Party at the address and/or contact listed in this Agreement for such type of Notice, by e-mail transmission; provided, however, that any such notice sent by e-mail shall only be deemed duly given if a copy of such notice is also sent by one (1) or more methods pursuant to Sections 15.3(a) and/or 15.3(b) herein. Either Party may alter the address to which notices are to be sent hereunder by giving notice of such change to the other Party in conformity with the provisions of this Section. Notices shall be sent to the address specified below:

If to Company for required notices then to:

200-49 Spadina Avenue
Toronto, ON, Canada M5V 2J1
Attn: Legal Department
Via Email:

If to ABG, for required Notices then to:

1411 Broadway, 4th Floor
New York, NY 10018
Attn: Legal Department
Via Email:

15.4 Assignment. Neither Party may assign this Agreement to a third party without the prior written consent of the other Party, which consent may be withheld for any reason or no reason; provided, that any assignment in accordance with Article 12 shall not require the consent of any Party. Any assignment in violation of the foregoing shall be void.

15.5 Governing Law. This Agreement and the legal relations among the Parties will be governed by and construed in accordance with the laws of the State of New York, notwithstanding any conflict of Law provisions to the contrary. The Parties hereby agree that any action which in any way involves the rights, duties and obligations of any Party under this Agreement shall be brought in courts located in New York County, New York, and the Parties hereby submit to the personal jurisdiction of such courts. Each of the Parties waives any objection that it may have based on improper venue or forum non conveniens to the conduct of any such suit or action in any such court. The Parties agree that service of process deposited in certified or registered mail addressed to the other Party at the address for the other Party set forth in this Agreement shall be deemed valid service of process for all purposes.

15.6 Default Expenses. If either Party defaults with respect to any obligation under this Agreement, the defaulting Party will indemnify the other Party against and reimburse it for all reasonable attorney’s fees and all other costs and/or expenses resulting or made necessary by the bringing of any action, motion or other proceeding to enforce any of the terms, covenants or conditions of this Agreement.

15.7 Entire Agreement. This Agreement sets forth the entire agreement and understanding between the Parties with respect to the subject matter hereof, and supersedes all prior agreements, understandings, inducements and conditions, whether express or implied, oral or written, except as herein contained. The express terms hereof will control and supersede any course of performance and/or usage of trade inconsistent with any of the terms hereof.

15.8 Amendment and Modification. This Agreement may be amended, modified and supplemented only by written agreement duly executed and delivered by each of the parties hereto.

15.9 Waiver and Delays. A waiver by any Party of any of the terms and conditions of, or rights under, this Agreement will not be effective unless signed by the Party waiving such term, condition or right and will not bar the exercise of the same right on any subsequent occasion or any other right at any time or be deemed or construed to be a waiver of such terms or conditions for the future. Neither the failure of nor any delay on the part of any Party to exercise any right, remedy, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege.

15.10 Severability. If any term or provision of this Agreement, as applied to either Party or any circumstance, for any reason will be declared by a court of competent jurisdiction to be invalid, illegal, unenforceable, inoperative or otherwise ineffective, that provision will be eliminated to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect and enforceable; provided, however, that if any term or provision of this Agreement pertaining to the payment of monies to either Party will be declared invalid, illegal, unenforceable, inoperative or otherwise ineffective, such Party will have the right to terminate this Agreement as provided herein.

15.11 Form and Construction. Paragraph and subparagraph headings in this Agreement are included for ease of reference only and do not constitute substantive matter to be considered in construing the terms of this Agreement. As used in this Agreement, the masculine gender will include the feminine and the singular form of words will include the plural, or vice versa, as necessary in order that this Agreement may be interpreted so as to conform to the subject matter actually existing. The language of this Agreement will be construed as a whole and not strictly for or against any of the parties.

15.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be an original, but all of which together will constitute one Agreement binding on all parties hereto. Each of the Parties agrees that a photographic or facsimile copy of the signature evidencing a Party's execution of this Agreement will be effective as an original signature and may be used in lieu of the original for any purpose.

15.13 Exhibits. All Exhibits referenced in this Agreement are hereby incorporated by reference into, and made a part of, this Agreement.

15.14 Tax Treatment. Solely for U.S. federal, and all applicable state and local, income tax purposes, the Parties intend and agree that (a) the transactions described in Articles 2, 3 and 4 shall be treated, in accordance with the principles of Revenue Ruling 99-5, Situation 1, (i) as the acquisition by Company of an undivided interest in the Then-Current 2018 Brands, to the extent, and solely in respect of, any present or future Cannabis Licenses entered into by ABG with respect to such Then-Current 2018 Brands during the Term, (ii) then a contribution by the Company and ABG of their respective interests in the Then-Current 2018 Brands, to the extent, and solely in respect of, any present or future Cannabis Licenses entered into by ABG with respect to such Then-Current 2018 Brands during the Term, to an entity treated as a partnership, (iii) with the operations contemplated under this clause (a) owned by the partnership which owns the Then-Current 2018 Brands, to the extent of and pursuant to the contributions under sub-clause (ii), and which is required to make the payments described in Articles 2 and 3 and (b) that any payment made by Company with respect to the Participation Rights after the date hereof in accordance with the terms of the Payment Agreement shall, consistently herewith, be treated as the sale of partnership interests in the partnership formed pursuant to clause (a) hereof. The Parties agree to file all their U.S. federal, and applicable state and local, income tax returns in accordance with this Section 15.14, and to reasonably consult with each other to ensure tax reporting consistently herewith. ABG will consider in good faith comments from Company in connection with tax returns and tax audits of the tax partnership (which filings ABG will make good faith efforts to share with Company in advance and of which tax audits ABG will make good faith efforts to notify Company) and ABG will act in respect of the tax partnership in a manner consistent with the economic terms of this Agreement and reasonably cooperate with Company in connection with such matters. The Parties acknowledge and agree that treatment as a tax partnership shall be for U.S. federal, and applicable state and local, income taxes only and no partnership entity will be established or formed.

15.15 Transaction Expenses. Each Party will be responsible for its own expenses relating to the negotiation of this Agreement.

[*Remainder of Page Intentionally Blank; Signature Page to Follow***]**

The undersigned Parties have executed this Agreement, effective as of the date first above written.

ACCEPTED AND AGREED:

ABG Intermediate Holdings 2, LLC

By: /s/ Jamie Salter

Name: Jamie Salter

Title: C.E.O.

ACCEPTED AND AGREED:

Tilray, Inc.

By: /s/ Brendan Kennedy

Name: Brendan Kennedy

Title: CEO

This Exhibit A is attached to and made part of the Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019.

EXHIBIT A

ABG 2018 Brands

The ABG 2018 Brands shall consist of the following brands and any other brands which ABG owns or controls the right, title and interest in and to the Existing Trademarks:[1]

1.STATE
Above the Rim
Adrienne Vittadini
Aeropostale
Airwalk
Bandolino
Cece
Chaus
Corso Como
Drexel
Dukes
Elvis Presley
Enzo Angiolini
Frye
Frederick's of Hollywood
Greg Norman
Hart Shaffner Marx
Henredon
Herve Leger
Hickey Freeman
Hind
Jones New York
Judith Leiber
Julius Erving (a/k/a Dr. J)
Juicy Couture
Louise et Cie
Misook
Muhammad Ali
Marilyn Monroe
Nautica
Neil Lane
Nine West
Prince (i.e., tennis brand)
Shaquille O'Neal
Silverstar
Sole / Society
Spyder
Sterling & Hunt
Taryn Rose
Thalia Sodi
Tretorn
Tapout
Thomasville

[1] Additional brands (i.e., above and beyond the global and domestic brands listed above) to be provided by ABG

Vision Street Wear

This Exhibit B is attached to and made part of the Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019.

EXHIBIT B

PAYMENT AGREEMENT

[*See Attached***]**

This Exhibit C is attached to and made part of the Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019.

EXHIBIT C

COMPANY BANK ACCOUNT

This Exhibit D is attached to and made part of the Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019.

EXHIBIT D

MINORITY STAKEHOLDER BRANDS

Minority Stakeholder Brand	ABG Ownership
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENTS, MARKED BY [***], HAS BEEN OMITTED BECAUSE TILRAY, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO TILRAY, INC. IF PUBLICLY DISCLOSED.

PRIVILEGED & CONFIDENTIAL

Amended and Restated Profit Participation Agreement

This Amended and Restated Profit Participation Agreement (this "Agreement") is effective as of January 14, 2019 (the "Effective Date") as amended and restated as of January 24, 2020 (the "A&R Date"), and is entered into by and between **ABG Intermediate Holdings 2, LLC**, a limited liability company organized in the state of Delaware ("ABG") and **Tilray, Inc.**, a corporation organized in the state of Delaware ("Company"). Each of Company and ABG shall be referred to herein individually as a "Party" and collectively as the "Parties" unless specifically identified.

WHEREAS, ABG and Company are parties to that certain Profit Participation Agreement of even date herewith (the "Prior Agreement") and that the Parties wish to modify the terms of the Prior Agreement by entering into this Agreement;

WHEREAS, ABG or its Affiliates (as hereinafter defined) owns and/or controls all right, title and interest in and to various intellectual property rights in and to the Then-Current ABG 2018 Brands (as hereinafter defined), together with the goodwill of the business symbolized by such intellectual property rights (the "Existing Trademarks");

WHEREAS, Company is primarily engaged in the cultivation of cannabis and the design, manufacture, distribution and sale of Cannabis Products (as hereinafter defined) for medical and recreational, adult use; and

WHEREAS, ABG and Company desire to work together with respect to the exploitation of the ABG 2018 Brands (as hereinafter defined) in connection with Cannabis Products (as hereinafter defined) globally in jurisdictions where the applicable use of Cannabis Products does not violate applicable law and, to that end, the Parties desire to enter into this Agreement, pursuant to which Company will purchase from ABG the contractual right to receive the Participation Rights (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing recitals (which are specifically incorporated herein by this reference), and the mutual agreements contained herein and for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1.
DEFINITIONS

1.1 "A&R Date" has the meaning set forth in the Preamble.

1.2 "ABG 2018 Brands" shall be defined as those brands owned or controlled by ABG or its Affiliates as of December 31, 2018, as set forth on *Exhibit A*, attached hereto and incorporated herein by this reference.

1.3 "Affiliates" of any person or entity means persons or entities controlled by such person or entity.

1.4 "Calendar Quarter" means each three (3) month period ending on each of March 31, June 30, September 30 and December 31 of each year.

1.5 "Calendar Year" means each calendar year (i.e., January 1 through December 31) of the Term.

1.6 "Cannabis Ingredients" shall be defined as any naturally occurring cannabinoid, compound, derivative or preparation of the Cannabis Plant ("Natural Cannabinoid") or any synthetic (i.e., human-made) version of such Natural Cannabinoid(s).

1.7 "Cannabis License" shall be defined as a license agreement (or an extension or renewal thereof) for the design, manufacture, distribution and sale of Cannabis Products (as hereinafter defined) bearing the intellectual property rights of a Then-Current Brand which agreements, extensions or renewals are fully executed by ABG or its Affiliates during the Term (as hereinafter defined).

1.8 "Cannabis Plant" shall be defined as the following species of the cannabis genus: cannabis sativa, cannabis indica and cannabis ruderalis.

1.9 "Cannabis Products" shall be defined as any products that include or are made or derived from any part of the Cannabis Plant or any synthetic (i.e., human-made) cannabinoids, including, without limitation, extracts, topicals and edibles and any products infused with any cannabinoid, compound, derivative or preparation of the Cannabis Plant such as concentrates, oils or resin. Notwithstanding the foregoing, Cannabis Products shall specifically exclude any of the following products made with or from cannabis: textiles, paper, building materials and technical products (e.g., fuel, coatings, varnishes, etc.).

1.10 "Change of Control" means a transaction in which (a) a person or entity, in one or a series of related transactions, directly or indirectly, acquires all or at least eighty percent (80%) of a Party's assets; (b) a Party, directly or indirectly, in one or more related transactions (i) consolidates or merges with or into (whether or not such Party is the surviving entity) one or more other entities; (ii) consummates an ownership interest purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another person or entity; or (iii) reorganizes, recapitalizes or reclassifies its ownership interest such that its voting ownership interests are owned or acquired by any other person or entity and, in each case of this clause (b), whereby such other person or entity acquires ownership interests equal to more than fifty percent (50%) of the then outstanding ownership interests of such person (including, on an as-converted basis, the issuance or sale of convertible securities which may be converted into membership interests of such Party); or (c) any one or a group of persons or entities, in one or a series of related transactions, directly or indirectly, acquires more than fifty percent (50%) of the then outstanding voting ownership interests of such Party (including, on an as if converted basis, convertible securities which may be converted into voting ownership interests of such Party) (such acquiring person or entity pursuant to clauses (a), (b) or (c), the "Acquiring Person"). Notwithstanding anything contained in the definition of "Change of Control" to the contrary, a "Change of Control" shall not occur if any transaction or event contemplated thereby is with any person or entity controlled by, controlling or under common control with such Party. For additional clarity, (x) a transfer or other disposition, whether by spin off, spin out or another similar transaction, of Privateer Holding Inc.'s ownership interest in Company to the then-current owners of Privateer Holding Inc. on a pro rata basis shall not, in and of itself, constitute a Change of Control of Company for purposes of this Agreement, and (y) "sale, lease, exchange, license or other transfer" shall not include any commercial transaction in the ordinary course of business, or any sale and leaseback transaction, the principal purpose of which is to provide financing to Company or one or more direct or indirect Subsidiaries.

1.11 "Company 2018 Brands" shall be defined as those brands owned or controlled by Company or its Affiliates as of December 31, 2018.

1.12 "Company Participating Brands" shall be defined as the Then-Current ABG 2018 Brands and those Then-Current Future Brands (as hereinafter defined).

1.13 "Company Participating Trademarks" shall be defined as all right, title and interest in and to the various intellectual property rights in and to the Company Participating Brands, together with the goodwill of the business symbolized by such intellectual property rights.

1.14 "Company Trademarks" shall be defined as all right, title and interest in and to the various intellectual property rights in and to the Company 2018 Brands, together with the goodwill of the business symbolized by such intellectual property rights.

1.15 "Contract Year" means each twelve (12) month period during the Term. Notwithstanding the foregoing, the period from the Effective Date through December 31, 2019 shall be deemed a Contract Year and subsequently, each Calendar Year thereafter shall be successive Contract Years.

1.16 "Future ABG Brands" means, as of any date of determination, the brands which ABG or its Affiliates owns or controls a majority interest in as of such date excluding the ABG 2018 Brands.

1.17 "Future ABG Brand Trademarks" shall be defined as all right, title and interest in and to the various intellectual property rights in and to the Future ABG Brands, together with the goodwill of the business symbolized by such intellectual property rights.

1.18 "Gross Cannabis Revenue" shall be defined as: any and all revenue (including, but not limited to, royalties) determined in accordance with GAAP as consistently applied by ABG actually received by ABG or its Affiliates from any Cannabis Licenses during the applicable accounting period of a given Calendar Year ***less*** any marketing and advertising payments received by ABG or its Affiliates which ABG or its Affiliates are contractually obligated by unaffiliated third parties to spend.

1.19 "Licensed Cannabis Products" shall be defined as Cannabis Products bearing the intellectual property rights of any Company Participating Brands.

1.20 "Net Cannabis Revenue" shall be defined as Gross Cannabis Revenue ***less***: [***].

1.21 "Term" shall be defined as the period commencing on the Effective Date and continuing in perpetuity.

1.22 "Then-Current ABG 2018 Brands" shall be defined as, as of any date of determination, the ABG 2018 Brands which ABG or its Affiliates owns or controls a majority interest in as of such date.

1.23 "Then-Current Brands" shall be defined as, as of any date of determination, the brands which ABG or its Affiliates owns or controls a majority interest in as of such date.

1.24 "Then-Current Future Brands" means Future ABG Brands in which Company purchases Future ABG Brand Participation Rights in accordance with Article 8 below.

ARTICLE 2.
PRIOR AGREEMENT

2.1 The Parties acknowledge and agree that they are parties to the Prior Agreement. The Parties further acknowledge and agree that the full execution, validity and effectiveness of this Agreement will act to terminate the Prior Agreement, and upon the full execution, validity and effectiveness of this Agreement, this Agreement shall supersede and replace the Prior Agreement and all rights granted to Company in the Prior Agreement which are not expressly granted in this Agreement shall revert to ABG as of the A&R Date.

ARTICLE 3.
PURCHASE OF PROFIT PARTICIPATION RIGHTS

3.1 Subject to the terms and conditions of this Agreement, ABG hereby sells, and Company hereby purchases, the right to receive up to forty-nine percent (49%) (with the applicable percentage determined in accordance with Section 3.2) of the Net Cannabis Revenue of the Then-Current ABG 2018 Brands (the "ABG 2018 Brands Participation Rights") in exchange for the consideration to ABG set forth in the Payment Agreement between the Parties of even date herewith ("Consideration"), a copy of which is set forth on *Exhibit B*, attached hereto and incorporated herein ("Payment Agreement"). The Parties acknowledge and agree that, as of the A&R Date, the Payment Agreement has been amended.

3.2 Until all Consideration payable under the Payment Agreement (including conditional future Consideration) has been paid in full, Company's Participation Rights (as hereinafter defined) at the last business day of any Calendar Quarter during the Term of this Agreement shall be equal to the full Participation Rights multiplied by a fraction, the numerator of which is the value of the Consideration actually received by ABG (with Consideration in the form of Class 2 common stock measured at the value assigned to such Class 2 common stock in the Payment Agreement) and the denominator of which is Two Hundred Fifty Million United States Dollars ($250,000,000 USD) (such fraction, the "Pro Rata Adjustment"). Solely for illustrative purposes, if, as of the last day of a Calendar Quarter, ABG has received Consideration under the Payment Agreement of Thirty-Three Million Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three United States Dollars ($33,333,333 USD) in immediately available funds and common stock transferred to ABG with a value (calculated based on the applicable VWAP (as defined in the Payment Agreement)) equal to One Hundred Thirty-Three Million, Three Hundred Thirty-Three Thousand Three Hundred Thirty-Three United States Dollars ($133,333,333 USD) (i.e., with an aggregate value of $166,666,666 USD), Company's Participation Rights for such Calendar Quarter would be thirty-two and sixty-seven tenths of one percent (32.67%) (i.e., 2/3 ($166,666,666 USD / $250,000,000 USD) of 49%).

3.3 The Parties hereby acknowledge and agree that, as of January 1, 2020, ABG has received all of the Consideration pursuant to the Payment Agreement, as amended as of the A&R Date, and the ABG 2018 Brands Participation Rights shall be forty-nine percent (49%) of the Net Cannabis Revenue of the Then-Current ABG 2018 Brands.

3.4 Company hereby acknowledges and agrees that, as of January 1, 2020, specifically in connection with Contract Years 2 through 10 of the Term (i.e., January 1, 2020 through December 31, 2028), in each such Contract Year, Company shall not be entitled to any Participation Rights (as hereinafter defined) unless and until the Participation Rights payable to Company with respect to such Contract Year exceed Ten Million United States Dollars ($10,000,000 USD) (the "Participation Rights Threshold") and in the event the Participation Rights Threshold is achieved, Company shall be entitled to its Participation Rights for such Contract Year for all amounts in excess of the Participation Rights Threshold (i.e., from $10,000,000.01 USD forward). For the avoidance of doubt, beginning with Contract Year 11 (2029) and throughout the remainder of the Term, Company shall be entitled to the Participation Rights in connection with all Net Revenue, without consideration of the Participation Rights Threshold.

ARTICLE 4.
GUARANTEED MINIMUM PARTICIPATION RIGHTS

4.1 "Guaranteed Minimum Participation Rights" (also referred to herein as "GMPR(s)") shall be defined as non-returnable advances payable by ABG to Company recoupable against Participation Rights earned in the same Contract Year, or, in accordance with Section 4.3 or the third sentence of this Section 4.1, subsequent Contract Years. Subject to Section 4.2 below, for each of the first ten (10) Contract Years during the Term, the GMPR shall be Ten Million United States Dollars ($10,000,000 USD) payable pursuant to Section 4.5 below. For the remainder of the Term (i.e., after the first 10 Contract Years), there shall not be GMPRs and, subject to the terms and conditions contained herein, Company shall be entitled to the actual earned Participation Rights for such Contract Year(s) except for any GMPR Shortfall (as hereinafter defined) that may be carried from prior Contract Years pursuant to Section 4.

4.2 Notwithstanding the foregoing or anything to the contrary contained herein, in any Calendar Quarter, Company shall only be entitled to its [***] (as hereinafter defined). [***].

4.3 GMPR Shortfall Carry-Forward. ABG shall be required to make GMPR payments to Company as and when required hereunder. In the event that the GMPR actually paid to Company in any given Contract Year is greater than the Participation Rights actually earned and paid to Company in the same Contract Year (the difference between Company's actual earned and received Participation Rights and GMPR shall be defined herein as a "PR Shortfall"), then ABG shall carry any un-recouped PR Shortfall to the immediately succeeding Contract Year during the Term (and ABG shall continue to carry such un-recouped PR Shortfall to successive Contract Years during the Term, to the extent the same has not yet been fully recouped), and to the extent Company has any PR Overages (as hereinafter defined) in any Contract Year to which

such PR Shortfall has been carried, ABG shall apply such PR Overages to such PR Shortfall; it being understood that if PR Overages exceed the PR Shortfall, then ABG shall be required to pay the balance of the PR Overages to Company pursuant to the terms of this Agreement. "PR Overage(s)" shall be defined as any Participation Rights actually earned by Company in a given Contract Year, which Participation Rights are in excess of the GMPR for the same Contract Year.

4.4 For the avoidance of doubt, in any given Contract Year, once ABG has paid to Company the total amount of the GMPR for such Contract Year (whether by way of quarterly GMPR payments, Participation Rights in excess of the GMPR, or either or both of the foregoing): (i) ABG shall no longer be required to make quarterly GMPR payments to Company for that Contract Year and (ii) for the remainder of such Contract Year, ABG shall pay Company based on actual earned Participation Rights.

4.5 ABG shall pay the GMPR to Company in equal quarterly installments each Calendar Quarter together with Quarterly Statements (as hereinafter defined). ABG hereby acknowledges that the GMPR is payable to Company even if ABG fails to enter into any Cannabis Licenses during the Term, and is a condition of Company entering into the Agreement. Company hereby acknowledges and agrees that, as of the A&R Date (subject to Section 4.6 below), Company has received the GMPR for Contract Year 1 (2019) as and when required hereunder.

4.6 The Parties hereby acknowledge and agree that, as of the A&R Date, ABG owes Company the fourth (4th) quarterly installment of the GMPR for Contract Year 1 (2019) in an amount equal to One Million Six Hundred Sixty-Six Thousand Six Hundred Sixty-Six United States Dollars and Sixty-Seven United States Cents ($1,666,666.67 USD) (the "Remaining 2019 GMPR Payment"). In accordance with Section 5.1 below, ABG shall pay the Remaining GMPR Payment to Company on or before February 15, 2020. Notwithstanding anything to the contrary contained herein, including in this Section 4, Company hereby acknowledges and agrees that, as of January 1, 2020, specifically in connection with Contract Years 2 through 10 of the Term (i.e., January 1, 2020 through December 31, 2028), in each such Contract Year, Company shall not be entitled to any GMPRs.

ARTICLE 5.
PAYMENTS; AND FINANCIAL STATEMENTS

5.1 Payments by ABG. ABG will pay all amounts due to Company pursuant to the Participation Rights and GMPRs, as set forth in this Agreement and subject to Sections 3.4 and 4.6 above, within [***] following the expiration of each Calendar Quarter during the Term so long as none of Company or any of its Affiliates are then in any uncured breach of its respective payment obligations under any Company License Agreement (as defined in Section 6.1 below). ABG will pay all sums then due and owing to Company pursuant to this Agreement by wire transfer in accordance with the wire instructions and bank account information provided to ABG by Company in writing as set forth on *Exhibit C*, attached hereto and incorporated herein by reference ("Bank Account") which Company may update from time to time by written notice to ABG.

5.2 Accounting. ABG shall prepare and maintain complete and accurate books of account and records (including the originals or copies of documents supporting entries in the books of account) covering all transactions relating to this Agreement. ABG will compute the amount due to Company in accordance with Articles 3 and 4 above and furnish to Company within [***] following the end of each Calendar Quarter during the Term and continuing until all payments required hereunder are made, a complete and accurate statement (each, a "Quarterly Statement"). Each Quarterly Statement will include the following information: (a) revenue calculation and quantity invoiced and applicable royalties and revenues received by ABG or its Affiliates during the preceding Calendar Quarter; and (b) a Net Cannabis Revenue calculation. On reasonable request from Company, and from time to time, ABG will provide Company with backup and support materials with respect to any item contained in any Quarterly Statement, such that Company will have sufficient information to evaluate the sources of any item contained in such Quarterly Statement. Such Quarterly Statements will be accompanied by a certification signed by ABG's chief financial officer (or equivalent) indicating that he or she has reviewed and agrees with all the information contained in such Quarterly Statement.

5.3 Audit Rights. Company shall have the right to inspect and audit ABG's books of account solely in connection with payments made to Company pursuant to Section 5.1 hereof and as so far as they relate to Company's Participation Rights, no more frequently than [***] during any [***] period upon no less than [***] prior written notice to ABG and at ABG's principal offices during ABG's normal business hours at Company's sole expense, unless [***].

5.4 Objections to Quarterly Statements. If Company has any objection to a Quarterly Statement during a Contract Year, then Company shall give ABG specific notice of that objection and reasons for it within [***] from the date that Company received the Quarterly Statement for the final Calendar Quarter of such Contract Year (except if pursuant to an audit conducted by Company in accordance with Section 5.3 in which case Company shall have [***] from the date such audit was completed to submit such notice to ABG) and in each case, the Parties shall meet and discuss (either telephonically or in-person) any objections and work to resolve any such objections in good faith.

ARTICLE 6.
PRE-NEGOTIATED CANNABIS PRODUCTS LICENSE TERMS

6.1 The Parties each acknowledge and agree that during the Term, Company (or its Affiliates) may wish to enter into license agreement(s) with ABG or its appropriate Affiliate(s) in connection with the design, manufacture, distribution and sale of Cannabis Products bearing the intellectual property rights of Company Participating Brand(s) (each, a "Company License Agreement").

6.2 In the event Company wishes to enter into a Company License Agreement, the Parties shall negotiate the same in good faith; provided, however, and ABG hereby acknowledges and agrees that, unless the Parties mutually agree otherwise, and subject to Article 6 below, the royalty rate in all Company License Agreements (i.e., for all Company Participating Brands) shall be [***] (and, for the avoidance of doubt [***] and Company shall not be required to pay any guaranteed minimum royalties (i.e., non-returnable advances recoupable against royalties earned) such that royalties are paid to ABG as earned. Notwithstanding the foregoing or anything to the contrary contained herein, in the event that ABG acquires ownership or control of a majority interest in any brand and Company or any of its Affiliates has a license agreement with respect to such brand's Cannabis Products, the terms of such agreement shall remain in place and such brand shall not be subject to this Section 6.2.

6.3 Notwithstanding Section 6.2 above, the following shall apply:

(a) Specifically in connection with the Partnered Brands (as hereinafter defined) the Parties hereby acknowledge and agree that, unless the Parties mutually agree otherwise and subject to Article 6 below, the royalty rate for all Company License Agreements shall be [***]. "Partnered Brands" shall be defined as the following ABG 2018 Brands: [***].

(b) (i) Specifically in connection with the Minority Stakeholder Brands (as hereinafter defined) the Parties hereby acknowledge and agree that, unless the Parties mutually agree otherwise and subject to Section 7.2 below, the royalty rates for all Company License Agreements shall be [***], ***unless*** ABG receives any bona fide offer from a Comparable Third Party (as hereinafter defined) for the applicable Minority Stakeholder Brand (each, a "Third-Party Offer"). In such instance, the royalty rate(s) contained in the Third-Party Offer shall apply, it being understood however, that in the event the royalty rate(s) contained in the Third-Party Offer are less than [***]. Further to the foregoing, "Minority Stakeholder Brands" shall be defined as the ABG 2018 Brands set forth on *Exhibit D*, and any Then-Current Brands in which ABG or its Affiliates owns or controls a majority interest (but not, for the avoidance of doubt, all ownership interests). "Comparable Third Party" as used herein means a third-party of comparable creditworthiness and reputation to Company, to be determined by ABG in its reasonable, good faith discretion. For the avoidance of doubt, nothing in this Section 6.3 shall supersede or conflict with Company's rights described in Section 6.2. For the avoidance of doubt, those Minority Stakeholder Brands which are also Partnered Brands shall be governed by this Section 6.3(b).

(ii) For the avoidance of doubt, notwithstanding anything to the contrary contained herein, the following shall apply:

(A) in the event ABG receives any Third-Party Offer, ABG shall promptly notify Company of the same; and

(B) in connection with Minority Stakeholder Brands, notwithstanding anything to the contrary contained in Article 6, ABG shall be permitted to solicit, discuss and/or negotiate Cannabis License(s) for Cannabis Product(s) bearing such Minority Stakeholder Brands with Comparable Third Parties in order to potentially obtain Third-Party Offers.

6.4 In connection with each Company License Agreement, if any, Company hereby acknowledges and agrees that Company (or its applicable Affiliate) must meet ABG's then-current compliance requirements, including that Company shall comply with any and all applicable laws at the time of entering into such Company License Agreement and throughout the term thereof.

ARTICLE 7.
[***]

7.1 [***].

7.2 [***].

7.3 [***].

ARTICLE 8.
ABG AS REPRESENTATIVE OR SUBLICENSOR OF COMPANY FOR CANNABIS PRODUCTS & OTHER PRODUCTS

The Parties hereby acknowledge and agree that during the Term: (a) Company may wish to license the Company Trademarks in connection with the design, manufacture, distribution and sale of products other than Cannabis Products (collectively, "Other Products") and/or Cannabis Products; and (b) in connection with such licensing endeavors, Company may wish to engage ABG to perform certain services, including without limitation, acting as a sub-licensor, brand management, brand strategy, business development (e.g., outreach to ABG's retail distribution network) and marketing. In the event Company desires to engage ABG to provide such services, the Parties shall negotiate in good faith appropriate remuneration to ABG, it being specifically understood that Company shall have no obligation to utilize or request such services from ABG and ABG shall have no obligation to provide such services. If the Parties mutually agree on terms for the provision of such services by ABG, then the same shall be expressly set forth in writing in an amendment to this Agreement or a services agreement between the Parties.

ARTICLE 9.
GOOD FAITH NEGOTIATION OF PROFIT PARTICIPATION FOR FUTURE ABG BRANDS

9.1 During the Term, ABG may acquire additional brands and in such event, Company may wish to purchase forty-nine percent (49%) of the Net Cannabis Revenue of some or all of the Future ABG Brands (specifically excluding the ABG 2018 Brands) (any such purchased rights with respect to the Then-Current Future Brands, the "Future ABG Brand Participation Rights", and together with the ABG 2018 Brands Participation Rights, the "Participation Rights").

9.2 During the Term, in the event ABG reasonably believes exercising good faith business judgment that it shall acquire any Future ABG Brands, ABG shall notify Company of the same no less than [***] prior to the tentative closing date of the transaction unless the circumstances do not permit such advance notice in which case ABG shall notify Company as soon as commercially practicable. In connection with any acquisition of Future ABG Brands, ABG shall use all commercially reasonable efforts to ensure that there will be no restrictions regarding exploitation of such Future ABG Brands in connection with Cannabis Products; provided, however, and Company acknowledges and agrees that (a) in connection with the acquisition of celebrity brands (of living or deceased celebrities), the sale of such brand may be conditioned upon certain brand restrictions related to Cannabis Products which ABG may be unable to negotiate to remove; and (b) ABG makes no representation or warranty to Company or otherwise that there shall not be any restrictions as a result of third-party trademark registrations, common law rights of third parties in and to the Future ABG Brand Trademarks related to cannabis Products or existing contractual restrictions related to Cannabis Products.

9.3 During the Term, in the event ABG acquires any Future ABG Brands, promptly following the closing date of any such transaction, ABG shall notify Company of the same (each, an "Acquisition Notice"). In the event Company wishes to purchase the Future ABG Brand Participation Rights for such brand(s), then Company shall respond to ABG's Acquisition Notice within [***] of Company's receipt of the Acquisition Notice indicating such interest, it being understood during such [***] period, at Company's request, subject to ABG and Company entering into a customary non-disclosure agreement reasonably satisfactory to ABG, ABG shall use commercially reasonable efforts to provide any projections ABG may have for Cannabis Products for such Future ABG Brand(s), historical data on Cannabis Products bearing such Future ABG Brand(s), if any and any other data, materials or agreements which Company may reasonably request. In the event Company responds expressing interest in purchasing the Future ABG Brand Participation Rights for the Future ABG Brand(s) specified in the Acquisition Notice, the Parties shall negotiate the terms and conditions of the same in good faith, including, without limitation, the purchase price for the Future ABG Brand Participation Rights and potentially an increase to the GMPRs.

9.4 In the event that the Parties mutually agree on terms and conditions in connection with Company acquiring Future ABG Brand Participation Rights in accordance with Section 9.3, ABG hereby acknowledge and agrees that Company may elect to pay the purchase price for such Future ABG Brand Participation Rights by foregoing and applying some or all Participation Rights payments under this Agreement in excess of all GMPR(s) to the payment of such purchase price until Company has foregone and applied an amount of Participation Rights equal to the purchase price plus a per annum interest rate (the "Company Borrow Rate") accruing on all unpaid portions of the purchase price equal to such rate identified in (i) the Second Lien Credit Agreement dated December 29, 2017 among ABG Intermediate Holdings 2 LLC, as borrower, ABG Intermediate Holdings 1 LLC, as holdings, and Bank of America, N.A., as administrative agent, and the other parties thereto, subject to such adjustments and/or amendments thereto (the "Second Lien Credit Agreement") or (ii) such other agreement as ABG or its Affiliate(s) may negotiate in lieu of the Second Lien Credit Agreement, from time to time, to facilitate debt financing for the purpose of Future ABG Brands or other mergers and acquisition activities. For the avoidance of doubt, as of the date of full and complete execution hereof, such Company Borrow Rate was [***]% per annum.

9.5 For the avoidance of doubt, in the event that Company does not acquire Future ABG Brand Participation Rights for any Future ABG Brands, the same Future ABG Brands shall nonetheless be subject to Article 7.

ARTICLE 10.
SALE BY ANY ABG AFFILIATE(S) OF ANY THEN-CURRENT BRANDS

10.1 Other than in the event of an ABG Change of Control pursuant to Article 13 hereof, in the event, during the Term, a person or entity ("Brand Purchaser"), in one or a series of related transactions, directly or indirectly, acquires a controlling interest in any Affiliate or a group of Affiliates of ABG's assets, (a) such Brand Purchaser will assume the rights and obligations of such Affiliate(s) of ABG under this Agreement, including without limitation, the payment obligations with respect to the Participation Rights; and (b) the Participation Rights payable by ABG to Company hereunder, including without limitation, the GMPRs payable, for each Calendar Quarter from and after the closing date of such transaction shall be reduced by the amount payable by the Brand Purchaser to Company attributable to the same Calendar Quarter.

10.2 In the event, in any Calendar Quarter, the Participation Rights, including the GMPRs, paid to Company by ABG results in an overpayment (i.e., as a result of Company having received any amounts from the Acquiring Party of any Affiliates of ABG pursuant to Section 10.1 above), ABG shall have the right to reduce the next quarterly payment to Company by such amount.

ARTICLE 11.
COMPANY AS PREFERRED SUPPLIER IN CANNABIS LICENSE AGREEMENTS

11.1 Preferred Supplier. [***].

11.2 Company Branded-Cannabis Products.

(a) Subject to Section 11.4 below, ABG shall use commercially reasonable efforts in good faith, at Company's request and sole discretion and in accordance with applicable laws, to contractually require the front of the packaging for Licensed Cannabis Products made with Cannabis Ingredients supplied by Company to include Company's or its Affiliates' name, logo or other reasonable preferred branding (e.g., "Powered by Tilray"). In the event ABG contractually requires the same, the Parties shall discuss, in good faith, the grant of rights in the applicable Company Trademark(s) to the third-party licensee and the enforcement of Company's brand standards and guidelines for the same.

(b) In the event the packaging for Licensed Cannabis Products includes or at any time has included Company's or its Affiliate's name, logo or other reasonable preferred branding (e.g., "Powered by Tilray") and pursuant to Section 11.4 below, the third-party licensee purchases the Cannabis Ingredients for such Licensed Cannabis Products from a third-party supplier (i.e., other than Company), such third-party Cannabis Ingredients shall meet Company's then-current standard operating procedures applicable to the Company's own Cannabis Ingredients of the same kind.

11.3 Pricing. The pricing for Cannabis Ingredients supplied by Company in accordance with Section 11.1 shall be the fair market value of such Cannabis Ingredients at the time of sale.

11.4 [***].

ARTICLE 12.
REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Representations, Warranties and Covenants of ABG. ABG hereby represents, warrants and covenants to Company, the following:

(a) it owns or controls all right, title and interest in and to the Existing Trademarks and, subject to 12.1(b) and applicable laws, it shall use commercially reasonable efforts to own or control all right, title and interest in and to the Company Participating Trademarks (specifically excluding the Existing Trademarks). It is authorized to enter into this Agreement and to grant the Participation Rights granted to Company herein. It has not sold, assigned, leased or in any manner disposed of or encumbered the Participation Rights granted to Company herein, and is otherwise under no disability, restriction or prohibition from entering into or performing its obligations under this Agreement;

(b) in connection with those ABG 2018 Brands for which ABG or its Affiliates do not have the right to exploit the same in connection with certain Cannabis Products as a result of ABG or its Affiliate lacking trademark registration(s) and/or common law rights in the applicable jurisdiction and for which Company or a third party wishes to enter into a Cannabis License, ABG shall use commercially reasonable, good faith efforts to register the applicable Then-Current Brand Trademark in the appropriate trademark class(es) for the applicable Cannabis Product(s) it being specifically understood that (i) ABG makes no representation or warranty that ABG will be successful in obtaining new trademark registration(s) in the appropriate classes in any jurisdiction(s); and (ii) ABG has no control over the timeline to secure trademark registrations in any jurisdiction;

(c) it has taken commercially reasonable action to maintain and protect its intellectual property rights in the Existing Trademarks and it shall take commercially reasonable action to maintain and protect its intellectual property rights in the Company Participating Trademarks during the Term;

(d) to the knowledge of ABG, the Existing Trademarks do not materially interfere with, infringe upon, misappropriate, or otherwise conflict with any intellectual property rights of any other person or entity. To the knowledge of ABG, no other person or entity is interfering with, infringing upon, misappropriating or otherwise in conflict with any intellectual property rights of the Existing Trademarks;

(e) it shall contractually require all third-party licensees pursuant to Cannabis Licenses to covenant to ABG that the design, manufacture, distribution, advertising, marketing, assembly, packaging, labeling, boxing, crating, marking, packing, shipping, import, export, storage, purchase and sale of all Cannabis Products subject to any such Cannabis License will comply with all applicable laws;

(f) it will use commercially reasonable efforts to ensure that all products sold using the ABG 2018 Brands will be of quality in design, material and workmanship that is equal to or higher than the products manufactured and sold using the Existing Trademarks before the date of this Agreement; and no injurious deleterious or defamatory material, writing or images will be used in or on the ABG 2018 Brands; and

(g) during the Term, it will provide Company with no less than [***] written notice and engage in reasonable consultation with Company prior to executing any agreement that would result in commissions paid and/or credited to unaffiliated third parties in connection with Gross Cannabis Revenue.

12.2 Representations, Warranties and Covenants of the Parties. Each Party hereby represents, warrants and covenants to the other that:

(a) it is duly organized, validly existing and in good standing under the laws of its state of organization;

(b) it has the full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement constitutes the valid and legal binding obligation of such enforceable in accordance with the terms and conditions set forth herein;

(c) ABG or its Affiliates have the right to exploit certain ABG 2018 Brands in connection with certain Cannabis Products without any limitation and without obtaining the consent of any third party;

(d) it is not required to give any notice to, make any filing with or obtain any authorization, consent or approval of any authority, person or entity in order for such Party to consummate the transactions set forth herein;

(e) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement will not (i) violate in any material respect any law to which it subject; (ii) violate or result in a breach of or default or acceleration under its Certificate of Formation, Limited Liability Agreement/Operating Agreement (as applicable), any resolutions adopted by its members of managers or any instrument or agreement to which it is a party or by which the it is bound; or (iii) violate any judgment, order, injunction, decree or award against or binding upon it; and

(f) it is as, of the Effective Date, in compliance with, and throughout the Term, it will comply with any and all applicable laws, and it will not engage in any cannabis activities in the United States unless permitted under applicable federal and state law;

12.3 Representations, Warranties and Covenants of Company. Company hereby represents, warrants and covenants to ABG that:

(a) it has substantial knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of an investment in the Participation Rights; and it has substantial net worth such that it can bear the economic risk of its purchase of the Participation Rights;

(b) it has had the opportunity to ask representatives of ABG certain questions and request certain information regarding the terms and conditions of this Agreement and the finances, operations, business and prospects of ABG and has had any and all such questions and requests answered to its satisfaction; and that it understands the risks and other considerations relating to the purchase of the Participation Rights;

(c) it owns or controls all right, title and interest in and to the Company Trademarks;

(d) it has taken commercially reasonable action to maintain and protect its intellectual property rights in the Company Trademarks and it shall take commercially reasonable action to maintain and protect its intellectual property rights in the Company Trademarks during the Term;

(e) to the knowledge of Company, the Company Trademarks do not materially interfere with, infringe upon, misappropriate, or otherwise conflict with any intellectual property rights of any person or entity. To the knowledge of Company, no other person or entity is interfering with, infringe upon, misappropriating or otherwise in conflict with any intellectual property rights of the Company Trademarks; and

(f) it will use commercially reasonable efforts to ensure that all products sold using the Company 2018 Brands will be of quality, design, material and workmanship that is equal to or higher than the products manufactured and sold using the Company Trademarks before the Effective Date, and no injurious, deleterious or defamatory material, writing or images will be used in or on the Company 2018 Brands.

12.4 No Representations. Except for the representations and warranties contained in this Article 12 or as set forth in the Payment Agreement, neither Party nor any other Person makes any express or implied representation or warranty with respect to such Party, and each Party hereby disclaims any such other representations or warranties, whether written or oral. In particular, without limiting the foregoing disclaimer, neither Party nor any other Person makes or has made any representation or warranty to the other Party or any of their Affiliates or representatives (except for the representations and warranties made contained in this Article 12 or as set forth in the Payment Agreement), including in any oral or written information presented to the other Party or any of their Affiliates or representatives in the course of their due diligence investigation, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

ARTICLE 13.
CHANGE OF CONTROL

13.1 Solely in the event of a Change of Control of ABG, ABG may assign this agreement and all rights and obligations of ABG to the Acquiring Party or its Affiliate and the Acquiring Party will assume the obligations of ABG herein unless ABG continues to honor this Agreement or Company and ABG agree on other mutually acceptable terms.

13.2 Solely in the event of a Change of Control of Company, Company may assign this agreement and all rights and obligations of Company to the Acquiring Party or its Affiliate (provided that to the extent ABG cannot contractually comply with Article 5 and/or Article 6 hereof with the Acquiring Party or Affiliate because of the identity of the assignee, Company shall not have the right to assign the rights contain in such Articles to the Acquiring Party or such Affiliate). In the event of such assignment, the Acquiring Party will assume the obligations of Company herein unless Company and ABG agree on other mutually acceptable terms.

ARTICLE 14.
INDEMNIFICATION

14.1 Company's Indemnity Obligation. Company will indemnify, defend and hold harmless ABG and its parents, subsidiaries, affiliated companies and their respective officers, directors, shareholders, employees, agents, attorneys, successors and assigns (each, individually, an "ABG Indemnified Party") from and against any and all claims, liabilities, demands, causes of action, judgments, settlements, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) arising solely out of: (a) the breach by Company of a representation, warranty or covenant in this Agreement; and (b) the failure by Company to perform any of its obligations under this Agreement. Company's liability to any ABG Indemnified Party under this Section 14.1 will be reduced to the extent that: (y) any loss, claim, damage, liability or expense is determined by a court of competent jurisdiction to result directly, in whole or in part, from any such ABG Indemnified Party's willful misconduct or gross negligence; or (z) to the extent that ABG is required to indemnify Company pursuant to Section 14.2 below.

14.2 ABG's Indemnity Obligation. ABG will indemnify, defend and hold harmless Company from and against any and all claims, liabilities, demands, causes of action, judgments, settlements, costs and expenses (including, without limitation, reasonable attorney's fees and court costs) arising out of or in connection with: (a) the breach by ABG of a representation, warranty or covenant in this Agreement; (b) the failure by ABG to perform any of its obligations under this Agreement; (c) the gross negligence, bad faith or unlawful conduct of ABG in connection with the performance of its obligations under this Agreement; (d) any claim related to the use of third party copyrighted materials on or in connection with the Then-Current ABG 2018 Brands; and (e) claims of copyright infringement, trademark infringement or other intellectual property infringement relating to the Company Participating Brands, except for

claims arising out of a Company License Agreement. ABG's liability to Company under this Section 14.2 will be reduced to the extent that: (y) any loss, claim, damage, liability or expense is determined by a court of competent jurisdiction to result directly, in whole or in part, from Company's willful misconduct or gross negligence; or (z) to the extent that Company is required to indemnify ABG pursuant to Section 14.1 above.

14.3 Indemnification. The Party to be indemnified hereunder (the "Indemnitee") must give the indemnifying Party hereunder (the "Indemnitor") prompt written notice of any action, claim or proceeding brought against it for which it is entitled to indemnification hereunder, and the Indemnitor, in its sole discretion, then may take such action as it deems advisable under the circumstances to defend such action, claim or proceeding on behalf of the Indemnitee. In the event that appropriate action is not taken by the Indemnitor within [***] after its receipt of written notice from the Indemnitee, the Indemnitee will have the right to defend such action, claim or proceeding, but no settlement thereof may be made without the prior written approval of the Indemnitor, which approval will not be unreasonably withheld, delayed or conditioned. Even if appropriate action is taken by the Indemnitor, the Indemnitee may, at its own cost and expense, be represented by its own counsel in such action, claim or proceeding. In any event, the Indemnitee and the Indemnitor will keep each other fully advised of all developments and will cooperate fully with each other in all respects in connection with any such action, claim or proceeding. The provisions of this Section will survive any expiration or termination of this Agreement.

ARTICLE 15.
CONFIDENTIALITY

15.1 Confidential Information. For purposes of this Agreement, "Confidential Information" shall be defined as, with respect to each Party: non-public and/or proprietary information relating to a Party's business or operations, which information may be written, oral or maintained in electronic or any other form, which information is obtained, received, developed or derived by such Party, either directly or indirectly, by any means of communication or expression, prior to or during the Term of this Agreement, and shall include, without limitation: (a) finances, technology or other technical data, trade secrets, inventions, processes, formulas and know-how, (b) designs, drawings, services, products, product plans, product development, marketing, marketing plans and information, customers, potential business partners, market information, suppliers, vendors, retailers, manufacturers, factories, (c) all documents, analyses, reports, research, business plans, studies, diagrams, marketing information or other materials that contain information and (d) the existence of this Agreement and the terms hereof. All Confidential Information is and shall remain the property of the disclosing Party.

15.2 Exclusions from Confidential Information. As used in this Agreement, the term 'Confidential Information' shall not include any information that: (a) now or hereafter becomes, through no unauthorized act by or on behalf of the receiving Party, generally known or available to the public; (b) known to the receiving Party, by lawful means, at the time the receiving Party receives the same from the disclosing Party; (c) furnished to the receiving Party by a third party that does not have an obligation of confidentiality to the disclosing Party with respect thereto; or (d) independently developed by the receiving Party without use of or access to the disclosing Party's Confidential Information.

15.3 Obligations. Each Party acknowledges that it may have access to the other Party's Confidential Information, the value of which may be impaired by misuse, or by disclosure to a third party. The receiving Party agrees that it will not disclose such Confidential Information, except that the receiving Party may disclose the other Party's Confidential Information in order to perform the receiving Party's obligations under this Agreement, but solely to those who: (a) have a "need to know" such Confidential Information, (b) are instructed and have agreed, in writing, not to disclose the Confidential Information, or use the Confidential Information for any purpose other than pursuant to the terms of this Agreement. The receiving Party shall take reasonable precautions to protect the confidentiality of the other Party's Confidential Information. Such precautions may, if requested by the disclosing Party, include the use of separate written confidentiality agreements, in a form approved by the disclosing Party. Following the expiration or termination of this Agreement, no Party shall disclose or use any of the other Parties' Confidential Information for any purpose, unless otherwise agreed in writing by the disclosing Party. Each Party agrees to notify the other Party of the circumstances surrounding any inadvertent disclosure of Confidential Information by the receiving Party.

15.4 Mandatory Disclosure. Nothing in this Agreement shall prevent the receiving Party from disclosing Confidential Information of the disclosing Party to the extent the receiving Party is required to do so by the rules of an applicable securities market or exchange, or is legally compelled to do so by any governmental investigative or judicial agency or court pursuant to proceedings over which such agency or court has jurisdiction; provided, however, that prior to any such disclosure, the receiving Party shall (a) assert the confidential nature of the Confidential Information to the market, exchange or agency or court; (b) promptly notify the disclosing Party in writing of the requirement, order or request to disclose; and (c) at the disclosing Party's sole cost and expense (excluding the receiving Party's outside attorney fees), cooperate fully with the disclosing Party in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of the compelled disclosure and protecting the confidentiality of the Confidential Information. Any Confidential Information that is disclosed under this Section shall otherwise remain subject to the provisions of this Agreement.

ARTICLE 16.
MISCELLANEOUS

16.1 Relationship of the Parties. Except for the purposes described in Section 16.14, this Agreement does not constitute and will not be construed to constitute an agency, partnership, joint venture or any other type of unnamed relationship between ABG and Company. Neither Party will have the right to obligate or to bind the other Party in any manner whatsoever, and nothing contained in this Agreement will give or is intended to give any rights of any nature to any third party. Company shall have no control or input on the management of ABG.

16.2 Press Releases and Other Communications. ABG and Company shall agree on the timing, content and release of any press release or other public communication containing any information about this Agreement, the Parties, or their respective affiliates and related parties. No such release or communication shall be made without the prior written approval of each of ABG and Company.

16.3 Addresses and Notices. All notices, requests, demands and other communications required or permitted to be made hereunder shall be in writing and shall be deemed duly given: (a) at the time of delivery, if hand delivered to the corporate office for the Party to whom Notice is being delivered, against a signed receipt therefor; (b) one (1) day after dispatch, if sent to the Party at the address and/or contact listed in this Agreement for such type of notice, by: (i) registered or certified mail, return receipt requested, first class postage prepaid, or (ii) nationally recognized overnight delivery service; or (c) at the time of transmission, if sent to the Party at the address and/or contact listed in this Agreement for such type of Notice, by e-mail transmission; provided, however, that any such notice sent by e-mail shall only be deemed duly given if a copy of such notice is also sent by one (1) or more methods pursuant to Sections 16.3(a) and/or 16.3(b) herein. Either Party may alter the address to which notices are to be sent hereunder by giving notice of such change to the other Party in conformity with the provisions of this Section. Notices shall be sent to the address specified below:

If to Company for required notices then to:

495 Wellington St W, Unit 250,
Toronto, ON, Canada M5V 1G1
Attn: Legal Department
Via Email: [***]

If to ABG, for required Notices then to:

1411 Broadway, 4th Floor
New York, NY 10018
Attn: Legal Department
Via Email: [***]

16.4 Assignment. Neither Party may assign this Agreement to a third party without the prior written consent of the other Party, which consent may be withheld for any reason or no reason; provided, that any assignment in accordance with Article 13 shall not require the consent of any Party. Any assignment in violation of the foregoing shall be void.

16.5 Governing Law. This Agreement and the legal relations among the Parties will be governed by and construed in accordance with the laws of the State of New York, notwithstanding any conflict of Law provisions to the contrary. The Parties hereby agree that any action which in any way involves the rights, duties and obligations of any Party under this Agreement shall be brought in courts located in New York County, New York, and the Parties hereby submit to the personal jurisdiction of such courts. Each of the Parties waives any objection that it may have based on improper venue or forum non conveniens to the conduct of any such suit or action in any such court. The Parties agree that service of process deposited in certified or registered mail addressed to the other Party at the address for the other Party set forth in this Agreement shall be deemed valid service of process for all purposes.

16.6 Default Expenses. If either Party defaults with respect to any obligation under this Agreement, the defaulting Party will indemnify the other Party against and reimburse it for all reasonable attorney's fees and all other costs and/or expenses resulting or made necessary by the bringing of any action, motion or other proceeding to enforce any of the terms, covenants or conditions of this Agreement.

16.7 Entire Agreement. This Agreement sets forth the entire agreement and understanding between the Parties with respect to the subject matter hereof, and supersedes all prior agreements, understandings, inducements and conditions, whether express or implied, oral or written, except as herein contained. The express terms hereof will control and supersede any course of performance and/or usage of trade inconsistent with any of the terms hereof.

16.8 Amendment and Modification. This Agreement may be amended, modified and supplemented only by written agreement duly executed and delivered by each of the parties hereto.

16.9 Waiver and Delays. A waiver by any Party of any of the terms and conditions of, or rights under, this Agreement will not be effective unless signed by the Party waiving such term, condition or right and will not bar the exercise of the same right on any subsequent occasion or any other right at any time or be deemed or construed to be a waiver of such terms or conditions for the future. Neither the failure of nor any delay on the part of any Party to exercise any right, remedy, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege.

16.10 Severability. If any term or provision of this Agreement, as applied to either Party or any circumstance, for any reason will be declared by a court of competent jurisdiction to be invalid, illegal, unenforceable, inoperative or otherwise ineffective, that provision will be eliminated to the minimum extent necessary so that this Agreement will otherwise remain in full force and effect and enforceable; provided, however, that if any term or provision of this Agreement pertaining to the payment of monies to either Party will be declared invalid, illegal, unenforceable, inoperative or otherwise ineffective, such Party will have the right to terminate this Agreement as provided herein.

16.11 Form and Construction. Paragraph and subparagraph headings in this Agreement are included for ease of reference only and do not constitute substantive matter to be considered in construing the terms of this Agreement. As used in this Agreement, the masculine gender will include the feminine and the singular form of words will include the plural, or vice versa, as necessary in order that this Agreement may be interpreted so as to conform to the subject matter actually existing. The language of this Agreement will be construed as a whole and not strictly for or against any of the parties.

16.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be an original, but all of which together will constitute one Agreement binding on all parties hereto. Each of the Parties agrees that a photographic or facsimile copy of the signature evidencing a Party's execution of this Agreement will be effective as an original signature and may be used in lieu of the original for any purpose.

16.13 Exhibits. All Exhibits referenced in this Agreement are hereby incorporated by reference into, and made a part of, this Agreement.

16.14 Tax Treatment. Solely for U.S. federal, and all applicable state and local, income tax purposes, the Parties intend and agree that (a) the transactions described in Articles 2, 3 and 4 shall be treated, in accordance with the principles of Revenue Ruling 99-5, Situation 1, (i) as the acquisition by Company of an undivided interest in the Then-Current 2018 Brands, to the extent, and solely in respect of, any present or future Cannabis Licenses entered into by ABG with respect to such Then-Current 2018 Brands during the Term, (ii) then a contribution by the Company and ABG of their respective interests in the Then-Current 2018 Brands, to the extent, and solely in respect of, any present or future Cannabis Licenses entered into by ABG with respect to such Then-Current 2018 Brands during the Term, to an entity treated as a partnership, (iii) with the operations contemplated under this clause (a) owned by the partnership which owns the Then-Current 2018 Brands, to the extent of and pursuant to the contributions under sub-clause (ii), and which is required to make the payments described in Articles 2 and 3 and (b) that any payment made by Company with respect to the Participation Rights after the date hereof in accordance with the terms of the Payment Agreement shall, consistently herewith, be treated as the sale of partnership interests in the partnership formed pursuant to clause (a) hereof. The Parties agree to file all their U.S. federal, and applicable state and local, income tax returns in accordance with this Section 16.14, and to reasonably consult with each other to ensure tax reporting consistently herewith. ABG will consider in good faith comments from Company in connection with tax returns and tax audits of the tax partnership (which filings ABG will make good faith efforts to share with Company in advance and of which tax audits ABG will make good faith efforts to notify Company) and ABG will act in respect of the tax partnership in a manner consistent with the economic terms of this Agreement and reasonably cooperate with Company in connection with such matters. The Parties acknowledge and agree that treatment as a tax partnership shall be for U.S. federal, and applicable state and local, income taxes only and no partnership entity will be established or formed.

16.15 Transaction Expenses. Each Party will be responsible for its own expenses relating to the negotiation of this Agreement.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENTS, MARKED BY [***], HAS BEEN OMITTED BECAUSE TILRAY, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO TILRAY, INC. IF PUBLICLY DISCLOSED.

The undersigned Parties have executed this Agreement, effective as of the date first above written.

ACCEPTED AND AGREED:

ABG Intermediate Holdings 2, LLC

By: /s/ Jay Dubiner
Name: Jay Dubiner
Title: General Counsel

ACCEPTED AND AGREED:

Tilray, Inc.

By: /s/ Brendan Kennedy
Name: Brendan Kennedy
Title: Chief Executive Officer

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENTS, MARKED BY [***], HAS BEEN OMITTED BECAUSE TILRAY, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO TILRAY, INC. IF PUBLICLY DISCLOSED.

This Exhibit A is attached to and made part of the Amended and Restated Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019, as amended and restated as of January 24, 2020.

EXHIBIT A

ABG 2018 Brands

The ABG 2018 Brands shall consist of the following brands and any other brands which ABG owns or controls the right, title and interest in and to the Existing Trademarks: [1]

1.STATE
Above the Rim
Adrienne Vittadini
Aeropostale
Airwalk
Bandolino
Cece
Chaus
Corso Como
Drexel
Dukes
Elvis Presley
Enzo Angiolini
Frye
Frederick's of Hollywood
Greg Norman
Hart Shaffner Marx
Henredon
Herve Leger
Hickey Freeman
Hind
Jones New York
Judith Leiber
Julius Erving (a/k/a Dr. J)
Juicy Couture
Louise et Cie
Misook
Muhammad Ali
Marilyn Monroe
Nautica
Neil Lane
Nine West
Prince (i.e., tennis brand)
Shaquille O'Neal
Silverstar
Sole / Society
Spyder
Sterling & Hunt
Taryn Rose
Thalia Sodi
Tretorn
Tapout
Thomasville
Vision Street Wear

1 Company hereby acknowledges and agrees that, as of the A&P Date, additional brands (i.e., above and beyond the global and domestic brands listed above) were provided by ABG to Company together with the execution of the Prior Agreement.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENTS, MARKED BY [***], HAS BEEN OMITTED BECAUSE TILRAY, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO TILRAY, INC. IF PUBLICLY DISCLOSED.

This Exhibit B is attached to and made part of the Amended and Restated Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019, as amended and restated as of January 24, 2020.

EXHIBIT B

PAYMENT AGREEMENT and AMENDMENT

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENTS, MARKED BY [***], HAS BEEN OMITTED BECAUSE TILRAY, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO TILRAY, INC. IF PUBLICLY DISCLOSED.

This Exhibit C is attached to and made part of the Amended and Restated Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019, as amended and restated as of January 24, 2020.

EXHIBIT C
COMPANY BANK ACCOUNT

[***]

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENTS, MARKED BY [***], HAS BEEN OMITTED BECAUSE TILRAY, INC. HAS DETERMINED THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO TILRAY, INC. IF PUBLICLY DISCLOSED.

This Exhibit D is attached to and made part of the Amended and Restated Profit Participation Agreement between **ABG Intermediate Holdings 2, LLC** ("ABG") and **Tilray, Inc.** ("Company") dated January 14, 2019, as amended and restated as of January 24, 2020.

EXHIBIT D

MINORITY STAKEHOLDER BRANDS

Minority Stakeholder Brand	ABG Ownership
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%

FIRST AMENDMENT TO
PAYMENT AGREEMENT

This First Amendment to Payment Agreement (this "Amendment"), dated as of January 24, 2020, amends that certain Payment Agreement, dated as of January 14, 2019 (the "Payment Agreement"), by and between Tilray, Inc., a Delaware corporation (the "Company"), and ABG Intermediate Holdings 2, LLC, a Delaware limited liability company ("ABG") (each, a "Party" and together, the "Parties"). Capitalized terms used but not defined herein shall have the meanings given to such terms in the Payment Agreement.

WHEREAS, on the date of the Payment Agreement, the Parties entered into that certain Profit Participation Agreement (the "Participation Agreement"), setting forth the terms and conditions pursuant to which the Company purchased from ABG a participation right in revenues from the exploitation of ABG brands in connection with the development, marketing and sale of Cannabis Products (as defined in the Participation Agreement) in jurisdictions in which it is legal to do so;

WHEREAS, the Parties are amending and restating the Participation Agreement to, among other matters, modify the profit sharing arrangements between the Parties and enter into amendments to certain exploitation opportunities of ABG brands in connection therewith; and

WHEREAS, in consideration of the amendment and restatement of the Participation Agreement, the Parties desire to amend the Payment Agreement to terminate certain payment obligations set forth therein.

NOW, THEREFORE, IN CONSIDERATION of the foregoing recitals (which are specifically incorporated herein by this reference) and the mutual covenants contained in this Amendment, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

SECTION 1. Termination of the Second Additional Consideration Date.

1.1 The Payment Agreement is hereby amended by terminating Section 2.1(d) of the Payment Agreement and all references in the Payment Agreement to the defined term "Second Additional Consideration Date".

1.2 In implementation of the amendment set forth in Section 1.1 above, the Company shall have no obligation to issue and deliver cash or Class 2 Common Stock pursuant to Section 2.1(d) of the Payment Agreement, upon the occurrence of the Second Additional Consideration Date, upon an Extraordinary Event pursuant to Section 2.3(b) of the Payment Agreement, or otherwise.

SECTION 2. Miscellaneous.

2.1 This provisions of Article V (Miscellaneous) of the Payment Agreement are hereby incorporated into and apply to the terms of this Amendment *mutatis mutandis*.

2.2 This Amendment may be executed in one or more counterparts, each of which will be an original, but all of which together will constitute one agreement binding on all Parties hereto. Each of the Parties agrees that a photographic or facsimile copy of the signature evidencing a Party's execution of this Amendment will be effective as an original signature and may be used in lieu of the original for any purpose.

[*Remainder of Page Intentionally Blank; Signature Page to Follow****]***

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to Payment Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

TILRAY, INC.

By: /s/ Brendan Kennedy
Name: Brendan Kennedy
Title: Chief Executive Officer

ABG INTERMEDIATE HOLDINGS 2, LLC

By:/s/Jay Durbiner
Name: Jay Durbiner
Title: General Counsel

November 9, 2018

Private and Confidential

By Electronic Mail

Andrew Pucher
Andrew.pucher@gmail.com

Dear Andrew,

Re: Offer of Employment

We are pleased to offer you employment with Tilray Canada, Ltd. (the **"Company"**). Enclosed is an agreement containing the complete terms and conditions of your employment.

For ease of reference, we have briefly summarized the key compensation terms of the offer, below:

1. **Position** - You will serve as Chief Corporate Development Officer reporting to the Chief Executive Officer or his designate. As the Company changes and grows, you may be required to change the scope of your position and duties. Any such change will not have the effect of reducing your compensation or terminating your employment and will not constitute a constructive dismissal.

2. **Base Salary** - You will earn a base salary in the amount of CAD$375,000.00 per annum, less statutory and other required deductions, payable in accordance with our payroll policies as disseminated from time to time.

3. **Discretionary Bonus Compensation** - You will be eligible to participate in the Company's annual incentive bonus scheme, of up to 50% of base salary, based on your annual performance reviews and on overall company performance, subject to the terms and conditions of the applicable incentive plans and policies.

4. **Benefits**- You will be eligible to participate in a competitive package of employee benefits as are provided to Company employees from time to time, subject to the terms and conditions of the applicable benefits plans and policies.

5. **Vacation Entitlement** - You will earn paid vacation in the amount of twenty-five (25) days per annum, pro-rated for any partial year of employment.

In addition to the terms of compensation, the attached agreement contains terms regarding your obligations to the Company, as well as confidentiality, intellectual property and other protections for the Company's business. In the event of any difference between the content of this letter and the enclosed agreement, the terms of the Agreement will prevail.

The above is simply a summary of terms. Please carefully **review** the attached agreement for a more complete understanding of your compensation and the other terms an d condition s of employment. If you accept employment with the Company, the terms and conditions of the attached agreement will govern your employment relationship with the Company.

To accept this offer, please sign and date the enclosed employment agreement and return it to rommie.callaghan@privateerholdings.com on or before November 21, 2018. If you return the signed original by mail, please e-mail Rommie Callaghan a copy of it before you send it.

Please let me know if you have any questions.

Andrew, we are excited to have you join our team and look forward to working with you. Yours truly,

Tilray Canada, Ltd.

/s/ Brendan Kennedy

Brendan Kennedy
Chief Executive Officer

Enclosures: Employment Agreement
Current Benefits Summary

Private and Confidential
This Agreement is dated for reference as of November 9, 2018.

Andrew Pucher
Andrew.pucher@gmail.com

Dear Andrew,

Re: Employment Agreement

This agreement (the **"Agreement")** contains the complete terms and conditions of your employment with Tilray Canada, Ltd. (the **"Company").**

Your employment under this Agreement will commence on the later of February 1, 2019, or the end of your garden leave, as determined by your current employer (the **"Start Date"**) and will continue until terminated in accordance with the provisions of this Agreement or otherwise amended.

Background/Criminal Check: Your employment under this agreement is conditional upon the successful completion of a background check, which will include a criminal record check. By signing this agreement, you consent to the Company carrying out a comprehensive background check and criminal record check, which will include the use of third-party service providers. If the information collected in the course of the background or criminal check would have or could have affected the Company's decision to hire, then the Agreement will terminate without notice or compensation of any kind and you will be paid all accrued and unpaid pay to your last day.

Please review the terms of this Agreement carefully. If you wish to accept these terms of employment, please sign and return a copy of this agreement to mail to: rommie.callaghan@privateerholdings.com

In consideration for the employment and compensation provided under this Agreement, and other good and valuable consideration, you agree as follows:

1. Employment

The terms of your employment will be as follows:

a. **Position and Responsibilities:** You will be employed by the Company in the position of Chief Corporate Development Officer, reporting to the Chief Executive Officer or his designate. You will perform or fulfill all duties and responsibilities of your position, subject to applicable laws. You will also perform or fulfill the duties and responsibilities that the Company may reasonably assign to you from time to time. You will at all times conform to the reasonable and lawful instructions and directions of the Company and its managers. You acknowledge and agree that as you are employed by a new and developing company in Canada, you will need to be flexible in performing duties the Company asks you to perform from time to time, and in the position you occupy and the person or position you report to. As the Company changes and grows, you may be required to change the scope of your position and duties. Such changes will not involve a reduction in compensation and you agree that no such changes will repudiate this Agreement or amount to a constructive dismissal or termination of your employment.

b. **Scope of Duties:** During your employment you will devote the whole of your time, attention and abilities to your duties. You agree to give the Company the full benefit of your knowledge, expertise, skill and ingenuity. You will adhere to all applicable policies of the Company and exercise the degree of care, diligence and skill that a prudent person would exercise in comparable circumstances. For clarity, you are permitted to serve as a member of corporate boards of directors, as approved by the Company, provided such service does not interfere with your duties to the Company.

c. **Base salary:** You will earn a base salary in the amount of CAD$375,000.00 per annum, less statutory and other required deductions, for all work and services you perform for the Company, paid to you bi-weekly 26 equal payments, in arrears (the **"Base salary")** in accordance with our payroll policies in effect from time to time. Your hours of work and schedule may change from time to time depending on operational needs, and you may be required to work evenings, weekends and statutory holidays. Your performance and your compensation will be reviewed on an annual basis.

d. **Discretionary Bonus Compensation:** You will be eligible to participate in the Company's discretionary incentive bonus plan, of up to 50% of base salary, based on your annual performance and on overall Company performance. Targets, milestones and any bonus award will be determined by the Company in its sole and absolute discretion. The Company may amend the bonus plan at any time without advance notice. The Company's incentive plans are intended to serve as retention tools, so your eligibility to participate requires you to be actively working in an ongoing employment relationship with the Company. No bonus is earned until the Company pays the bonus to you.

e. **Annual Equity Grants:** Subject to approval by the Board, you will also be eligible to participate in the Company's annual equity grants program to be offered to senior management.

f. **Restricted Stock Units:** Subject to approval by the Board, under the Tilray, Inc. Equity Incentive Plan (the ''Tilray Plan"), the Company shall grant you 90,000 restricted stock units (the "Tilray Restricted Stock Units") of the Company's Common Stock. The Restricted Stock Units will be subject to the terms and conditions of the Plan and your grant agreement. Your grant agreement will include a three-year vesting schedule, under which 33.34% percent of your shares will vest after twelve months of employment, with the remaining shares vesting quarterly thereafter, until either your Restricted Stock Units are fully vested or your employment ends, whichever occurs first.

g. **Vacation Entitlement and Statutory Holidays:** You will be eligible to earn up to twenty five 25 days' paid vacation per annum, pro-rated for any partial year of employment. Your vacation must be taken at a time or times acceptable to the Company and in accordance with the Company's vacation policy in effect from time to time. You are expected to schedule and use your full vacation allotment each year. The Company observes the paid statutory holidays legislated in the province you work in, subject to operational needs.

h. **Benefits:** You will be eligible to participate in applicable employee benefits plans such as the Company offers its Canadian-based employees from time to time (the **"Employee Benefits"}** on the first of the month following date of hire. Details, terms and conditions of the Employee Benefits will be provided to you once in place and, thereafter, when changes are made to the Employee Benefits. The Company reserves the right to amend, eliminate, substitute or otherwise change the Employee Benefits at its sole discretion, at any time upon written notice, including but not limited to changes to cost sharing, premium amounts, waiting periods, terms of benefits and deductibles. You agree that the Company's liability in respect of any employee benefit is limited to the Company's premium payments for said benefit, and the Company is not liable for any decision, action or inaction of any benefits provider or insurer.

i. **Business Expenses:** The Company will reimburse you for all authorized travelling and out-of pocket expenses actually, exclusively and necessarily incurred by you in connection with your duties under this Agreement, provided that you first furnish statements with accompanying receipts or vouchers for all such expenses to the Company and otherwise comply with the Company's expense policies as in effect from time to time.

j. **Annual Tax Filings:** The Company will reimburse you for your reasonable cross-border tax planning and filing expenses each year, upon receipt of supporting invoices.

k. **Professional Development & Membership in Professional Associations:** Subject to pre approval, if you are required by the Company to hold and maintain certain professional accreditation(s), the Company will reimburse you for reasonable costs associated with ongoing required professional development and membership in applicable professional organizations.

l. **Place of Work:** You will be based in Toronto, Ontario, at the offices and/or sites maintained by the Company. It is anticipated that most of your work will be carried out within the province and that you will be required to travel regularly to perform your duties. You also may be required to make regular trips to the United States and other provinces for training, reporting and/or business purposes.

m. **Driver's Licence:** You will maintain a valid driver's licence at all times. For your protection and that of the Company, you will maintain business-use auto insurance for your vehicle with minimum liability coverage of $2,000,000 at all times and will ensure that you provide the Company with a copy of your policy (and subsequently on request). Such insurance coverage is reimbursed through the Company's mileage expense policy when you are required to use your vehicle for Company business.

n. **Offer of Comparable Employment by Affiliate:** You agree that if an Affiliated Company offers you comparable employment on terms substantially similar to the terms of this Agreement, you will consider this offer in good faith. If accepted, you **will** receive equal credit for your length of service with the Company and all probation and benefit-qualifying periods will be waived where in the Affiliate Company's power to do so.

o. **Inspections/Searches:** The Company operates in a highly-regulated environment, and its primary product is a controlled substance. In order to meet its obligations in respect of regulatory compliance, its regulatory licences, occupational health and safety requirements, employee personal safety and inventory control, the Company reserves the right to monitor the workplace, and inspect/search the personal property and vehicles that you bring onto the Company's property. Subject to applicable law, the Company may also inspect/search your personal property and vehicle at any time if it has reasonable grounds for doing so. The Company has the right to inspect/search Company property at any time. Please be aware that you do not have an expectation of privacy in connection with your personal belongings or vehicle when attending work. Accordingly, the Company recommends that you do not bring into the workplace anything that you consider of a private nature. By accepting employment with the Company, you consent to random searches/inspections of your personal property and vehicle, and any withdrawal of consent or refusal to cooperate will, at a minimum, result in suspension from the workplace without pay, along with any further action the Company deems fit.

Initials: ____

2. Obligations of Employment

In addition to your employment obligations at common law, you covenant and agree as follows:

a. **Loyalty to the Company:** Throughout your employment you will well and faithfully serve the Company and use your best efforts to promote the Business of the Company. You will act honestly and in good faith, in the best interests of the Company.

b. **Business of the Company:** You will not, during your employment with the Company, engage in any business, enterprise or activity that is contrary to or detracts from the due performance of the Business of the Company. You will not engage in any other employment without the written consent of the Company. Further, you will not sell or distribute, or be involved in any way in the selling or distribution of, cannabis, or any cannabis products or cannabis-related paraphernalia, outside the Business of the Company, regardless of whether such activity is lawful or unlawful.

c. **No Personal Benefit:** You will not receive or accept for your own benefit or for any other Person's benefit, either directly or indirectly, any commission, rebate, discount, gratuity or profit from any Person having or proposing to have one or more business transactions with the Company, without the prior approval of the Company. You will comply with the Company's Code of Ethics and Conduct policies as in effect from time to time.

d. **Business Opportunities:** During your employment you will communicate and channel to the Company all knowledge, business and customer contacts and any other information that could concern or be in any way beneficial to the Business of the Company. Any such information communicated to the Company as a foresaid will be and remain the property of the Company notwithstanding any subsequent termination of your employment.

e. **Return of Company Property:** Upon termination of your employment, or at any time upon request, you will promptly return to the Company all Company property including all written information, tapes, discs or memory devices and copies thereof, and any other material on any medium in your possession or control pertaining to the Business of the Company, without retaining any copies or records of any Confidential Information whatsoever. You will also return any keys, pass cards, identification cards, equipment or other property belonging to the Company or the Company's customers.

f. **Pre-existing Obligations:** You are hereby requested and directed by the Company to comply with any existing contractual, statutory or other legal obligations to your former employer and to any other Person. The Company is not employing you to obtain the confidential information or business opportunities of your former employer or any other Person.

g. **Qualifications, Licences and Permits:** You must hold and maintain the appropriate class of licence, certificate, degree, accreditation, qualification, visa and/or permit **("Authorizations")** for the proper performance of your duties, and to work in the jurisdiction in which you are performing your duties. The Company may require you to provide copies of Authorizations which are necessary for you to perform your duties. Should you fail to maintain such Authorizations or if you misrepresent such Authorizations, your employment will be deemed frustrated and will terminate without compensation or notice of any kind.

h. **Policies and Procedures:** You are required to comply with the Company's policies and procedures as established and amended from time to time; however, such policies and procedures do not form contractual terms and may be amended without notice. You are required to comply with all lawful directions of the Company and follow all workplace policies and procedures and with the Company's rules, regulations, policies, practices, and procedures, as amended from time to time. The Company's policy and procedures manuals are available through Human Resources and on the Company's network. It is your responsibility to familiarize yourself with the Company's policies and procedures.

The Company's policies and procedures are subject to change immediately upon written notice, concurrent with all applicable regulatory or statutory laws and regulations. In order for Tilray Canada, Ltd. to meet or exceed changes in law, these corporate policies may change without notice, or in connection with any management decisions of the Company.

i. **Non-disparagement:** You agree that you will permanently refrain from directly or indirectly disclosing, expressing, publishing or broadcasting, or causing to be disclosed, expressed, published or broadcast, or otherwise disseminated or distributed in any manner, in your name, anonymously, by pseudonym or by a third party, to any person whatsoever, any comments, statements or other communications, which a reasonable person would regard as reflecting adversely on the character, reputation or goodwill of the Company or any of its affiliates, or any of its or their officers, directors or managers, or which a reasonable person would regard as reflecting adversely on any aspect of their business, products or services.

3. Confidential Information

a. **Non-Disclosure of Confidential Information:** At all times during your employment and subsequent to the termination of your employment with the Company, you will keep the Confidential Information in strictest confidence and trust. You will take all necessary precautions against unauthorized disclosure of the Confidential Information, and you will not directly or indirectly disclose, allow access to, transmit or transfer the Confidential Information to a third party, nor will you copy or reproduce the Confidential Information except as may be reasonably required for you to perform your duties for the Company.

b. You represent and warrant that, in performing your duties under this Agreement, you will not disclose or use the confidential information of any other person or business in violation of the Company's contractual or legal obligations to that other person or business.

c. You agree to indemnify the Company for any costs, fees, expenses, damages or penalties imposed upon the Company with respect to your unauthorized disclosure or misuse of such confidential information.

4. Restricted Use of Confidential Information:

a. At all times during and subsequent to the termination of your employment with the Company, you will not use the Confidential Information in any manner except as reasonably required for you to perform your duties for the Company.

b. Without limiting your obligations under subsection 3(a), you agree that at all times during and subsequent to the termination of your employment with the Company, you will not use or take advantage of the Confidential Information for creating, maintaining or marketing, or aiding in the creation, maintenance, marketing or selling, of any Products which are competitive with the Products of the Company.

c. Upon the request of the Company, and in any event upon the termination of your employment with the Company, you will immediately return to the Company all materials, including all copies in whatever form, containing the Confidential Information which are in your possession or under your control.

5. **Ownership of Confidential Information:**

a. You acknowledge and agree that you will not acquire any right, title or interest in or to the Confidential Information.

b. You agree to make full disclosure to the Company of each Development promptly after its creation. You hereby irrevocably assign and transfer to the Company, and agree that the Company will be the exclusive owner of, all of your right, title and interest in and to each Development throughout the world, including all trade secrets, patent rights, copyrights trademarks, industrial designs and all other intellectual property rights therein, whether realized within or beyond the scope of your employment, and regardless of the true purpose of the employment relationship, and you irrevocably waive all moral rights you may have in these Developments. You further agree to cooperate fully at all times during and subsequent to your employment with respect to signing further documents and doing such acts and other things reasonably requested by the Company to confirm such transfer of ownership of rights, including intellectual property rights, effective at or after the time the Development is created and to obtain patents or copyrights or the like covering the Developments. You agree that the obligations in this section will continue beyond the termination of your employment with the Company with respect to Developments created during your employment with the Company.

c. You agree that the Company, its assignees and their licensees are not required to designate you as the author of any Developments. You hereby waive in whole all moral rights which you may have in the Developments, including the right to the integrity of the Developments, the right to be associated with the Developments, the right to restrain or claim damages for any distortion, mutilation or other modification of the Developments, and the right to restrain use or reproduction of the Developments in any context and in connection with any service, cause or institution.

6. **Restrictive Covenants**

a. **Non-Competition:** You agree that while you are employed by the Company , and for a period of six (6) months following the termination of your employment with the Company, you will not become engaged, directly or indirectly, as an employee, consultant, partner, principal, agent, officer, director, proprietor, shareholder {other than a holding of shares listed on a stock exchange that does not exceed 2%of the outstanding shares so listed) or advisor, in any Competitive Business that is located or operates within Canada or the United States.

b. **Non-Solicitation of Clients:** You agree that while you are employed by the Company, and for one (1) year following the termination of your employment with the Company, you will not, directly or indirectly, contact or solicit any Clients of the Company for the purpose of selling or supplying to these Clients of the Company any products or services which are competitive with the products or services sold or supplied by the Company at the time of your termination. The term **"Client of the Company"** in the preceding sentence means any Person that:

(i) was a client of the Company at the time of the termination of your employment with the Company; or

(ii) the Company actively solicited within the twelve months prior to the termination of your employment.

c. **Non-Solicitation of Employees:** You agree that while you are employed by the Company, and for one (1) year following the termination of your employment with the Company , without the prior written consent of the Company, you will not directly or indirectly hire any employees of or consultants or contractors to the Company, nor will you solicit or induce or attempt to induce any persons who are employees of or consultants to the Company to terminate their employment or consulting agreement with the Company.

Initials: ____

Andrew Pucher

7. Reasonableness of the Restrictive Covenants

a. You confirm that the obligations in Section 4 are fair and reasonable, given that, among other reasons:

(a) the nature of the Business is such that you could relatively easily and effectively compete with the Business, and you therefore agree that the geographic scope of the obligation in Section 4 is reasonable;

(b) the Company operates in a highly competitive market, in which it is subject to intense competition from competing businesses; and

(c) you will have access to Confidential Information concerning the Business, including information concerning the Products and Developments and prospective Products which the Company is contemplating developing, producing, marketing, licensing or selling.

b. You agree that the obligations in Section 4, together with your other obligations under this Agreement, are reasonably necessary for the protection of the Company's proprietary interests, and you acknowledge and agree that your obligations contained in this Agreement will not preclude you from becoming gainfully employed in a similar capacity, following a termination of your employment with the Company, given your t raining, general knowledge and experience.

8. Termination

a. **Resignation:** If for any reason you should wish to leave the Company, you will provide the Company with one month's prior written notice of your intention (the **"Resignation Period").** The Parties hereby agree that in order to protect the Company's interest s, the Company may, in its sole and unfettered discretion, waive the Resignation Period and end your employment immediately by delivering to you a written notice followed by payment of your Base Salary due to you during the remainder of the Resignation Period.

b. **Termination for cause:** The Company may terminate your employment at any time for Cause, effective upon delivery by the Company to you of a written notice of termination of your employment for Cause. You will not be entitled to receive any further pay or compensation (except for pay, if any, accrued and owing under this Agreement up to the date of termination of your employment), severance pay, notice, payment in lieu of notice, benefits or damages of any kind, and for clarity, without limiting the foregoing, you will not be entitled to any bonus or pro rata bonus payment that has not already been paid by the Company.

c. **Termination Without cause or Resignation for Good Reason:** The Company shall be entitled to terminate your employment without cause at any time upon providing you with two (2) months' written notice of the termination of your employment, pay in lieu of such notice, or an equivalent combination of notice and pay in lieu of notice. You may resign with Good Reason by providing one (1) months' written notice. For purposes of this Agreement, "Good Reason" shall mean, without Executive's written consent: (i) there is a material reduction of the level of Executive's base compensation opportunity (except where there is a general reduction applicable to the management team generally), (ii) there is a material reduction in Executive's overall responsibilities or authority, or scope of duties, (iii) a change in the geographic location at which Executive must perform Executive's services; provided, that in no instance will there location of Executive to a facility or a location of fifty (50) miles or less from Executive's then current office location be deemed material for purposes of this Agreement ; or (iv) any material breach by the Company of any provision of this Agreement. In exchange for your full and final

release of all claims, as attached in Schedule A to this Agreement, the Company will pay you severance pay in an amount equal to eighteen (18) months of your base salary as then in effect (less applicable withholding) and all other contractual benefits (including, for clarity, all health benefit s) plus one (1) additional month for each completed year of employment you work after the Start Date, up to a combined maximum of twenty-four (24) months, which will be paid as salary continuance in accordance with the Company's normal payroll practices plus any annual bonus for that has been earned but not yet paid to you (the **"Separation Payment")** The Separation Payment is not subject to mitigation and is conditional upon you: (i) continuing to comply with the terms of this Agreement, including provisions regarding confidentiality, non-disparagement IP assignment and restrictive covenants, {ii) returning all Company property, Confidential Information and Developments, and (iii) delivering to the Company or its successor a fully executed Release, attached as Schedule A, releasing the Company and its related parties of all claims relating to your employment and the termination thereof.

d. **Change in Control:** Upon a Change in Control (as defined in the Company's 2018 Equity Incentive Plan) vesting of any then outstanding stock options or other compensatory equity awards granted to you by the Company shalt be accelerated such that no less than 100% will be fully vested as of the date of the Change in Control. In addition, if within eighteen (18) months after a Change in Control, your employment is terminated by the Company without Cause you shall be entitled to receive: (A) the benefits set forth in Section 8(c); and (B) full accelerated vesting of any then unvested shares of Common Stock subject to any option or other compensatory equity award then held by you, and no other severance or benefits of any kind (other than as set forth in Section 8(c), unless required by law or pursuant to any written Company plans or policies, as then in effect. Except as specifically revised by this Agreement, the exercise of your vested options and shares shall continue to be governed by the terms and conditions of the Company's applicable stock plan and stock agreements; provided, however, that to the extent you and the Company have entered into a written stock option agreement that provides for vesting terms more favorable to Executive than those provided for in this Section **8(d),** the more favorable terms in that separate agreement will control.

e. **Garden Leave:** Once notice of resignation or termination has been given by you or the Company, the Company may excuse you from the performance of your duties and/or exclude you from any premises of the Company or any Affiliated Company. Base Salary and other contractual benefits shall continue to be paid or provided to you until the last day of the notice period, subject to the terms of the governing agreements or plans. During any period where you are excused from your duties and/or excluded from the Company's premises, you shall not, without the prior written consent of the Company, contact (either directly or indirectly) any clients, customers, suppliers or employees of the Company or any Affiliated Company. At any time, the Company may require you to return to the Company all property in your possession or under your control belonging to the Company or any Affiliated Company.

f. **No Implied Entitlement:** Other than as expressly provided herein, you will not be entitled to receive any further pay or compensation, severance pay, notice, payment in lieu of notice, incentives, bonuses, benefits or damages of any kind.

g. **Continued Effect:** Notwithstanding any changes in the terms and conditions of your employment which may occur in the future, including any changes in position , duties or compensation, the termination provisions in this Agreement will continue to be in effect for the duration of your employment with the Company unless otherwise amended in writing and signed by the Company.

h. **Suspension:** The Company may suspend you, where, in the opinion of the Company, it is a suspension will not constitute a breach of this Agreement or a termination of your employment with the Company. necessary pending an investigation or disciplinary decision or as a disciplinary measure. Such any money, you hereby authorize the Company to deduct any such debt from your final salary payment or any other payment due to you. Any remaining debt will be immediately payable to the Company and you agree to satisfy such debt within 14 days of any demand for repayment.

9. Agreement Voluntary and Equitable

The Parties agree that they each have carefully considered and understand the terms of employment contained in this Agreement, that the terms are mutually fair and equitable, and that they each have executed this Agreement voluntarily and of their own free will.

10. Assignment and Enurement

You may not assign this Agreement, any part of this Agreement or any of your rights under this Agreement. This Agreement enures to the benefit of and is binding upon you and the Company and your respective heirs, executors, administrators, successors and permitted assigns.

11. Severability

If any part, article, section, clause, paragraph or subparagraph of this Agreement is held to be indefinite, invalid, illegal or otherwise voidable or unenforceable for any reason, the entire Agreement will not fail on the account thereof and the validity, legality and enforceability of the remaining provisions will in no way be affected or impaired thereby. Further, if any provision of this Agreement is held by a court of competent jurisdiction to be excessively broad as to duration, activity, geography, or subject, said court will deem and interpret such provision to be valid and enforceable to the maximum duration, activity, geographic extent, and subject permissible under applicable law.

12. Entire Agreement

This Agreement constitutes the entire agreement between you and the Company with respect to the subject matter herein and cancels and supersedes all previous invitations, proposals, letters, correspondence, negotiations, promises, agreements, covenants, conditions, representations and warranties with respect to the subject matter of this Agreement. There is no representation, warranty, collateral term or condition affecting this Agreement for which any Party can be held responsible in any way, other than as expressed in writing in this Agreement. No change or modification of this Agreement will be valid unless it is in writing and signed by both Parties.

13. Non-waiver

No failure or delay by you or the Company in exercising any power or right under this Agreement will operate as a waiver of such power or right. Any consent or waiver by any Party to this Agreement to any breach or default under this Agreement will be effective only in the specific instance and for the specific purpose for which it was given.

14. Survival of Terms

The provisions of sections 2(e), 3, 4, 5, 6, 8(i), 10, 11, 12, 13, 14, 15, 16 and 17 of this Agreement will survive the termination of your employment, as well as any other provisions herein that are necessary for the post termination protection of the Company or its Confidential Information or intellectual property.

15. Further Assistance

The Parties will execute and deliver any documents and perform any acts necessary to carry out the intent

Initials: ____

of this Agreement.

16. Equitable Remedies

You hereby acknowledge and agree that a breach of your obligations under this Agreement would result in damages to the Company that could not be adequately compensated for by monetary award. Accordingly, in the event of any such breach by you, in addition to all other remedies available to the Company at law or in equity, the Company will be entitled as a matter of right to apply to a Court of competent jurisdiction for such relief by way of restraining order, injunction, decree or otherwise, as may be appropriate to ensure compliance with the provisions of this Agreement.

17. Dispute Resolution

In the event of a dispute arising out of or in connection with this Agreement, or in respect of any legal relationship associated with it or from it, which does not involve the Company seeking a court injunction or other injunctive or equitable relief to protect its business, confidential information or intellectual property, that dispute will be resolved in strict confidence as follows:

(a) *Amicable Negotiation* - The Parties agree that, both during and after the term of your employment, each of us will make *bona fide* efforts to resolve any disputes arising between us by amicable negotiations;

(b) *Mediation* - If the Parties are unable to negotiate resolution of a dispute, either Party may refer the dispute to mediation by providing written notice to the other Party. If the Parties cannot agree on a mediator within thirty (30) days of receipt of the notice to mediate, then either Party may make application to the "ADR Institute of Ontario" to have one appointed. The mediation will be held in Toronto, Ontario, in accordance with the National Mediation Rules of the ADR Institute of Canada and each Party will bear its own costs, including one-half share of the mediator's fees; however, the Parties agree that if the dispute is fully settled with the assistance of the mediator appointed under this section, the Company will be responsible for the full share of the mediator's fees.

(c) *Arbitration* - If, after mediation, the Parties have been unable to resolve a dispute and the mediator has been inactive for more than 90 days, or such other period agreed to in writing by the Parties, either Party may refer the dispute for final and binding arbitration by providing written notice to the other Party. If the Parties cannot agree on an arbitrator within thirty (30) days of receipt of the notice to arbitrate, then either Party may make application to the ADR Institute of Ontario to appoint one. The arbitration will be held in Toronto, Ontar,io in accordance with the *Ontario Arbitration Act,* and each Party will bear its own costs, including ne-half share of the arbitrator's fees.

18. Definitions

In this Agreement:

"Affiliated Company" means an "affiliate" as defined in the Business Corporations Act (BC) or any successor legislation, as amended from time to time.

"Board" means the board of directors of the Company.

"Business" means the business of developing, producing, marketing, licensing and/or selling marijuana and/or marijuana products, and such other products and seivices the Company offers during your employment.

"Cause" includes, without limitation, breach of this Agreement and the usual meaning of cause under the common law or the laws of the province you work in.

Initials: ____

"Competitive Business" means any business operation, whether a partnership, proprietorship, joint venture, company or otherwise, that develops, produces, markets licenses and/or sells marijuana and/or marijuana products that are competitive with the Company's products.

"Company" means Tilray Canada, Ltd., a company with a registered office at 1100 Maughan Road, Nanaimo, British Columbia and, where used in the context of protection of Confidential Information, intellectual property or business protection, includes any Affiliated Company.

"Confidential Information" includes any of the following:

a. information concerning all Products and Developments (as defined below};

b. information regarding the Company's business, operations, financing, strategies, methods and practices, including marketing strategies, product mix, product pricing, sales, margins, pay and compensation for staff, and any other information regarding the financial affairs of the Company;

c. the identity of the Company's clients, business partners, licensees, agents and suppliers, and the nature of the Company's relationships with such clients, partners, licensees, agents and suppliers;

d. information belonging to the Company's clients, business partners, licensees, agents and suppliers, which is disclosed to you or the Company; and

e. any other trade secrets or confidential or proprietary information in the possession or control of the Company,

but does not include information which is or becomes generally available to the public through no fault of your own or which you can establish, through written records, was in your possession pr ior to its disclosure to you as a result of your work for the Company.

"Developments" includes all:

a. Products, analyses, compilations, studies, concepts, software, documentation, research, data, designs, reports, flowcharts, training materials, trade-marks, and specifications, and any related works, including any enhancements, modifications or additions to the Products owned, licensed, sold, marketed or used by the Company;

b. copyrightable works of authorship including, without limitation, any technical descriptions for Products, user guides, instructions, illustrations and advertising materials; and

c. inventions, devices, concepts, ideas, formulae, know-how, processes, techniques, systems, methods and improvements,

whether patentable or not, developed, created, generated or reduced to practice by you, alone or jointly with others, relating to your employment with the Company or which result from tasks assigned to you by the Company or which result from the use of the premises or property (including equipment, supplies or Confidential Information) owned, leased or licensed by the Company.

"Parties" means, collectively, you and the Company, and for clarity, a **"Party"** means any one of the Parties.

"Person" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or company with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency or entity however designated or constituted.

"Products" means (i) any products developed by, for or on behalf of the Company for use in its Business

Initials: ____

or operations, (ii) any intellectual property or assets owned, licensed, sold,marketed or used by the Company in connection with the Business, including enhancements, modifications, additions or other improvements to such intellectual property; and (iii) any other products and services that the Company discovers or develops during your employment.

19. Acknowledgement of Terms and Obligations

You agree that you understand all of the terms, rights and obligations under this Agreement , and that you have had the opportunity to discuss and negotiate these terms, rights and obligations with the Company.

20. Conflict

In the event of any conflict between the terms and conditions of this agreement and any other agreement, the terms of this Agreement will prevail.

21. Governing Laws

This Agreement will be governed by and construed in accordance with the laws of the province you most regularly work in and the laws of Canada applicable therein.

22. Counterparts

This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original and all of which will constitute one Agreement.

Tilray Canada, Ltd.

By: _____

Brendan Kennedy

I have read, understand, acknowledge and accept the terms and conditions of my employment with the Company as set out above:

_____

Andrew Pucher

_____

Date

Initials: ____

SCHEDULE A

RELEASE

In consideration of the payment to me, Andrew Pucher, by Tilray Canada Ltd. (the "Company") of the Separation Payment set out in the executive employment agreement between the Company and me dated November 9, 2018:'

1. I release the Company and its affiliated and related companies, and all of their respective successors, directors, officers, employees, agents and assigns (jointly and severally called "Tilray") from all claims whatsoever arising out of or in any way related to my employment, or the termination of my employment, with the Company.

2. In particular, without limiting the foregoing, I release Tilray from any and all liability with respect to any claim, whether arising at common law, in equity or pursuant to any statute, including the applicable provincial employment standards and human rights legislation, and any claim with respect to any right or benefit of employment with the Company.

3. I acknowledge and agree that I have been paid all wages in accordance with the applicable employment standards legislation and in accordance with my employment agreement.

4. I will not make a claim against any person that may have a right to claim over against Tilray.

5. I agree not to use, and not to disclose to any person or entity, any confidential information concerning Tilray, including, but not limited to, any trade secrets, client lists or information, details of services provided to or requirements of clients, the identity of any partners or prospective partners or clients, information pertaining to services, methods, plans, management organization, personnel records or information, finances, development or marketing plans, financial records or other financial, commercial, business or technical information relating to Tilray.

6. Except as required by law, I agree that I will not divulge or disclose, directly or indirectly, the contents of this Release, or the terms of agreement relating to the termination of my employment with the Company, to any person or entity, except to my spouse and my legal and financial advisors on the condition that I first obtain their agreement to maintain such information as confidential.

7. I agree that I will not, directly or indirectly, make any damaging or disparaging comments in any form about the Company or its affiliates, or about their management, their businesses, their products or t heir services.

8. I agree and understand that the terms of this Release are contractual and not mere recital.

I have read this Release , understand its terms, have had the opportunity to obtain independent legal advice with respect to it and to all issues arising from my employment and the termination of my employment with the Company and have sought such advice as I have seen fit.

Signed and Witnessed at _____ Ontario: _____

(City)

_____ _____

Andrew Pucher Date

_____ _____

Witness Name (please print) Witness Signature

Initials: ____

Andrew Pucher

Exhibit 10.23

TILRAY, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered by and between Tilray, Inc. (the "Company" or "Tilray", and Jon Levin ("Executive").

R E C I T A L S

WHEREAS, the Company desires to employ Executive as its Chief Operating Officer beginning January 13, 2020 (the "Start Date"), and to enter into an agreement embodying the terms of such employment; and

WHEREAS, the Company and Executive wish to amend and supersede any prior employment agreements, offer letters, or other understandings regarding Executive's employment, whether written or oral; and

WHEREAS, Executive desires to accept such employment and enter into this Agreement.

A G R E E M E N T

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

1. *Duties and Scope of Employment.*

(a) *Positions and Duties.* Executive will serve as the Company's Chief Operating Officer, reporting to President and Chief Executive Officer and a member of the Executive management leadership team. Executive will render such business and professional services in the performance of Executive's duties as are customarily associated with Executive's position within the Company, including without limitation responsibility for management of the Company's Manitoba Harvest business, and Executive agrees to perform such additional duties and functions as shall from time to time be reasonably assigned or delegated to Executive by Tilray's Chief Executive Officer. The period of Executive's employment under this Agreement is referred to herein as the "Employment Term." Executive's primary work location will be in the Company's Minneapolis, Minnesota office.

(b) *Full-time Employment.* Executive hereby accepts this employment upon the terms and conditions contained herein subject to presenting, in accordance with applicable law, verification of identity and legal right to work in the United States. Executive agrees to devote the full business time, attention and efforts to promote and further the business, interests, objectives and affairs of the Company, and Executive shall not be engaged in any other business activity pursued for gain, profit or other pecuniary advantage without the prior written consent of the Company's Board of Directors *("*Board") (which consent will not be unreasonably withheld with respect to Executive's service as a director for two for-profit businesses); provided, however, that the foregoing limitations shall not be construed as prohibiting Executive from serving on civic, charitable or other boards or committees , managing personal or family investments and personal passive investments in securities or from engaging in other activities from time to time, in each case that will not violate the terms of this Agreement. Executive shall faithfully adhere to, execute and fulfill all lawful policies established by the Company in writing, consistent with the other terms of this Agreement.

2. *At-Will Employment.* The Company agrees to employ Executive, and Executive agrees to serve the Company, on an "at-will" basis, which means that either the Company or Executive may terminate Executive's employment with the Company and the Employment Term at any time and for any or no reason, subject to the terms of this Agreement.

3. *Compensation.*

(a) *Base Salary.* During the Employment Term, the Company will pay Executive as compensation for Executive's services an annual base salary of USD$400,000.00 per year, as may be increased from time to time at the discretion of the Board or a duly constituted committee of the Board (the "Compensation Committee") (the "Base Salary"). The Compensation Committee shall review Executive's Base Salary annually but any increase will be in its sole discretion. Base Salary will be paid in regular installments in accordance with the Company's normal payroll practices (subject to required withholding and applicable deductions). Any increase in Base Salary (together with the then existing Base Salary) shall serve as the "Base Salary" as of the effective date of such increase and thereafter during the Employment Term and for future employment under this Agreement. The first and last installment payment(s) will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of a pay period.

(b) *Annual Bonus.* Executive will be eligible for a discretionary annual bonus ("Bonus") with target payout of fifty percent (50%) of Executive's Base Salary. Actual Bonus payout will be based on the achievement of Company, business unit or division financial and/or operational business objectives established by the Compensation Committee for any given calendar year and an evaluation of Executive's contribution toward the achievement of such objectives and individual performance, as determined in the sole discretion of the Compensation Committee. For the 2020 Bonus Year, the Executive will receive a minimum guaranteed Bonus payout of 50% of the Executive's target bonus (i.e., 50% of 50% of Executive’s Base Salary = $100,000). It is understood that the Executive must be employed by the Company on the date such discretionary bonus is paid to receive a Bonus.

(c) *Tilray Equity Incentive Compensation.* Subject to approval by the Compensation Committee or the Board, under the Tilray, Inc. 2018 Equity Incentive Plan (the "Tilray Plan"), promptly following the Company' s next quarterly earnings call, the Company shall grant the Executive $100,000.00 Restricted Stock Units (the "Tilray Restricted Stock Units"), which settle in shares of the Company's Common Stock. The Restricted Stock Units will be subject to the terms and conditions of the Plan and Executive's grant agreement. Executive 's grant agreement will include a three-year vesting schedule, under which 33.33% percent of the Restricted Stock Units will vest on the first anniversary of the grant date of such Restricted Stock Units, with the remaining Restricted Stock Units vesting quarterly thereafter, until either Executive' s Restricted Stock Units are fully vested or Executive's employment ends, whichever occurs first.

(d) *Long-Term Incentive Compensation.* During the Employment Term, Executive will be eligible to receive long-term equity incentive compensation awards, (as determined by the Compensation Committee in its discretion) pursuant to the Tilray Plan or any other equity incentive compensation plans or programs established by the Company and in effect from time to time. These awards shall be granted in the sole discretion of the Compensation Committee and shall include such terms and conditions (including vesting terms and conditions) as the Compensation Committee in its sole discretion deems appropriate.

4. *Employee Benefits.* Executive will be eligible to participate in the Company benefit programs that are made available to all the Company's full-time employees, subject to the terms, conditions, and eligibility criteria of such programs. Company benefit policies may be amended from time to time at the discretion of the Company, with or without notice.

5. *Business Expenses.* During the Employment Term, the Company will reimburse Executive for reasonable travel or other expenses incurred by Executive in the furtherance of or in connection with the performance of Executive's duties hereunder, in accordance with the Company's travel and expense reimbursement policies as in effect from time to time.

6. *Termination of Employment Generally.*

(a) Executive's employment will terminate automatically upon Executive 's death or, upon fourteen (14) days' prior written notice from the Company, in the event of Disability (as defined below). Further,

(i) the Company shall be entitled to terminate Executive's employment with or without Cause (as defined below) and (ii) Executive may resign for any reason by providing thirty (30) days' prior notice. Notwithstanding the foregoing, in the event that the Executive gives notice of termination to the Company, the Company may unilaterally relieve Executive from any or all duties and responsibilities of her position so long as all compensation and benefits remain in effect for the duration of the notice period, and such removal of duties shall not constitute a termination by the Company for purposes of this Agreement. For clarity, upon any termination of Executive's employment for any reason, the Employment Term hereunder shall also terminate.

(b) Upon termination of Executive's employment hereunder for any reason, Executive shall be entitled to receive: (i) Executive's Base Salary through the effective date of termination; (ii) the right to continue group health care benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or under similar applicable state law (collectively "COBRA"), at Executive's cost, but solely to the extent required by law; (iii) reimbursement of expenses incurred prior to Executive's termination of employment for which Executive is entitled to be reimbursed, if any, pursuant to Section 5 above, but for which Executive has not yet been reimbursed; and (iv) all other amounts and vested benefits of any kind required by law or pursuant to any other Company plans or policies, as then in effect (collectively, the "Accrued Obligations").

7. *Termination by the Company Without Cause or Executive Resigns for Good Reason*

(a) *Effect of Termination.* If Executive's employment is terminated by the Company without Cause (as defined below), other than any termination due to death or Disability, or if Executive's employment is terminated by Executive for Good Reason (as defined below), then, in addition to the Accrued Obligations, and subject to the limitations of Sections 7(b), 22 and 23 below, Executive shall be entitled to receive:

(i) severance pay in an amount equal to twelve (12) months of the Executive's Base Salary as then in effect (less applicable withholding), payable in substantially equal instalments in accordance with the Company's regular payroll practices, payable as provided in Section 7(b), below;

(ii) if Executive timely elects continuation coverage pursuant to COBRA within the time period prescribed by COBRA for Executive and Executive's eligible dependents, then the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination) for a period of twelve (12) months following Executive's termination of employment; provided, however that such reimbursements shall cease as of the date upon which Executive and/or Executive' s eligible dependents are no longer eligible for COBRA continuation coverage. For the avoidance of doubt, such COBRA continuation cover premium reimbursements will be subject to applicable tax withholdings;

(iii) the Bonus for the calendar year immediately preceding the year in which the termination of employment is effective, if the Bonus for such prior year has not yet been paid and assuming that individual performance objectives have been met at target level; and

(iv) an amount equal to Executive' s target Bonus for the calendar year in which the termination of employment is effective, pro-rated based on the number of days during the calendar year Executive was employed by the Company.

(v) acceleration of vesting of the portion of each outstanding service-vested equity incentive award that would have vested had Executive remained in employment through the next vesting date prorated for Executive's period of employment during the vesting period within which Executive's employment is terminated. For avoidance of doubt, this clause (v) shall not apply to any equity incentive award that vests, in whole or in part, based on achievement of specified performance conditions

(b) *Conditions Precedent*. Any severance payments and/or benefits contemplated by Section 7(a) above are conditional on Executive: (i) continuing to comply with the terms of this Agreement and the Confidentiality Agreement (as defined below); and (ii) delivering, and not revoking, in the form provided by the Company, a separation agreement including a general release of claims against the Company or its successor, its subsidiaries and their respective directors, officers and stockholders and other related parties and an affirmation of obligations hereunder and under the Confidentiality Agreement1 (a "Release ") that becomes effective and irrevocable no later than the sixtieth (60th) day following the termination of Executive 's employment, or such earlier date as the Company in its sole discretion may impose (the "Release Deadline") "), and which Release shall not require Executive to release any Accrued Obligations, rights under any equity award, nor rights to indemnification or advancement of defense expenses, nor shall the Release include new contractual obligations by Executive beyond those contemplated by this Agreement, the Confidentiality Agreement and the Arbitration Agreement.". In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable. If the Release does not become effective and irrevocable by the Release Deadline, Executive will not be entitled to receive any severance payments or benefits under this Agreement other than the Accrued Obligations. If the Release becomes effective and irrevocable on or before the Release Deadline, payment of severance or other benefits under this Agreement will commence on the Company's next regular payroll payment date following the date on which the Release becomes effective and irrevocable, subject to Sections 22 and 23. Except as required by Section 22, any payments delayed from the date of Executive's employment termination through the first regular payroll payment date following the date on which the Release becomes effective and irrevocable will be payable in a lump sum without interest on such next regular payroll payment date, and all other amounts will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding the foregoing, this Section 7(b) shall not limit Executive's ability to obtain expense reimbursements under Section *5* or the payment or provision of any Accrued Obligations.

(c) *Change in Control.* Upon a Change in Control (as defined in the Company's 2018 Equity Incentive Plan) or in the event Executive's employment is terminated due to a pending Change in Control, vesting of any then outstanding Restricted Stock Units or other compensatory equity awards granted to you by the Company shall be accelerated such that no less than l00% will be fully vested as of the date of the termination of Executive's employment or the Change in Control, whichever is applicable.

8. *Definitions.*

(a) *Cause*. For purposes of this Agreement, "Cause" shall mean (i) dishonesty, fraud, embezzlement , misrepresentation, or other improper acts committed by Executive resulting in a personal gain or personal enrichment of Executive at the expense of the Company; (ii) Executive' s violation of a federal or state law or regulation applicable to the Company's business, which violation is or likely to be materially injurious to the Company; (iii) Executive ' s conviction of, or a plea of nolo contendre or guilty to, a felony or any crime involving moral turpitude under the laws of the United States or any state; (iv) any gross misconduct, or material violation of any lawful Company policy involving conduct or business ethics; or (v) Executive's material breach of the terms of this Agreement or the Confidentiality Agreement. No termination of employment by the Company shall be for "Cause" unless (x) the Company has provided to Executive written notice describing the factual basis the Company believes constitutes Cause, (y) Executive has not cured the circumstances giving rise to Cause within thirty (30) days after receiving written notice from the Company, and (z) Executive has been given the opportunity to be heard before the Board before it makes a final determination of Cause.

(b) *Good Reason*. For purposes of this Agreement, "Good Reason" shall mean, without Executive's written consent: (i) there is a material reduction in Executive's Base Salary or annual Bonus opportunity (except where there is a general reduction applicable to the management team generally of not more than l 0% and such reduction is applied proportionately to similarly situated members of the management team); (ii) there is a material reduction in Executive's overall responsibilities or authority, or scope of duties; (iii) Executive is required to relocate her primary work location by more than 50 miles from Executive's residence in Minneapolis, Minnesota; or (iv) material breach by the Company of this Agreement. No resignation by Executive shall be for Good Reason unless (x) Executive has provided the Company with written notice of the acts or omissions constituting the grounds for Good Reason within (60) days of Executive's actual knowledge of the grounds for Good Reason, (y) the Company has not cured the circumstances giving rise to Good Reason within thirty (30) days to cure the conditions giving rise to such Good Reason, which shall end thirty (30) days after receiving written notice from Executive, and (z) Executive's resignation from employment is effective within thirty (30) days after the end of the cure period.

(c) *Disability.* For purposes of this Agreement "Disability" means that Executive, at the time notice of termination is given, has been unable to perform the essential job duties of Executive' s position with reasonable accommodation for not less than one-hundred and twenty (120) work days within a twelve (12) consecutive month period as a result of Executive's incapacity due to an injury or a physical or mental condition.

9. *Indemnification.* The Company shall indemnify Executive to the same extent with respect to each aspect of the indemnification that it indemnifies similarly situated executives of the Company against costs, charges and expenses incurred or sustained by Executive in connection with any action, suit or proceeding to which Executive may be made a party, brought by any shareholder of the Company directly or derivatively or by any third party by reason of any act or omission of Executive as an officer, director or employee of the Company or of any subsidiary or affiliate of the Company.

10. *Assignment.* This Agreement will be binding upon and inure to the benefit of: (a) the heirs, executors and legal representatives of Executive upon Executive's death, and (b) any successor of the Company. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance or other disposition of Executive's right to compensation or other benefits will be null and void.

11. *Notices.* All notices, requests, demands and other communications called for under this Agreement shall be in writing and shall be delivered personally by hand or by courier, mailed by United States first-class mail, postage prepaid, or sent by facsimile or email directed to the party to be notified at following address, facsimile number or email address:

(a) lf to the Company:
Tilray, Inc.
Att: General Counsel
2701 Eastlake Ave E
Seattle, WA 98102

(b) lf to Executive:
Jon Levin
2589 Coeur D'Alene Drive
West Linn, OR 97068
Email address: jjz.levin@gmail.com
Phone number: 630-363-8437

Either party may designate an alternative address, facsimile number or email address notifying the other party in accordance with this Section 11. All such notices and other communications shall be deemed given upon personal delivery, three (3) days after the date of mailing, or upon confirmation of facsimile or email transfer.

12. *Severability.* In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect without said provision.

13. *Company Matters.*

(a) *Proprietary Information and Inventions.* Executive acknowledges and agrees to be bound and abide by the terms of the Tilray, Inc. Proprietary Information and Inventions Agreement that Executive is required to execute as a precondition to Executive's employment with the Company (the "Confidentiality Agreement"), including the provisions governing non-competition and the non-disclosure of confidential information and restrictive covenants contained therein.

(b) *Arbitration Agreement.* Executive acknowledges and agrees to be bound and abide by the terms of the Tilray, Inc. Arbitration Agreement that Executive is required to execute as a precondition to Executive's employment with the Company (the "Arbitration Agreement").

(c) *Resignation on Termination.* On termination of employment, regardless of the reason for such termination, Executive shall immediately (and with contemporaneous effect) resign any directorships, offices or other positions held in the Company or any affiliate, unless otherwise agreed in writing by the parties.

14. *Integration.* This Agreement, together with the Confidentiality Agreement and the Arbitration Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral (including, without limitation, the Prior Agreement). No waiver, alteration or modification of any of the provisions of this Agreement will be binding unless in writing and signed by duly authorized representatives of the parties hereto.

15. *Tax Withholding.* All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

16. *Waiver.* No party shall be deemed to have waived any right, power or privilege under this Agreement or any provisions hereof unless such waiver shall have been duly executed in writing and acknowledged by the party to be charged with such waiver. The failure of any party at any time to insist on performance of any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof. No waiver of any breach of this Agreement shall be held to be a waiver of any other subsequent breach.

17. *Governing Law.* This Agreement will be governed by the laws of the State of Washington without regard for conflict of law provisions.

18. *No Duty to Mitigate.* In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any provisions of this Agreement and such amounts shall not be reduced regardless of whether the Executive obtains other employment.

19. *Counterparts.* This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.

20. *Effect of Headings.* The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.

21. *Construction of Agreement.* This Agreement has been negotiated by the respective parties, and the language shall not be construed for or against either party.

22. *Section 409A.* It is intended that the provisions of this Agreement are either exempt from or comply with the term and conditions of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the final regulations and any guidance promulgated thereunder (collectively, "Section 409A”), and to the extent that the requirements of Code Section 409A are applicable thereto, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Executive agrees and acknowledges that the Company makes no representations or warranties with respect to the application of Section 409A and other tax consequences to any payments hereunder and, by the acceptance of any such payments, Executive agrees to accept the potential application of Section 409A and the other tax consequences of any payments made hereunder.

(a) Notwithstanding anything to the contrary in this Agreement, references herein to "termination of employment" or any words to similar effect shall be construed to mean a "separation from service" as defined in Treasury Regulation 1.409A- l(h). No severance pay or benefits to be paid or provided to Executive pursuant to this Agreement that, when considered together with any other severance payments or separation benefits or other compensation payable to Executive upon termination of employment or separation from service, are deemed to constitute deferred compensation under Section 409A (together, the "Deferred Payments” will be paid or otherwise provided until Executive has a separation from service. Similarly, no severance pay or benefits to be paid or provided to Executive pursuant to this Agreement or otherwise upon termination of employment or separation from service that is exempt from Section 409A pursuant to Treasury Regulation Section l.409A-l(b)(4) or -1(b)(9) will be payable until Executive has a separation from service.

(b) Notwithstanding anything to the contrary in this Agreement, if Executive is a " specified employee" within the meaning of Section 409A at the time of Executive's termination (other than due to death), then the Deferred Payments, if any , that are payable within the first six (6) months following Executive ' s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (I) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. If under this Agreement, any payment or series of payments is to be paid in two or more installments, for purposes of Code Section 409A, each such installment is intended to constitute a separate payment for purposes of Section 409A. It is intended that any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Treasury Regulation Section l.409A-l(b)(4) or that constitutes exempt separation pay described in Treasury Regulation Section 1.409A-l(b)(9) will not constitute Deferred Payments for purposes of this Section 22.

(c) It is intended that any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section l. 409A-l (b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of clause (a) above. "Section 409A Limit" will mean two (2) times the lesser of: (i) Executive' s annualized compensation based upon the annual rate of pay paid to Executive during the Executive' s taxable year preceding the Executive' s taxable year of Executive’s termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation l.409A- l(b)(9)(iii)(A)(l) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(l7) of the Code for the year in which Executive' s employment is terminated.

(a) To the extent any reimbursements or in-kind benefits provided under this Agreement constitute nonqualified deferred compensation subject to Code Section 409A, all such reimbursements and in kind benefits shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (I) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement); (2) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year; (3) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (4) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

23. *Parachute Payments.*

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (including any acceleration) by the Company or any entity which effectuates a transaction described in Section 280G(b)(2)(A)(i) of the Code to or for the benefit of the Executive (whether pursuant to the terms of this Agreement or otherwise, but determined before application of any reductions required pursuant to this Section 23) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred with respect to such excise tax by the Executive (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), the Company will automatically reduce such Payments to the extent, but only to the extent, necessary so that no portion of the remaining Payments will be subject to the Excise Tax, unless the amount of such Payments that the Executive would retain after payment of the Excise Tax and all applicable Federal, state and local income taxes without such reduction would exceed the amount of such Payments that the Executive would retain after payment of all applicable Federal, state and local taxes after applying such reduction. Unless otherwise elected by the Executive, to the extent permitted under Code Section 409A, such reduction shall first be applied to any severance payments payable to the Executive under this Agreement, then to the accelerated vesting on any equity-based compensation awards, starting with stock options and stock appreciation rights reversing accelerated vesting of those options and stock appreciation rights with the smallest spread between fair market value and exercise price first and after reversing the accelerated vesting of all stock options and stock appreciation rights, thereafter reversing accelerated vesting of restricted stock, restricted stock units, performance shares, performance units or other similar equity awards on a pro rata basis.

(b) All determinations required to be made under this Section 23, including the assumptions to be utilized in arriving at such determination, shall be made by an independent and certified public accounting firm of national standing mutually agreed upon by the Company and Executive (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(c) lf the Executive receives a Payment after taking into account any reductions pursuant to Section 23(a) and the Internal Revenue Service determines, that some portion of the Payment is subject to additional Excise Tax, the provisions of this Section 23 shall be applied to the total amount of the Payments as determined by the Internal Revenue Service and the Executive shall promptly return to the Company a sufficient amount of the Payment so that no portion of any Payment is subject to the Excise Tax; provided, however, that if the amount of such Payments (as redetermined) that the Executive would retain after payment of the Excise Tax and all applicable Federal, state and local income taxes without any reduction under Section 23(a) would exceed the amount of such Payments that the Executive would retain after payment of all applicable Federal, state and local tax es after applying such reduction, the Company shall restore any Payments previously reduced pursuant to Section 23(a).

24. Executive's employment under this Agreement is conditional upon the satisfactory completion by the Company or its agent(s) of a background check, a criminal record check, consumer credit report, reference check and verification of education. By returning a signed copy of this Agreement, Executive consents to these checks and verifications being conducted, and to the collection, use and disclosure of personal information as required for conducting these checks and verifications. In the event the results of these checks are not satisfactory to the Company, this offer of employment will be withdrawn, this Agreement will be void and the Company will have no further obligations to Executive.

IN **WITNESS WHEREOF,** each of the parties has executed this Agreement, in the case of the Company by their duly authorized officers, as of the day and year first above written.

"COMPANY"

TILRAY, INC.

By: _____

"EXECUTIVE"

_____

TILRAY, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered by and between Tilray, Inc. (the "Company" or "Tilray", and Michael Kruteck ("Executive").

R E C I T A L S

WHEREAS, the Company desires to employ Executive as its Chief Financial Officer beginning January 20, 2020 (the "Start Date"), and to enter into an agreement embodying the terms of such employment; and

WHEREAS, the Company and Executive wish to amend and supersede any prior employment agreements, offer letters, or other understandings regarding Executive's employment, whether written or oral; and

WHEREAS, Executive desires to accept such employment and enter into this Agreement.

A G R E E M E N T

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

1. *Duties and Scope of Employment.*

(a) *Positions and Duties.* Executive will serve as the Company's Chief Financial Officer, reporting to the President and Chief Executive Officer of the Company. Executive will render such business and professional services in the performance of Executive's duties as are customarily associated with Executive's position within the Company, and Executive agrees to perform such additional duties and functions as shall from time to time be reasonably assigned or delegated to Executive by Tilray's Chief Executive Officer. The period of Executive's employment under this Agreement is referred to herein as the "Employment Term." Executive's primary work location will be in Seattle, Washington.

(b) *Full-time Employment.* Executive hereby accepts this employment upon the terms and conditions contained herein subject to presenting, in accordance with applicable law, verification of identity and legal right to work in the United States. Executive agrees to devote the full business time, attention and efforts to promote and further the business, interests, objectives and affairs of the Company, and Executive shall not be engaged in any other business activity pursued for gain, profit or other pecuniary advantage without the prior written consent of the Company's Board of Directors *("*Board") (which consent will not be unreasonably withheld with respect to Executive's service as a director for two for-profit businesses); provided, however, that the foregoing limitations shall not be construed as prohibiting Executive from serving on civic, charitable or other boards or committees , managing personal or family investments and personal passive investments in securities or from engaging in other activities from time to time, in each case that will not violate the terms of this Agreement. Executive shall faithfully adhere to, execute and fulfill all lawful policies established by the Company in writing, consistent with the other terms of this Agreement.

2. *At-Will Employment.* The Company agrees to employ Executive, and Executive agrees to serve the Company, on an "at-will" basis, which means that either the Company or Executive may terminate Executive's employment with the Company and the Employment Term at any time and for any or no reason, subject to the terms of this Agreement.

3. *Compensation.*

(a) *Base Salary.* During the Employment Term, the Company will pay Executive as compensation for Executive's services an annual base salary of USD$375,000.00 per year, as may be increased from time to time at the discretion of the Board or a duly constituted committee of the Board (the "Compensation Committee") (the "Base Salary"). The Compensation Committee shall review Executive's Base Salary annually but any increase will be in its sole discretion. Base Salary will be paid in regular installments in accordance with the Company's normal payroll practices (subject to required withholding and applicable deductions). Any increase in Base Salary (together with the then existing Base Salary) shall serve as the "Base Salary" as of the effective date of such increase and thereafter during the Employment Term and for future employment under this Agreement. The first and last installment payment(s) will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of a pay period.

(b) *Annual Bonus.* Executive will be eligible for a discretionary annual bonus ("Bonus") with target payout of fifty percent (50%) of Executive's Base Salary. Actual Bonus payout will be based on the achievement of Company, business unit or division financial and/or operational business objectives established by the Compensation Committee for any given calendar year and an evaluation of Executive's contribution toward the achievement of such objectives and individual performance, as determined in the sole discretion of the Compensation Committee.

(c) *Tilray Equity Incentive Compensation.* Subject to approval by the Compensation Committee or the Board, under the Tilray, Inc. 2018 Equity Incentive Plan (the "Tilray Plan"), promptly following the Company' s next quarterly earnings call, the Company shall grant the Executive 100,000 Restricted Stock Units (the "Tilray Restricted Stock Units"), which settle in shares of the Company's Common Stock. The Restricted Stock Units will be subject to the terms and conditions of the Plan and Executive's grant agreement. Executive 's grant agreement will include a three-year vesting schedule, under which 33.33% percent of the Restricted Stock Units will vest on the first anniversary of the grant date of such Restricted Stock Units, with the remaining Restricted Stock Units vesting quarterly thereafter, until either Executive' s Restricted Stock Units are fully vested or Executive's employment ends, whichever occurs first.

(d) *Long-Term Incentive Compensation.* During the Employment Term, Executive will be eligible to receive long-term equity incentive compensation awards, (as determined by the Compensation Committee in its discretion) pursuant to the Tilray Plan or any other equity incentive compensation plans or programs established by the Company and in effect from time to time. These awards shall be granted in the sole discretion of the Compensation Committee and shall include such terms and conditions (including vesting terms and conditions) as the Compensation Committee in its sole discretion deems appropriate.

4. *Employee Benefits.* Executive will be eligible to participate in the Company benefit programs that are made available to all the Company's full-time employees, subject to the terms, conditions, and eligibility criteria of such programs. Company benefit policies may be amended from time to time at the discretion of the Company, with or without notice.

5. *Relocation Allowance*: As a result of your employment requirement to relocate to Seattle WA within the next 12 months, you are eligible for reimbursement for reasonable moving/travel expenses up to and including USD $50,000.00 (substantiated by receipts when submitting an expense report). In the event that you voluntarily leave the Company or are terminated for cause within 12 months of your date of hire, you will be responsible for reimbursing the company for the entire relocation reimbursement. By your signature on this employment agreement, you authorize the company to withhold this amount USD $50,000.00 from any severance and other final pay you receive upon termination of employment.

6. *Business Expenses.* During the Employment Term, the Company will reimburse Executive for reasonable travel or other expenses incurred by Executive in the furtherance of or in connection with the performance of Executive's duties hereunder, in accordance with the Company's travel and expense reimbursement policies as in effect from time to time.

7. *Termination of Employment Generally.*

(a) Executive's employment will terminate automatically upon Executive 's death or, upon fourteen (14) days' prior written notice from the Company, in the event of Disability (as defined below). Further,

(i) the Company shall be entitled to terminate Executive's employment with or without Cause (as defined below) and (ii) Executive may resign for any reason by providing thirty (30) days' prior notice. Notwithstanding the foregoing, in the event that the Executive gives notice of termination to the Company, the Company may unilaterally relieve Executive from any or all duties and responsibilities of his position so long as all compensation and benefits remain in effect for the duration of the notice period, and such removal of duties shall not constitute a termination by the Company for purposes of this Agreement. For clarity, upon any termination of Executive's employment for any reason, the Employment Term hereunder shall also terminate.

(b) Upon termination of Executive's employment hereunder for any reason, Executive shall be entitled to receive: (i) Executive's Base Salary through the effective date of termination; (ii) the right to continue group health care benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or under similar applicable state law (collectively "COBRA"), at Executive's cost, but solely to the extent required by law; (iii) reimbursement of expenses incurred prior to Executive's termination of employment for which Executive is entitled to be reimbursed, if any, pursuant to Section 5 above, but for which Executive has not yet been reimbursed; and (iv) all other amounts and vested benefits of any kind required by law or pursuant to any other Company plans or policies, as then in effect (collectively, the "Accrued Obligations").

8. *Termination by the Company Without Cause or Executive Resigns for Good Reason*

(a) *Effect of Termination.* If Executive's employment is terminated by the Company without Cause (as defined below), other than any termination due to death or Disability, or if Executive's employment is terminated by Executive for Good Reason (as defined below), then, in addition to the Accrued Obligations, and subject to the limitations of Sections 8(b), 23 and 24 below, Executive shall be entitled to receive:

(i) severance pay in an amount equal to twelve (12) months of the Executive's Base Salary as then in effect (less applicable withholding), payable in substantially equal instalments in accordance with the Company's regular payroll practices, payable as provided in Section 8(b), below;

(ii) if Executive timely elects continuation coverage pursuant to COBRA within the time period prescribed by COBRA for Executive and Executive's eligible dependents, then the Company will reimburse Executive for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to Executive's termination) for a period of twelve (12) months following Executive's termination of employment; provided, however that such reimbursements shall cease as of the date upon which Executive and/or Executive' s eligible dependents are no longer eligible for COBRA continuation coverage. For the avoidance of doubt, such COBRA continuation cover premium reimbursements will be subject to applicable tax withholdings;

(iii) the Bonus for the calendar year immediately preceding the year in which the termination of employment is effective, if the Bonus for such prior year has not yet been paid and assuming that individual performance objectives have been met at target level; and

(iv) an amount equal to Executive' s target Bonus for the calendar year in which the termination of employment is effective, pro-rated based on the number of days during the calendar year Executive was employed by the Company.

(v) acceleration of vesting of the portion of each outstanding service-vested equity incentive award that would have vested had Executive remained in employment through the next vesting date prorated for Executive's period of employment during the vesting period within which Executive's employment is terminated. For avoidance of doubt, this clause (v) shall not apply to any equity incentive award that vests, in whole or in part, based on achievement of specified performance conditions

(b) Conditions Precedent. Any severance payments and/or benefits contemplated by Section 8(a) above are conditional on Executive: (i) continuing to comply with the terms of this Agreement and the Confidentiality Agreement (as defined below); and (ii) delivering, and not revoking, in the form provided by the Company, a separation agreement including a general release of claims against the Company or its successor, its subsidiaries and their respective directors, officers and stockholders and other related parties and an affirmation of obligations hereunder and under the Confidentiality Agreement (a "Release") that becomes effective and irrevocable no later than the sixtieth (60th) day following the termination of Executive 's employment, or such earlier date as the Company in its sole discretion may impose (the "Release Deadline") "), and which Release shall not require Executive to release any Accrued Obligations, rights under any equity award, nor rights to indemnification or advancement of defense expenses, nor shall the Release include new contractual obligations by Executive beyond those contemplated by this Agreement, the Confidentiality Agreement and the Arbitration Agreement.". In no event will severance payments or benefits be paid or provided until the Release actually becomes effective and irrevocable. If the Release does not become effective and irrevocable by the Release Deadline, Executive will not be entitled to receive any severance payments or benefits under this Agreement other than the Accrued Obligations. If the Release becomes effective and irrevocable on or before the Release Deadline, payment of severance or other benefits under this Agreement will commence on the Company's next regular payroll payment date following the date on which the Release becomes effective and irrevocable, subject to Sections 23 and 24. Except as required by Section 23, any payments delayed from the date of Executive's employment termination through the first regular payroll payment date following the date on which the Release becomes effective and irrevocable will be payable in a lump sum without interest on such next regular payroll payment date, and all other amounts will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding the foregoing, this Section 8(b) shall not limit Executive's ability to obtain expense reimbursements under Section *5 and 6* or the payment or provision of any Accrued Obligations.

(c) *Change in Control.* Upon a Change in Control (as defined in the Company's 2018 Equity Incentive Plan) or in the event Executive's employment is terminated due to a pending Change in Control, vesting of any then outstanding Restricted Stock Units or other compensatory equity awards granted to you by the Company shall be accelerated such that no less than l00% will be fully vested as of the date of the termination of Executive's employment or the Change in Control, whichever is applicable.

9. *Definitions.*

(a) *Cause.* For purposes of this Agreement, "Cause" shall mean (i) dishonesty, fraud, embezzlement , misrepresentation, or other improper acts committed by Executive resulting in a personal gain or personal enrichment of Executive at the expense of the Company; (ii) Executive' s violation of a federal or state law or regulation applicable to the Company's business, which violation is or likely to be materially injurious to the Company; (iii) Executive ' s conviction of, or a plea of nolo contendre or guilty to, a felony or any crime involving moral turpitude under the laws of the United States or any state; (iv) any gross misconduct, or material violation of any lawful Company policy involving conduct or business ethics; or (v) Executive's material breach of the terms of this Agreement or the Confidentiality Agreement. No termination of employment by the Company shall be for "Cause" unless (x) the Company has provided to Executive written notice describing the factual basis the Company believes constitutes Cause, (y) Executive has not cured the circumstances giving rise to Cause within thirty (30) days after receiving written notice from the Company, and (z) Executive has been given the opportunity to be heard before the Board before it makes a final determination of Cause.

(b) *Good Reason.* For purposes of this Agreement, "Good Reason" shall mean, without Executive's written consent: (i) there is a material reduction in Executive's Base Salary or annual Bonus opportunity (except where there is a general reduction applicable to the management team generally of not more than l0% and such reduction is applied proportionately to similarly situated members of the management team); (ii) there is a material reduction in Executive's overall responsibilities or authority, or scope of duties; (iv) material breach by the Company of this Agreement. No resignation by Executive shall be for Good Reason unless (x) Executive has provided the Company with written notice of the acts or omissions constituting the grounds for Good Reason within 30 days of Executive's actual knowledge of the grounds for Good Reason, (y) the Company has not cured the circumstances giving rise to Good Reason within thirty (30) days to cure the conditions giving rise to such Good Reason, which shall end thirty (30) days after receiving written notice from Executive, and (z) Executive's resignation from employment is effective within thirty (30) days after the end of the cure period.

(c) *Disability.* For purposes of this Agreement "Disability" means that Executive, at the time notice of termination is given, has been unable to perform the essential job duties of Executive' s position with reasonable accommodation for not less than one-hundred and twenty (120) work days within a twelve (12) consecutive month period as a result of Executive's incapacity due to an injury or a physical or mental condition.

10. *Indemnification.* The Company shall indemnify Executive to the same extent with respect to each aspect of the indemnification that it indemnifies similarly situated executives of the Company against costs, charges and expenses incurred or sustained by Executive in connection with any action, suit or proceeding to which Executive may be made a party, brought by any shareholder of the Company directly or derivatively or by any third party by reason of any act or omission of Executive as an officer, director or employee of the Company or of any subsidiary or affiliate of the Company.

11. *Assignment.* This Agreement will be binding upon and inure to the benefit of: (a) the heirs, executors and legal representatives of Executive upon Executive's death, and (b) any successor of the Company. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance or other disposition of Executive's right to compensation or other benefits will be null and void.

12. *Notices.* All notices, requests, demands and other communications called for under this Agreement shall be in writing and shall be delivered personally by hand or by courier, mailed by United States first-class mail, postage prepaid, or sent by facsimile or email directed to the party to be notified at following address, facsimile number or email address:

(a) If to the Company:
Tilray, Inc.
Att: General Counsel
2701 Eastlake Ave E
Seattle, WA 98102

(b) If to Executive:
Michael Kruteck
3090 6th Street
Boulder, CO 80304
Email address: Michael.kruteck@gmail.com
Phone number: 303-886-5086

Either party may designate an alternative address, facsimile number or email address notifying the other party in accordance with this Section 12. All such notices and other communications shall be deemed given upon personal delivery, three (3) days after the date of mailing, or upon confirmation of facsimile or email transfer.

13. *Severability.* In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect without said provision.

14. *Company Matters.*

(a) *Proprietary Information and Inventions.* Executive acknowledges and agrees to be bound and abide by the terms of the Tilray, Inc. Proprietary Information and Inventions Agreement that Executive is required to execute as a precondition to Executive's employment with the Company (the "Confidentiality Agreement"), including the provisions governing non-competition and the non-disclosure of confidential information and restrictive covenants contained therein.

(b) *Arbitration Agreement.* Executive acknowledges and agrees to be bound and abide by the terms of the Tilray, Inc. Arbitration Agreement that Executive is required to execute as a precondition to Executive's employment with the Company (the "Arbitration Agreement").

(c) *Resignation on Termination.* On termination of employment, regardless of the reason for such termination, Executive shall immediately (and with contemporaneous effect) resign any directorships, offices or other positions held in the Company or any affiliate, unless otherwise agreed in writing by the parties.

15. *Integration.* This Agreement, together with the Confidentiality Agreement and the Arbitration Agreement represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral (including, without limitation, the Prior Agreement). No waiver, alteration or modification of any of the provisions of this Agreement will be binding unless in writing and signed by duly authorized representatives of the parties hereto.

16. *Tax Withholding.* All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

17. *Waiver.* No party shall be deemed to have waived any right, power or privilege under this Agreement or any provisions hereof unless such waiver shall have been duly executed in writing and acknowledged by the party to be charged with such waiver. The failure of any party at any time to insist on performance of any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof. No waiver of any breach of this Agreement shall be held to be a waiver of any other subsequent breach.

18. *Governing Law.* This Agreement will be governed by the laws of the State of Washington without regard for conflict of law provisions.

19. *No Duty to Mitigate*. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any provisions of this Agreement and such amounts shall not be reduced regardless of whether the Executive obtains other employment.

20. *Counterparts.* This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all such counterparts shall constitute but one instrument.

21. *Effect of Headings.* The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.

22. *Construction of Agreement.* This Agreement has been negotiated by the respective parties, and the language shall not be construed for or against either party.

23. *Section 409A.* It is intended that the provisions of this Agreement are either exempt from or comply with the term and conditions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the final regulations and any guidance promulgated thereunder (collectively, "Section 409A"), and to the extent that the requirements of Code Section 409A are applicable thereto, all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Executive agrees and acknowledges that the Company makes no representations or warranties with respect to the application of Section 409A and other tax consequences to any payments hereunder and, by the acceptance of any such payments, Executive agrees to accept the potential application of Section 409A and the other tax consequences of any payments made hereunder.

(a) Notwithstanding anything to the contrary in this Agreement, references herein to "termination of employment" or any words to similar effect shall be construed to mean a "separation from service" as defined in Treasury Regulation 1.409A- l(h). No severance pay or benefits to be paid or provided to Executive pursuant to this Agreement that, when considered together with any other severance payments or separation benefits or other compensation payable to Executive upon termination of employment or separation from service, are deemed to constitute deferred compensation under Section 409A (together, the "Deferred Payments" will be paid or otherwise provided until Executive has a separation from service. Similarly, no severance pay or benefits to be paid or provided to Executive pursuant to this Agreement or otherwise upon termination of employment or separation from service that is exempt from Section 409A pursuant to Treasury Regulation Section l.409A-l(b)(4) or -1(b)(9) will be payable until Executive has a separation from service.

(b) Notwithstanding anything to the contrary in this Agreement, if Executive is a " specified employee" within the meaning of Section 409A at the time of Executive's termination (other than due to death), then the Deferred Payments, if any , that are payable within the first six (6) months following Executive ' s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (I) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's separation from service, but before the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. If under this Agreement, any payment or series of payments is to be paid in two or more installments, for purposes of Code Section 409A, each such installment is intended to constitute a separate payment for purposes of Section 409A. It is intended that any amount paid under this Agreement that satisfies the requirements of the "short-term deferral" rule set forth in Treasury Regulation Section l.409A-l(b)(4) or that constitutes exempt separation pay described in Treasury Regulation Section 1.409A-l(b)(9) will not constitute Deferred Payments for purposes of this Section 23.

(c) It is intended that any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section l. 409A-l (b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of clause (a) above. "Section 409A Limit" will mean two (2) times the lesser of: (i) Executive' s annualized compensation based upon the annual rate of pay paid to Executive during the Executive' s taxable year preceding the Executive' s taxable year of Executive's termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation l.409A- l(b)(9)(iii)(A)(l) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(l7) of the Code for the year in which Executive' s employment is terminated.

(a) To the extent any reimbursements or in-kind benefits provided under this Agreement constitute nonqualified deferred compensation subject to Code Section 409A, all such reimbursements and in kind benefits shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (I) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement); (2) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year; (3) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (4) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

24. *Parachute Payments.*

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (including any acceleration) by the Company or any entity which effectuates a transaction described in Section 280G(b)(2)(A)(i) of the Code to or for the benefit of the Executive (whether pursuant to the terms of this Agreement or otherwise, but determined before application of any reductions required pursuant to this Section 24) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred with respect to such excise tax by the Executive (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), the Company will automatically reduce such Payments to the extent, but only to the extent, necessary so that no portion of the remaining Payments will be subject to the Excise Tax, unless the amount of such Payments that the Executive would retain after payment of the Excise Tax and all applicable Federal, state and local income taxes without such reduction would exceed the amount of such Payments that the Executive would retain after payment of all applicable Federal, state and local taxes after applying such reduction. Unless otherwise elected by the Executive, to the extent permitted under Code Section 409A, such reduction shall first be applied to any severance payments payable to the Executive under this Agreement, then to the accelerated vesting on any equity-based compensation awards, starting with stock options and stock appreciation rights reversing accelerated vesting of those options and stock appreciation rights with the smallest spread between fair market value and exercise price first and after reversing the accelerated vesting of all stock options and stock appreciation rights, thereafter reversing accelerated vesting of restricted stock, restricted stock units, performance shares, performance units or other similar equity awards on a pro rata basis.

(b) All determinations required to be made under this Section 24, including the assumptions to be utilized in arriving at such determination, shall be made by an independent and certified public accounting firm of national standing mutually agreed upon by the Company and Executive (the "Accounting Firm"). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

(c) lf the Executive receives a Payment after taking into account any reductions pursuant to Section 24(a) and the Internal Revenue Service determines, that some portion of the Payment is subject to additional Excise Tax, the provisions of this Section 24 shall be applied to the total amount of the Payments as determined by the Internal Revenue Service and the Executive shall promptly return to the Company a sufficient amount of the Payment so that no portion of any Payment is subject to the Excise Tax; provided, however, that if the amount of such Payments (as redetermined) that the Executive would retain after payment of the Excise Tax and all applicable Federal, state and local income taxes without any reduction under Section 24(a) would exceed the amount of such Payments that the Executive would retain after payment of all applicable Federal, state and local tax es after applying such reduction, the Company shall restore any Payments previously reduced pursuant to Section 24(a).

25. Executive's employment under this Agreement is conditional upon the satisfactory completion by the Company or its agent(s) of a background check, a criminal record check, consumer credit report, reference check and verification of education. By returning a signed copy of this Agreement, Executive consents to these checks and verifications being conducted, and to the collection, use and disclosure of personal information as required for conducting these checks and verifications. In the event the results of these checks are not satisfactory to the Company, this offer of employment will be withdrawn, this Agreement will be void and the Company will have no further obligations to Executive.

IN **WITNESS WHEREOF,** each of the parties has executed this Agreement, in the case of the Company by their duly authorized officers, as of the day and year first above written.

"COMPANY"

TILRAY, INC.

By: _____

"EXECUTIVE"

Michael Kruteck

By: _____

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed; and is indicated with brackets where the information has been omitted from the filed version of this exhibit.

February 28, 2020

HIGH PARK HOLDINGS LTD.
495 Wellington St W, Unit 250,
Toronto, ON M5V 1G1

Attention: Mark Castaneda

Dear:

Re: Bridging Finance Inc. (in its capacity as agent, the "Agent"), as agent for and on behalf of any of the funds managed or co-managed by Bridging Finance Inc. (collectively, the "Lender"), credit facility in favour of the Borrower (as defined below)

The Agent, for and on behalf of the Lender, is pleased to offer the credit facility described in this loan facility letter agreement (the "**Agreement**") subject to the terms and conditions set forth herein. Unless otherwise indicated, all amounts are expressed in Canadian currency. All capitalized terms not otherwise defined in the body of this Agreement shall have the meanings ascribed thereto in Schedule "A".

Borrower:	High Park Holdings Ltd. (the "**Borrower**")
Guarantors:	Tilray, Inc. Tilray Canada Ltd. High Park Farms Ltd. 1197879 B.C. Ltd. FHF Holdings Ltd. Fresh Hemp Foods Ltd. Manitoba Harvest USA, LLC High Park Gardens Inc. Natura Naturals Holdings Inc. Natura Naturals Inc. Dorada Ventures Ltd. (collectively, the "**Guarantors**"). The Borrower and the Guarantors are, collectively, the "**Obligors**" and each an "**Obligor**".

Lender:	Bridging Finance Inc., as agent for and on behalf of any of the funds managed or co-managed by Bridging Finance Inc. (collectively, the "**Lender**").
Agent:	Bridging Finance Inc. (the "**Agent**").
Facility:	Term Loans in the aggregate principal amount of up to C$79,800,000 (the "**Facility**")
Purpose:	The purpose of the Facility is to provide senior debt financing to the Borrower for working capital or such other reasonable business purposes not expressly prohibited by the terms of this Agreement or the other Credit Documents.
Term:	The date that is 24 months immediately following the Closing Date (the "**Term**"). Unless an Event of Default occurs and is continuing and Agent or Lender demands repayment of the Facility in full, the Borrower acknowledges that all then outstanding obligations under the Facility are payable upon maturity at the end of the Term.
Facility Availability:	Subject to the terms and conditions of this Agreement, the Facility shall be drawn (i) in an aggregate principal amount equal to C$66,500,000 in a single draw on the Closing Date (the "**Closing Date Draw**"), and (ii) in an aggregate principal amount equal to C$13,300,000 in a single draw at the Borrower's election provided that the Additional Draw Conditions Precedent are satisfied (the "**Additional Draw**"). Amounts prepaid or repaid in respect of the Facility may not be reborrowed.

Interest Rate and Fees:	**Interest:** Interest on the outstanding principal balance of the Facility shall accrue at an annual rate equal to the Bank of Nova Scotia Prime plus 8.05% calculated on the daily outstanding balance of the Facility calculated and compounded monthly, not in advance and with no deemed reinvestment of monthly payments. On the occurrence of an Event of Default, interest shall be calculated at an annual rate of twenty-one percent (21%) per annum calculated and compounded as aforesaid. Bank of Nova Scotia Prime shall mean the floating annual rate of interest established from time to time by the Bank of Nova Scotia as the base rate it will use to determine rates of interest on Canadian dollar loans to customers in Canada and designated as its "Prime Rate". All computations of interest shall be calculated on the basis of a year of 365 (or 366, as applicable) days for the actual days elapsed. In computing interest, all payments received after 12:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day. If any provision of this Agreement would oblige an Obligor to make any payment of interest or other amount payable to the Agent or any Lender in an amount or calculated at a rate which would be prohibited by any Applicable Law or would result in a receipt by the Agent or Lender of "interest" at a "criminal rate" (as such terms are construed under the *Criminal Code* (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in a receipt by that Lender of "interest" at a "criminal rate", such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows: first, by reducing the amount or rate of interest required to be paid to the affected Agent or Lender under this Agreement; and thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid to the affected Agent or Lender which would constitute interest for purposes of section 347 of the *Criminal Code* (Canada).
	Work Fees: Work fees equal to (i) C$3,990,000, plus any applicable taxes due thereon, due and payable by the Borrower to the Agent on the Closing Date and shall be deducted from the advance of the Facility on the Closing Date and (ii) C$798,000, plus any applicable taxes due thereon, due and payable by the Borrower to the Agent on the date the Additional Draw is advanced and shall be deducted from the advance of the Additional Draw. Each work fee when paid shall be deemed fully earned and non-refundable under all circumstances. Notwithstanding anything contained in this Agreement, the Work Fees, Early Prepay Fee and Prior Notice Prepay Fee may be allocated between or among the Agent and Lender, at the sole discretion of Agent.
	Administration Fee: If the Borrower fails to pay any amounts on the day such amounts are due or if the Borrower fails to deliver the required reports set out herein, the Borrower shall pay to the Agent a late administration fee of $100.00 per day, plus any applicable taxes due thereon, until such date that such payment has been made or the Borrower has delivered such report, as the case may be.
	Expenses: The Obligors shall pay all fees and expenses (including, but not limited to, all due diligence, consultant, field examination and appraisal costs, fees, expenses and other charges for (1) lien and title searches and (2) filing financing statements and continuations and other actions to perfect, protect, and continue the Agent's Encumbrances in the Collateral, all reasonable out-of-pocket fees and expenses for outside legal counsel and other outside professional advisors and the time spent by the Agent and its representatives in retaking, holding, repairing, processing and preparing for disposition and disposing of the Security) reasonably incurred by the Agent or the Lender in connection with the preparation, registration and ongoing administration of this Agreement, the Credit Documents and the Security and with the enforcement, collection or protection of the Agent's or the Lender's rights and remedies under this Agreement, the Credit Documents or the Security, whether or not any amounts are advanced under this Agreement, including all out-of-pocket expenses incurred and actually paid during any workout, restructuring or negotiations in respect of the Facility. If the Agent or the Lender has paid any expense for which the Agent or the Lender is entitled to reimbursement from the Obligors and such expense has not been deducted from the advance of the Facility, such expense shall be payable by the Obligors upon demand therefor from the Agent or the Lender and until paid such expense shall bear interest at the same rate as the Facility as stipulated herein. All such fees and expenses and interest thereon shall be secured by the Security whether or not any funds under the Facility are advanced.

Interest Payments:	Without limiting the right of the Agent or the Lender to, at any time after an Event of Default, demand repayment and subject to and in addition to the requirement for repayment in full pursuant to this Agreement at the end of the Term, interest only at the aforesaid rate, calculated daily and compounded and payable monthly, not in advance on the outstanding amount of the Facility, shall be due and payable on the last Business Day of each and every month during the Term.
Principal Payments:	Subject to demand by the Agent or the Lender after the occurrence and during the continuance of an Event of Default, the Borrower agrees that the principal balance of the Facility shall be due and payable in cash as follows: (i) monthly payments in an amount equal to the aggregate principal amount of the total Closing Date Draw, divided by 120, on the last Business Day of each month of each calendar year, (ii) monthly payments beginning with the month that the Additional Draw is advanced in an amount equal to the aggregate principal amount of the total Additional Draw divided by 120, on the last Business Day of each month of each calendar year, and (iii) the remaining principal balance of the aggregate Facility in full upon maturity at the end of the Term (whether the stated end of the Term, as a result of acceleration or otherwise).

Prepayment:	If the Facility is prepaid in full or partially prior to the date that is 6 months immediately following the Closing Date, including by voluntary prepayment or in the event of a prepayment for any other reason, including (a) acceleration of the Obligations as a result of the occurrence of an Event of Default, (b) foreclosure and sale of, or collection of, the Collateral, (c) sale of the Collateral in any insolvency proceeding, or (d) the restructure, reorganization, or compromise of the Obligations by the confirmation of a plan of reorganization or any other plan of compromise, restructure, or arrangement in any insolvency proceeding (in each case, an "**Accelerated Prepayment**"), then, in view of the impracticability and extreme difficulty of ascertaining the actual amount of damages to the Agent and Lender or profits lost by the Agent and Lender as a result of such Prepayment, and by mutual agreement of the parties as to a reasonable estimation and calculation of the lost profits or damages of the Agent and Lender, the Borrower shall pay to the Agent an amount in cash (i) calculated in accordance with the formula set out below, plus applicable taxes due thereon (the "**Early Prepay Fee**") plus (ii) all accrued interest on the principal amount that is being prepaid, any other accrued but unpaid interest which is due and payable hereunder and any fees owing on the date the prepayment is made, all of which shall be due and payable as of the date the prepayment is made: I/365 x N x M Where: I = the annual interest rate of the Facility on the date the prepayment is made; N = the number of days between the date the prepayment is made and the date that is 6 months immediately following the Closing Date; and M = the principal amount that is being prepaid. If the Facility is voluntarily prepaid in full or partially on and after the date that is 6 months immediately following the Closing Date, the Borrower shall deliver an irrevocable prepayment notice to the Agent (the "**Prepayment Notice**") at least seventy-five (75) days prior to the proposed prepayment date (the "**Prepayment Date**") setting forth the amount being prepaid (the "**Prepayment Amount**") and the Prepayment Date. Should the Borrower wish to voluntarily prepay the Facility in full or partially without having to provide the Agent with such required seventy-five (75) days prior notice or in the event of a Prepayment for any other reason without the required notice on and after the date that is 6 months immediately following the Closing Date, including an Accelerated Prepayment, then, in view of the impracticability and extreme difficulty of ascertaining the actual amount of damages to the Agent and Lender or profits lost by the Agent and Lender as a result of such Prepayment, and by mutual agreement of the parties as to a reasonable estimation and calculation of the lost profits or damages of the Agent and Lender, the Borrower shall pay to the Agent an amount in cash calculated in accordance with the formula set out below and which shall be due and payable as of the date the prepayment is made (the "**Prior Notice Prepay Fee**") plus (ii) all accrued interest on the principal amount that is being prepaid, any other accrued but unpaid interest which is due and payable hereunder and any fees owing on the date the prepayment is made, all of which shall be due and payable as of the date the prepayment is made: I/365 x (75 – N) x M Where: I = the annual interest rate on the Facility on the date the Prepayment Notice was given or, if no Prepayment Notice was given (including, without limitation, due to an Accelerated Prepayment), on the date the prepayment is made; N = where a Prepayment Notice was given, the number of days between the date the Prepayment Notice is given and the date of prepayment, provided that if no Prepayment Notice was given (including, without limitation, due to an Accelerated Prepayment), N shall equal 0; and M = the Prepayment Amount.
	In the event that the Prepayment Amount is not paid in full on the Prepayment Date or within 2 Business Days following such date, then the Agent shall have the option, in its discretion, to declare and consider the Prepayment Notice to be null and void such that any prepayment shall thereafter only be permitted by the delivery of a new Prepayment Notice in compliance with this section.
Deposit:	The Agent acknowledges that it has been paid a deposit of C$100,000 by the Obligors which will be credited against the Borrower's obligation to pay the legal fees and expenses incurred by the Agent. To the extent that Agent and/or the Lenders fees and expenses exceed such deposit, Obligors shall pay Agent or the Lender, as applicable any such excess on demand.

Application of Payments:	Notwithstanding anything else contained herein, all payments received by the Agent or the Lender shall first be credited as payment of interest, fees and expenses owing by the Borrower in respect of the Facility and then as repayment of the principal amount owing by the Borrower to the Agent or Lender hereunder.
Conditions Precedent to Closing Date:	The availability of the Facility on the Closing Date are subject to and conditional upon the following conditions:
	(a) approval of the transaction by the Agent's credit committee;
	(b) satisfactory completion of the Agent's due diligence and continual due diligence, including the Agent's review of the corporate structure of the Obligors and operations of the Obligors, and its business and financial plans;
	(c) receipt of a duly executed copy of this Agreement, the Security Agreements, the Security and other Credit Documents, in form and substance satisfactory to the Agent and its legal counsel, registered as required to perfect and maintain the security created thereby and such certificates, authorizations, resolutions of the board of directors of each Obligor and legal opinions as the Agent may reasonably require in each relevant jurisdiction including an opinion from counsel to the Obligors with respect to status and the due authorization, execution, delivery, validity and enforceability against the Obligors of this Agreement, the Security Agreements and other Credit Documents together opinions in respect of all real property Collateral;
	(d) each document (including any PPSA or UCC financing statement and intellectual property security agreements) required by the Credit Documents or under law or reasonably requested by the Agent to be filed, registered or recorded in order to create in favor of the Agent, for the benefit of the Lender, a perfected lien on the Collateral described therein, prior and superior in right to any other Person, shall be filed, registered or recorded or in proper form for same;
	(e) on or prior to the Closing Date, the discharge or subordination of any and all existing security against the Collateral, other than the Permitted Encumbrances, as may be required by the Agent;
	(f) concurrent with the Closing Date advance, payment of all fees and expenses owing to the Agent or the Lender hereunder;
	(g) delivery of such financial and other information, certificates or documents relating to the Borrower and other Obligors as the Agent may require;
	(h) the Agent being satisfied that there has been no material deterioration in the financial condition of any Obligor;

	(i)no event shall have occurred and be continuing and no circumstance shall exist which has not been waived, which constitutes a default in respect of any material commitment, agreement or any other instrument to which an Obligor is a party or is otherwise bound, entitling any other party thereto to accelerate the maturity of amounts of principal owing thereunder or terminate any such material commitment, agreement or instrument which would have a Material Adverse Effect upon the financial condition, property, assets, operation or business of the Obligors and their subsidiaries, taken as a whole;
	(j)the Agent shall have received the results of a recent lien search in such jurisdictions as the Agent shall deem appropriate, and such search shall reveal no liens on any of the assets of the Obligors except for Permitted Encumbrances or discharged on or prior to the Closing Date pursuant to a pay-off letter or other documentation reasonably satisfactory to the Agent; and
	(k)no event that constitutes, or with notice or loss of time or both, would constitute an Event of Default shall have occurred.
Additional Draw Conditions Precedent:	The availability of the Additional Draw after the Closing Date is subject to and conditional upon the following conditions: (a)the Borrower has requested the Additional Draw be funded on a Business Day which is not earlier than the date that is 90 days after the Closing Date; (b)the Borrower has provided the Agent with not less than 30 days' prior written notice of its request for the Additional Draw, provided that the Agent may waive such notice in its sole discretion; (c)the Borrower has delivered a certificate signed by a senior officer of the Borrower certifying that (i) no Default or Event of Default exists or will result after giving effect to the Additional Draw, (ii) the representations and warranties set forth in this Agreement are true and correct as of the date the Borrower requested the Additional Draw and the proposed funding date of the Additional Draw, (iii) the Borrower and each of the Obligors are solvent, and (iv) the Obligors have complied in all material respects with all agreements and conditions to be satisfied by them under the Credit Documents; and (d)the Work Fee payable by the Borrower to the Agent on the date the Additional Draw shall be deducted from the advance of the Additional Draw.
Conditions Subsequent (Post Closing Undertakings):	The Obligors will ensure that all post closing undertakings as set forth in Schedule "C" (collectively, the "**Post-Closing Undertakings**") have been satisfied within the time periods set forth therein and any failure to satisfy any of the Post-Closing Undertakings within the applicable time periods shall constitute an Event of Default.
Covenants:	Each Obligor hereby covenants and agrees with the Agent and the Lender, while this Agreement is in effect, to:
	(a)pay all sums of money when due hereunder or arising therefrom;

	(b) provide the Agent with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default, a breach of any covenant or other term or condition of this Agreement or of any other Credit Document;
	(c) use the proceeds of the Facility solely for the purposes provided for herein;
	(d) not materially change the nature of its business;
	(e) keep and maintain books of account and other accounting records in accordance with GAAP;
	(f) fully and effectually maintain and keep maintained all security interests and Encumbrances granted to the Agent under the Security and other Credit Documents as a valid and effective first priority Encumbrances at all times (pursuant to the terms and conditions of the Credit Documents or other security documents), free of all Encumbrances other than Permitted Encumbrances;
	(g) cause all material properties used or useful in the conduct of the business of the Obligors to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and supplied with all necessary equipment and cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in its reasonable judgment may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times;
	(h) permit the Agent or its representatives, from time to time, (i) prior to a Default which is continuing, at reasonable times during normal business hours and upon reasonable notice not more than twice per year, and (ii) following a Default and for so long as it is continuing, at any time with or without notice to the Borrower with such frequency as the Agent, in its sole discretion, may require, to visit and inspect the Obligor's premises, properties and assets and to examine and obtain copies of the Obligor's records or other information and discuss the Obligor's affairs with the auditors, counsel and other professional advisors of the Obligors all at the reasonable expense of the Obligors;
	(i) keep the Agent informed on any material changes to the strategy of the Obligors;
	(j) forthwith notify the Agent of the particulars of any action, suit or proceeding, pending, arbitration or mediation requests which, if determined adversely, would result in a judgement or award against an Obligor that could reasonably be expected to have a Material Adverse Effect;

	(k)in a form and manner prescribed by the Agent (which may include by fax and/or e-mail), promptly deliver to the Agent any financial information, certified by a senior officer of the applicable Obligor, with respect to such Obligor as reasonably requested by the Agent;
	(l)file all Tax returns which the Obligors must file from time to time (except in such jurisdictions where Taxes payable are *de minimus* and the applicable Obligor has established reserves required by GAAP), to pay or make provision for payment of all Taxes (including interest and penalties) and other potential preferred claims which are or will become due and payable and to provide adequate reserves for the payment of any Tax, the payment of which is being contested;
	(m)maintain its corporate or limited liability existence in good standing in its jurisdiction of formation;
	(n)provide 30 days prior written notice to the Agent of any change in the Obligor's places of business or name;
	(o)keep its assets fully insured against such perils and in such manner as would be customarily insured by companies carrying on a similar business or owning similar assets;
	(p)comply at all times with all Applicable Laws (including Applicable Securities Laws) and Permits and to advise the Agent promptly of any action, requests or violation notices received from any government or regulatory authority concerning the Obligor's operations which could have a Material Adverse Effect; and to indemnify and hold the Agent and the Lender harmless from all liability of loss as a result of any non-compliance by the Obligors with any such Applicable Laws;
	(q)promptly provide the Agent with notice if any license of the Obligors required by such Obligor to conduct its business, as then conducted, is terminated, not renewed, materially restricted or is threatened to be terminated, not renewed or materially restricted;
	(r)not sell, transfer, convey, lease or otherwise dispose of any of its properties or assets, other than (i) in the ordinary course of its business, or (ii) to another Obligor;
	(s)The Obligors agree that as a specific condition to the Agent and Lender agreeing to provide the Facility, the Obligors shall provide to the Agent the following regular reports:
	I.monthly, within 45 days of the end of each month, internally prepared (i) consolidated financial statements for such month and evidence, in form and substance reasonably satisfactory to Agent, of the Obligors deposit account cash balances as of the end of such fiscal month, and (ii) a standalone financial summary, in form and substance reasonably satisfactory to Agent, of (y) Manitoba Harvest USA LLC and (z) the business conducted in Nanaimo, British Columbia**;** and

	II. annually, within 120 days of each fiscal year end, consolidated audited annual financial statements. provided that, documents required to be delivered above shall be deemed to have been delivered by the Borrower on the date that the Borrower notifies the Agent in writing that: (i) Tilray, Inc. has posted such documents on its website on the internet; or (ii) such documents were posted on Tilray, Inc.'s behalf on an internet website specified to the Agent by Tilray, Inc. and to which the Agent has access (whether a commercial or third-party website including www.sedar.com).
	Nothing contained in the above provisions shall limit, restrict or prevent the Agent or Lender from requesting such other information from the Obligors from time to time, at its discretion, as set out in other provisions of this Agreement.
	(t) other than inventory in the ordinary course of business and consistent with past practices, not move any of the Collateral outside of Canada or the United States without the Agent's consent;
	(u) not purchase or redeem its shares or units or otherwise reduce the capital of the Obligors without the Agent's consent;
	(v) not (i) sell, transfer, convey, encumber or otherwise dispose of any of its, or its Subsidiaries, capital stock, except for issuance of equity interest of Tilray, Inc. or (ii) permit any reorganization or Change of Control of the Obligors or their Subsidiaries, without the Agent's consent;
	(w) not declare or pay any dividends, or distributions to shareholders, or repay any shareholders' loans, interest thereon or share capital of an Obligor without the Agent's consent (other than (i) dividends, distributions or payments from one Obligor to another, and (ii) the non-cash conversion of the Convertible Notes to common stock of Tilray, Inc. in accordance with the terms thereof);
	(x) not make loans or advances (excluding for greater certainty, salaries and bonuses (which shall not be funded from the sale of assets) payable in the ordinary course of business and in accordance with past practice) to shareholders, directors, officers or any other related or associated party (other than between Obligors);
	(y) not make any capital expenditures, unless the Payment Conditions have been satisfied;
	(z) not grant, create, assume or suffer to exist any mortgage, charge, Encumbrance, pledge, security interest, including a purchase money security interest, or other encumbrance affecting the Collateral except for Permitted Encumbrances;
	(aa) not voluntarily cancel any debt owing to it (other than debt owing from another Obligor);

	(bb) not create, incur, assume or permit to exist any indebtedness, except indebtedness consented to in writing by the Agent, Permitted Indebtedness and the Convertible Notes, provided that "indebtedness" includes, without limitation, (i) debt for borrowed money or for the deferred purchase price of property or services (including reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured); (ii) all indebtedness created or arising under any conditional sale or other title retention agreements; (iii) a guarantee, indemnity or financial support obligation other than in the ordinary course of business; and (iv) capital lease obligations;
	(cc) not grant a loan or make an investment in or provide financial assistance to a third party, affiliate or Subsidiary that is not an Obligor, including without limitation, by way of a suretyship, guarantee or otherwise, except for (i) financial assistance existing as of the date of this Agreement, (ii) financial assistance delivered in connection with indebtedness secured by Permitted Encumbrances, and (iii) investments, unless the Payment Conditions have been satisfied (provided that, to the extent any investment includes any disposition of intellectual property material and necessary for the operation of the assets of the Obligors which constitutes Collateral, such intellectual property shall be subject to a non-exclusive royalty-free worldwide license in favor of the Agent solely for the purpose of the Agent's exercise of rights and remedies under this Agreement and the other Credit Documents in connection with the Collateral);

	(dd) not merge, amalgamate, effect a division or amend its constating documents (unless the constating document amendment would not adversely impact the Agent) or otherwise enter into any other form of business combination with any other entity without the prior written consent of the Agent; provided that an Obligor (as applicable, the "**Predecessor Entity**") may enter into such a transaction if (i) such transaction is solely between Obligors, (ii) such Person or continuing company (the "**Successor Entity**") shall execute and/or deliver to the Agent an agreement supplemental hereto and to the other Credit Documents executed by a Predecessor Entity or Predecessor Entities, as the case may be, in form reasonably satisfactory to the Agent and execute and/or deliver such other instruments, if any, which to the reasonable satisfaction of the Agent and in the opinion of the Agent's counsel are necessary or desirable to evidence (A) the assumption by the Successor Entity of liability under each Credit Document to which a Predecessor Entity is a party for the due and punctual payment of all money payable by that Predecessor Entity thereunder, (B) the covenant of the Successor Entity to pay the same and (C) the agreement of the Successor Entity to observe and perform all the covenants and obligations of each Predecessor Entity under each Credit Document to which such Predecessor Entity was a party and to be bound by all of the terms of each such Credit Document so far as they relate to such Predecessor Entity which instruments, if any, shall be in form reasonably satisfactory to the Agent; (iii) such transaction would not adversely affect the interests of the Agent hereunder or under any Credit Document, including the validity or priority of the liens or the Agent's rights under the Security; (iv) such transaction will not result in any increase in tax being levied on or payable by the Agent or the Lender; (v) no Default or Event of Default shall have occurred and be continuing or will occur as a result of such transaction; and (vi) such transaction shall not involve a liquidation or dissolution of an Obligor.
	(ee) not (i) permit any Subsidiary of an Obligor that is not an Obligor to grant, create, assume or suffer to exist any mortgage, charge, Encumbrance, pledge, security interest, including a purchase money security interest, or otherwise encumber such Subsidiary's material assets or (ii) pledge, grant, create, assume or suffer to exist any mortgage, charge, Encumbrance, security interest, including a purchase money security interest, or otherwise encumber the equity interests of any Subsidiary of an Obligor that is not an Obligor;
	(ff) until such time as such production or distribution either (A) is permitted by Nasdaq or another national U.S. stock exchange, or (B) becomes legal under applicable state and federal laws in the United States, not produce or distribute cannabis products in the United States without the consent of the Agent, except for (a) supply of study drug for clinical trials, and (b) participation in the market for hemp-derived CBD products;
	(gg) for each Obligor that requires a cannabis license from Health Canada to operate its business, maintain such license in good standing;
	(hh) no Obligor will permit any Inactive Subsidiary to (a) own any assets, (b) have any liabilities, or (c) engage in any business activity; and
	(ii) subject to the Post-Closing Undertakings, each Obligor will ensure that all of it's Deposit Accounts, securities accounts and investment accounts are at all times subject to control agreements or blocked account agreements in form and substance satisfactory to Agent. Each Obligor shall be the sole account holder of each Deposit Account and shall not allow any person (other than Agent) to have control over a Deposit Account or any Property deposited therein. Each Obligor shall promptly notify Agent of any opening or closing of a Deposit Account or other account.
Security and other Requirements:	As general and continuing security for the performance by the Obligors of all of its obligations, present and future, to the Agent for and on behalf of the Lender, including, without limitation, the repayment of advances granted hereunder and the payment of interest, fees, expenses and any other amounts provided for hereunder and under the security documents, the Obligors undertake to grant, as applicable, or cause to be granted, to the Agent for and on behalf of the Lender and to maintain at all times the following security in form satisfactory to the Agent, in accordance with the forms in use by the Agent or as prepared by its legal counsel:
	(a) a first priority, perfected Encumbrance (subject to Permitted Encumbrances) in favor of the Agent, for the benefit of the Lenders, pursuant to the terms and conditions of the Credit Documents or other security documents as the Agent shall reasonably request, in all of the Obligor's assets;

	(b) a Mortgage in respect of each Mortgaged Property, in favor of the Agent, for the benefit of the Lenders, in form and substance satisfactory to the Agent, acting reasonably, constituting a first priority Encumbrance on each Mortgaged Property, subject only to Permitted Encumbrances and encumbrances set forth in the corresponding title insurance policy;
	(c) certificates of insurance coverage, naming the Agent as additional insured or first loss payee on all risk, business interruption, commercial general liability and property insurance covering each Obligor;
	(d) tile insurance policies in form and substance satisfactory to Agent in respect of each Mortgaged Property; and
	(e) delivery of original stock certificates and corresponding original stock transfer powers to the Agent in respect of each of the Obligors other than Tilray, Inc.
	The Obligors undertake and agree to grant, or cause to be granted, to the Agent for and on behalf of the Lender, such other security and supporting documents, certificates, insurance deliveries or instruments in respect of the Obligors (including such other third party postponement and subordinations, waivers and estoppels) as may be reasonably requested by the Agent from time to time.
Events of Default:	Without limiting any other rights of the Agent or Lender under this Agreement, if any one or more of the following events (an "**Event of Default**") has occurred and is continuing:
	(a) the Borrower fails to pay when due any principal, interest, fees or other amounts due under this Agreement or under any of the Security;
	(b) any Obligor breaches any provision of this Agreement or any Credit Document or other agreement with the Agent and such breach is not cured within ten (10) days;
	(c) any Obligor is in default under the terms of any present or future indebtedness for borrowed money having a principal amount in excess of $250,000 in the aggregate (including without limitation, the Convertible Notes);
	(d) any representation or warranty made or deemed to have been made in this Agreement or any other Credit Document, or in any written statement pursuant hereto or thereto, including any information certificate delivered in association with the entering into this Agreement, or in any report, financial statement or certificate made or delivered to the Agent by the Obligors, shall be untrue or incorrect as of the date when made or deemed made;
	(e) any Obligor which is a corporation ceases or threatens to cease to carry on business in the ordinary course;

	(f) any default or failure by any Obligor that is a corporation to make any payment of wages or other monetary remuneration payable by such Obligors its employees under the terms of any contract of employment, oral or written, express or implied , in each case, unless subject to a Permitted Protest by an Obligor;
	(g) any default or failure by an Obligor to keep current all amounts owing to parties other than the Agent or the Lender who, in the Agent's reasonable opinion, have or could have a security interest, trust or deemed trust in the property, assets or undertaking of the Obligors which, in the Agent's reasonable opinion could rank in priority to the security or Encumbrance held by the Agent upon or in the Collateral;
	(h) if, in the reasonable opinion of the Agent, there is a Material Adverse Change in the financial condition or operation of an Obligor;
	(i) an Obligor shall become unable, admit in writing its inability, or publicly declare its intention not to, or fail generally to pay its debts as they become due;
	(j) any judgment or award is made against an Obligor, in respect of which (i) in the opinion of the Agent, acting reasonably, is likely to cause a Material Adverse Effect with respect to the Obligor, (ii) there is not an appeal or proceeding for review being diligently pursued in good faith or (iii) adequate provision has not been made on the books of the Obligor, as applicable;
	(k) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of an Obligor or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for an Obligor or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;
	(l) an Obligor shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (i) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for an Obligor or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

	(m)any material provision of any Credit Document for any reason ceases to be valid, binding and enforceable in accordance with its terms, or an Obligor shall challenge the enforceability of any Credit Document or shall assert in writing, or engage in any action or inaction that evidences its assertion, that any provision of any of the Credit Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms;
	(n)any Credit Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Credit Document;
	(o)except as permitted by the terms of any Credit Document, (i) any Security Document shall for any reason fail to create a valid security interest in any Collateral purported to be covered thereby or (ii) any Encumbrance granted to Agent securing any Obligation shall cease to be a perfected, first priority Encumbrance;
	(p)a Change of Control shall occur;
	(q)any breach by an Obligor of a Permit under Applicable Laws and regulations necessary for the operation of the businesses currently carried on, or proposed to be carried on, by it which cannot be cured within twenty (20) days, or a proceeding is pending or threatened to revoke or limit any such Permit; in each case, which in the opinion of the Agent, acting reasonably, is likely to cause a Material Adverse Effect with respect to such Obligor,
	(r)if property and assets of an Obligor or any part thereof having an aggregate fair market value in excess of C$5,000,000 are seized or otherwise attached by any person pursuant to any legal process or other means, including distress, execution or any other step or proceeding with similar effect and such attachment, step or other proceeding shall continue in effect and not be released, discharged or stayed within the lesser of thirty (30) days and the period of time prescribed under applicable laws for the completion of the sale of or realization against the assets subject to such seizure or attachment;

	then, in such event, the Agent may, by written notice to the Borrower declare all monies outstanding under the Facility to be immediately due and payable. Upon receipt of such written notice, the Obligors shall immediately pay to the Agent all monies outstanding under the Facility and all other obligations of the Borrower to the Agent in connection with the Facility under this Agreement. The Agent may enforce its rights to realize upon its Security and retain an amount sufficient to secure the Agent for the Obligations to the Agent and the Lender. Upon the occurrence and during the continuance of an Event of Default, the Agent may increase the rate of interest applicable to the Facility and other Obligations as set forth in this Agreement and exercise any other rights and remedies provided to the Agent under the Credit Documents or at law or equity, including all remedies provided under the PPSA and the UCC. Notwithstanding the foregoing or anything contained in this Agreement, and without any action or notice by Agent or Lender, in the case of any event described in clause (k) or (l) of the foregoing definition of Event of Default, the commitment to provide any loans under the Facility shall automatically terminate and the principal of the Facility, together with accrued interest thereon and all fees (including, without limitation, any Early Prepay Fee or Prior Notice Prepay Fee) and other Obligations of the Borrower accrued hereunder or under any other Credit Documents, shall automatically become due and payable in cash, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Obligors.
Evidence of Indebtedness:	The Agent shall maintain records evidencing the Facility. The Agent shall record the principal amount of the Facility, the payment of principal and interest on account of the Facility, and all other amounts becoming due to the Agent or the Lender under this Agreement.
	The Agent's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Obligors to the Agent and the Lender pursuant to this Agreement.
Representations and Warranties:	Each Obligor represents and warrants to the Agent and the Lender as of the Closing Date and of the date of the Additional Draw, that:
	(a) each Obligor that is a corporation has been incorporated under the laws of its jurisdiction of incorporation and has not been terminated;
	(b) each Obligor that is a corporation is duly registered and licensed to carry on business in the jurisdictions in which it carries on business or owns property where so required by the laws of that jurisdiction and it is not otherwise precluded from carrying on business or owning property in such jurisdictions by any other commitment, agreement or document;
	(c) each Obligor that is a corporation has full corporate power and authority to carry on its business as now carried on by it;
	(d) each Obligor has complied and will fully comply with the requirements of all Applicable Laws;

	(e) each Obligor is in compliance with all Applicable Laws (including Applicable Securities Laws) in the jurisdictions in which it carries on business except where the failure to do so would not result in a Material Adverse Effect, has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations and statutes, and is not aware of any pending change or contemplated change to any Applicable Law that would materially affect its business or the legal environment under which it operates;
	(f) each Obligor which is a corporation has or will have when required, all material Permits under all Applicable Laws and regulations necessary for the operation of the businesses currently carried on, or proposed to be carried on, by it and each such material Permit is valid, subsisting and in good standing and it is not in default or breach of any such material Permit, and to the best of its knowledge, no proceeding is pending or threatened to revoke or limit any such material Permit;
	(g) the execution, delivery and performance by the Obligors of this Agreement and all documents delivered in connection with this Agreement have been duly authorized by all necessary actions and do not violate the governing or organizational documents or any Applicable Laws or agreements to which it is subject or by which it is bound;
	(h) the Obligor's financial statements most recently provided to the Agent fairly present its financial positions as of the date thereof and its results of operations and cash flows for the fiscal period covered thereby, and since the date of such financial statements, there has occurred no Material Adverse Change in the Obligor's business or financial condition;
	(i) there is no claim, action, prosecution or other proceeding of any kind pending or threatened in writing against any Obligor or any of its assets or properties (including any of its intellectual property) before any court or administrative agency which relates to any non-compliance with any law which, if adversely determined, could reasonably be expected to have a Material Adverse Effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any of the Credit Documents, and there are no circumstances of which it is aware which might give rise to any such proceeding which has not been fully disclosed to the Agent;
	(j) other than as has been disclosed to the Agent, there is no litigation or governmental proceeding pending against any Obligor or, to the best of its knowledge, threatened against it which, if adversely determined, would materially adversely affect its financial condition;

	(k) no Obligor is a party to any agreement or instrument, or subject to any corporate restriction or any judgment, order, writ, injunction, decree, award, rule or regulation, which has had a Material Adverse Effect or, to the best of its knowledge, in the future is likely to have a Material Adverse Effect, its ability to enter this Agreement or any other Credit Document or to perform its obligations under this Agreement or any other Credit Document;
	(l) no Obligor which is a corporation has contingent liabilities which are not disclosed on or referred to in the financial statements most recently delivered to the Agent which would have a Material Adverse Effect on its business or prospects;
	(m) each Obligor has good and marketable title to the Collateral pledged by it pursuant to the Security free and clear of any Encumbrances, other than Permitted Encumbrances or as may otherwise be provided for herein;
	(n) there are no outstanding rent payments owing by an Obligor in respect of any leased real property;
	(o) no Default has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default, a breach of any covenant or other term or condition of this Agreement or any of the Credit Documents given in connection therewith;
	(p) each Obligor has filed all Tax returns which were required to be filed by it (except in such jurisdictions where Taxes payable are *de minimus* and the applicable Obligor has established reserves required by GAAP), if any, paid or made provision for payment of all Taxes (including interest and penalties) which are due and payable, if any, and provided adequate reserves for payment of any Tax, the payment of which is being contested, if any;
	(q) (i) No Subsidiary of an Obligor that is not an Obligor has granted, created, assumed or suffered to exist any mortgage, charge, Encumbrance, pledge, security interest, including a purchase money security interest, or otherwise encumber such Subsidiary's material assets and (ii) no Obligor has pledged, granted, created, assumed or suffered to exist any mortgage, charge, Encumbrance, security interest, including a purchase money security interest, or otherwise encumbered the equity interests of any Subsidiary of an Obligor that is not an Obligor;
	(r) None of the Obligors produce or distribute cannabis products in the United States, except for (a) supply of study drug for clinical trials, and (b) participation in the market for hemp-derived CBD products;
	(s) each Obligor that requires a cannabis license from Health Canada to operate its business has received such license and maintains such license in good standing; and
	(t) no Inactive Subsidiary (a) owns any assets, (b) has any liabilities, or (c) engages in any business activity.

Books and Records:	Each Obligor agrees, (i) prior to a Default which is continuing, at reasonable times during normal business hours and upon reasonable notice not more than twice per year, and (ii) following a Default and for so long as it is continuing, upon request and 24 hours prior written notice, to promptly provide the Agent with unfettered access to the books and records of the Obligors.

Confidentiality:	Each of the Obligors, Agent and Lender will hold all Confidential Information of the Disclosing Party in the strictest confidence, and protect it in accordance with a standard of care which shall be no less than the care it uses to protect its own information of like importance but in no event with less than reasonable care; provided that: (a) “Confidential Information” shall not include any information: (i) that is or becomes publicly known (other than as a result of a breach by Recipient Party or its Representatives (as defined below) of this Agreement); (ii) that has been or shall be otherwise independently acquired by or developed by Recipient Party without violating the terms of this Agreement; or (iii) is known by Recipient Party or its Representatives prior to its disclosure to Recipient Party by Disclosing Party. Failure to mark any of the Confidential Information as confidential shall not affect its status as Confidential Information under this Agreement; (b) Recipient Party may disclose Confidential Information of Disclosing Party to its directors, officers, employees, affiliates, consultants and agents (hereinafter **"Representatives"**) provided such Representatives (I) have a need to know; and (II) the same are informed, directed and obligated by Recipient Party to treat such Confidential Information in accordance with the obligations of this Agreement. Recipient Party shall be liable for any breach of an obligation hereunder by any of its Representatives; (c) In the event Recipient Party receives a court order or other governmental or administrative decree of appropriate and sufficient jurisdiction or to the extent required by Applicable Law requiring disclosure of Disclosing Party’s Confidential Information, Recipient Party shall give Disclosing Party reasonable notice prior to such disclosure in order to permit Disclosing Party, at its expense, to seek a protective order. Recipient Party shall also cooperate with Disclosing Party in seeking a protective order, and release only so much of Disclosing Party’s Confidential Information as is required by such order; (d) The obligation of confidentiality above shall not be construed to limit each Recipient Party’s right to independently operate businesses or to develop or acquire products without use of the Confidential Information. Further, each Recipient Party shall be free to use for any purpose the residuals resulting from the access to such Confidential Information, provided that such Party shall maintain the confidentiality of the Confidential Information as provided herein. The term “residuals” means information in non-tangible form, which may be retained by Representatives who have had access to the Confidential Information, including ideas, concepts, know-how or techniques contained therein. No Recipient Party shall have an obligation to limit or restrict the assignment of such Representatives or to pay royalties for any work resulting from the use of residuals; and (e) Confidential Information may be disclosed (i) to any other party to this Agreement, (ii) in connection with the exercise of any remedies under this Agreement or any other Credit Document or any suit, action or proceeding relating to this Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (iii) with the consent of the Disclosing Party, (iv) to holders of Equity Interests in the Obligors, and (v) subject to an agreement containing provisions substantially the same as those of this Section, to any actual or prospective party investing in, financing or engaging in a strategic partnership or joint venture with the Obligors, so long as such disclosure is on a “no names” basis and the identity of the Agent and Lender is not disclosed.

General:	**Credit:** Each Obligor authorizes the Agent, hereinafter, to obtain such factual and investigative information regarding it, from others as permitted by law, and to furnish other consumer credit grantors and credit bureaus such information. The Agent, after completing credit investigations, which it will make from time to time concerning the Obligor, must in its absolute discretion be satisfied with all information obtained prior to any advance being made under the Facility. Each Obligor further authorizes any financial institution, creditor, tax authority, employer or any other person, including any public entity, holding such factual and investigative information concerning it, or its assets, including any financial information or information with respect to any undertaking or suretyship given by the Obligor, to supply such information to the Agent in order to verify the accuracy of all information furnished or to be furnished from time to time to the Agent and to ensure the solvency of the Obligors at all times
	Further Assurances and Documentation: Each Obligor shall do all things and execute all documents deemed necessary or appropriate by the Agent for the purposes of giving full force and effect to the terms, conditions, undertakings hereof and the Security granted or to be granted hereunder or under any Credit Document.
	Severability: If any provisions of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Agreement.
	Notice: Any communication or notice to be given pursuant to this Agreement may be effectively given by delivering the same at the addresses set out below, or by sending the same by pdf or prepaid registered mail to the parties at such addresses. Any notice so mailed will be deemed to have been received on the fifth (5th) day next following the mailing thereof, provided that postal service is in normal operation during such time. Any pdf notice will be deemed to have been received pursuant to email transmission if sent prior to 3:00 pm on a Business Day and, if not, on the next Business Day following such transmission. In the case of email, receipt of each communication must be confirmed by the recipient by the end of the next Business Day or, if not so confirmed, must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that such email notice shall be deemed to have been given on the date stipulated above. Either party may from time to time notify the other party, in accordance with this section, of any change of its address which thereafter will be the address of such party for all purposes of this Agreement. It is the each Obligor's obligation to notify the Agent of any change to its address. If the Agent is not advised of such change of address, the last known address that the Agent has will be deemed to be the current address for purposes of notice and service under this Agreement.

	If to an Obligor: c/o High Park Holdings Ltd. 495 Wellington St W, Unit 250, Toronto, ON M5V 1G1 Attention:Michael Kruteck Email:303-886-5086
	- and -
	If to the Agent and the Lender: c/o Bridging Finance Inc. Suite 2925 77 King Street West P.O. Box 322 Toronto, Ontario M5K 1K7 Attention:Graham Marr, Senior Managing Director Email:gmarr@bridgingfinance.ca
	Schedules: The Schedules attached to this Agreement are incorporated by reference herein and are deemed to be part hereof.
	Marketing: The Agent and the Lender shall be permitted to use the name of the Obligors and the amount of the Facility for advertising purposes.
	Governing Law: This Agreement shall be deemed to have been made and accepted in the City of Toronto, Ontario and construed in accordance with and be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

	Jurisdiction: Each Obligor hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the courts of the Province of Ontario sitting in the City of Toronto, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Credit Documents, the transactions relating hereto or thereto, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may (and any such claims, cross-claims or third party claims brought against the Agent or Lender may only) be heard and determined in the Province of Ontario. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Credit Document shall affect any right that the Agent or Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against an Obligor or its properties in the courts of any jurisdiction. Each Obligor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Credit Document in any court referred to in the foregoing. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.
	Counterparts: This Agreement, the Credit Documents and all agreements arising hereinafter may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopier, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

	Assignment and Syndication: This Agreement when accepted and any commitment to advance, if issued, and the Security in furtherance thereof or right may be assigned by the Agent or the Lender, or monies required to be advanced may be syndicated by the Agent or the Lender, and the Agent or the Lender may assign or grant participation in all or part of this Agreement or in the Facility: (i) at any time to another Lender or affiliate of a Lender without notice to and without the consent of the Borrower, (ii) prior to the occurrence and continuance of an Event of Default, to any other Person that is not a competitor of an Obligor (which for certainty, includes without limitation, cannabis, consumer packaged goods, tobacco and alcohol companies) with written notice to the Borrower, and upon receipt of any such notice, the Borrower shall immediately have the right to prepay the entire amount of the Facility without penalty (for greater certainty, neither the Early Prepay Fee nor the Prior Notice Prepay Fee shall apply to such a Prepayment) by delivery of a Prepayment Notice, or (iii) if an Event of Default has occurred and is continuing, to any Person without notice to and without the consent of the Borrower. The Obligors may not assign or transfer all or any part of their rights or obligations under this Agreement, any such transfer or assignment being null and void insofar as the Agent and the Lender are concerned and rendering any balance then outstanding under the Facility immediately due and payable at the option of the Agent or the Lender.
	Time: Time shall be of the essence in all provisions of this Agreement.
	Whole Agreement, Amendments and Waiver: This Agreement, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the whole and entire agreement between the parties in respect of the Facility. There are no verbal agreements, undertakings or representations in connection with the Facility. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing signed by the Borrower, and the Agent. No failure or delay on the part of the Agent or the Lender in exercising any right or power hereunder or under any of the Security shall operate as a waiver thereon. No course of conduct by the Agent or the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Security or the Agent's or the Lender's rights thereunder.
	No Fiduciary Duty: Each Obligor acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that Agent and Lender will not have any obligations except those obligations expressly set forth herein and in the other Credit Documents and each of Agent and Lender is acting solely in the capacity of an arm's length contractual counterparty to the Obligors with respect to the Credit Documents and the transactions contemplated herein and therein and not as a financial advisor or a fiduciary to, or an agent of, the Obligors or any other person. Each Obligor agrees that it will not assert any claim against the Agent or Lender based on an alleged breach of fiduciary duty by the Agent or Lender in connection with this Agreement and the transactions contemplated hereby. Additionally, each Obligor acknowledges and agrees that each of the Agent and Lender is not advising any Obligor as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. Each Obligor shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and each of the Agent and Lender shall have no responsibility or liability to the Obligors with respect thereto.

	Appointment and Authorization of Agent: Lender hereby designates and appoints Agent as its agent under this Agreement and the other Credit Documents and hereby irrevocably authorizes Agent to execute and deliver each of the other Credit Documents on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Credit Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Credit Document, together with such powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, or of any other provision of the Credit Documents that provides rights or powers to Agent, Lender agrees that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) execute or file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Credit Documents, or to take any other action with respect to any Collateral or Credit Documents which may be necessary to perfect, and maintain perfected, the security interests and Encumbrances upon Collateral pursuant to the Credit Documents, (b) exclusively receive, apply, and distribute payments and proceeds of the Collateral as provided in the Credit Documents, (c) open and maintain such bank accounts and cash management arrangements as Agent deems necessary and appropriate in accordance with the Credit Documents for the foregoing purposes, (d) perform, exercise, and enforce any and all other rights and remedies of the Agent or Lender with respect to the Obligors, the Obligations, the Collateral, or otherwise related to any of same as provided in the Credit Documents, and (e) incur and pay such expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Credit Documents.
	Survival: All representations and warranties made by the Obligors in the Credit Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Credit Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Credit Documents and the making of any advance under the Facility, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Agent or Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of, or any accrued interest on, the Facility or any fee or any other amount payable under this Agreement is outstanding or unpaid. The provisions of the “Expenses” and the “Revival and Reinstatement” sections of this Agreement shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Facility, the expiration or termination of the commitment to provide loans under the Facility or the termination of this Agreement or any other Credit Document or any provision hereof or thereof.

	Reserve Indemnity: If subsequent to the date of this Agreement any change in or introduction of any Applicable Laws, or compliance by Agent or Lender with any request or directive by any central bank, superintendent of financial institutions or other comparable authority, shall subject Agent or Lender to any Tax with respect to the Facility or change the basis of taxation of payments to Agent or Lender of any amount payable under the Facility (except for changes in the rate of tax on the overall net income of Agent or Lender), or impose any capital maintenance or capital adequacy requirement, reserve requirement or similar requirement with respect to the Facility, or impose on Agent or Lender any other condition or restriction, and the result of any of the foregoing is to increase the cost to Agent or Lender of making or maintaining the Facility or any amount thereunder or to reduce any amount otherwise received by Agent or Lender under the Facility, the Agent will promptly notify the Borrower of such event and the Borrower will pay to Agent or Lender, as applicable, such additional amount calculated by Agent or Lender, as applicable, as is necessary to compensate Agent or Lender, as applicable, for such additional cost or reduced amount received, provided, upon receipt of any such notice, the Borrower shall immediately have the right to prepay the entire amount of the Facility without penalty (for greater certainty, neither the Early Prepay Fee nor the Prior Notice Prepay Fee shall apply to such a Prepayment) by delivery of a Prepayment Notice. A certificate of the Agent or Lender as to any such additional amount payable to it and containing reasonable details of the calculation thereof shall be conclusive evidence thereof.
	Currency Indemnity: Interest and fees hereunder shall be payable in the same currency as the principal to which they relate. Any payment on account of an amount payable in a particular currency (the “proper currency”) made to or for the account of Agent or Lender in a currency (the “other currency”) other than the proper currency, whether pursuant to a judgment or order of any court or tribunal or otherwise and whether arising from the conversion of any amount denominated in one currency into another currency for any purpose, shall constitute a discharge of the Obligor’s obligation only to the extent of the amount of the proper currency which Agent or Lender, as applicable, is able, in the normal course of its business within one Business Day after receipt by it of such payment, to purchase with the amount of the other currency so received. If the amount of the proper currency which Agent or Lender, as applicable, is able to purchase is less than the amount of the proper currency due to Agent or Lender, as applicable, the Obligors shall indemnify and save Agent and Lender harmless from and against any loss or damage arising as a result of such deficiency.

	Anti-Money Laundering Legislation: Each Obligor acknowledges that, pursuant to the *Proceeds of Crime Money Laundering and Terrorist Financing Act* (Canada), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client' laws, under the laws of Canada and the United States (collectively, including any guidelines or orders thereunder, "**AML Legislation**"), Agent and Lender may be required to obtain, verify and record information regarding the Obligors, their respective directors, authorized signing officers, direct or indirect shareholders or other persons in control of any of them, and the transactions contemplated hereby. Each Obligor shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by Agent or Lender, or any prospective assign or participant of Agent or Lender, necessary in order to comply with any applicable AML Legislation, whether now or hereafter in existence.
	Revival and Reinstatement: If Agent or Lender repays, refunds, restores, or returns in whole or in part, any payment or property (including any proceeds of Collateral) previously paid or transferred to Agent or Lender in full or partial satisfaction of any Obligation or on account of any other obligation of any Obligor under any Credit Document, because the payment, transfer, or the incurrence of the obligation so satisfied is asserted or declared to be void, voidable, or otherwise recoverable under any law relating to creditors' rights, including provisions of Bankruptcy Law relating to fraudulent transfers, preferences, or other voidable or recoverable obligations or transfers (each, a "**Voidable Transfer**"), or because Lender or Agent elects to do so on the reasonable advice of its counsel in connection with a claim that the payment, transfer, or incurrence is or may be a Voidable Transfer, then, as to any such Voidable Transfer, or the amount thereof that Lender or Agent elects to repay, restore, or return (including pursuant to a settlement of any claim in respect thereof), and as to all reasonable costs, expenses, and attorneys' fees of Lender or Agent related thereto, (i) the liability of the Obligors with respect to the amount or property paid, refunded, restored, or returned will automatically and immediately be revived, reinstated, and restored and will exist, and (ii) Agent's Encumbrances on the Collateral securing such liability shall be effective, revived, and remain in full force and effect, in each case, as fully as if such Voidable Transfer had never been made. This provision shall survive the termination of this Agreement and the repayment in full of the Obligations.

	Indemnification: Each Obligor shall indemnify the Agent and Lender, and each Related Party of the Agent or Lender (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, penalties, taxes, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Credit Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the transactions contemplated hereby, (ii) any loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by an Obligor, or any Environmental Liability related in any way to an Obligor, (iv) any actual or prospective claim, litigation, investigation, arbitration or proceeding relating to any of the foregoing, whether or not such claim, litigation, investigation, arbitration or proceeding is brought by an Obligor or its respective equity holders, affiliates, creditors or any other third Person and whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, or (v) Canadian, U.S. or foreign withholding Taxes assessed or imposed on any payment by or on account of an Obligor hereunder; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence, fraud or willful misconduct of such Indemnitee. To the extent permitted by applicable law, no Obligor shall assert, and each Obligor hereby waives, any claim against any Indemnitee (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet) or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Credit Document or any agreement or instrument contemplated hereby or thereby, the transactions contemplated by the Agreement, any loan or the use of the proceeds thereof; provided that, nothing in this paragraph shall relieve any Obligor of any obligation it may have to indemnify an Indemnitee against special, indirect, consequential or punitive damages asserted against such Indemnitee by a third party. All amounts due under this section shall be payable promptly after written demand by Agent or Lender therefor.
- Signature page follows -	

If the terms and conditions of this Agreement are acceptable to you, please sign in the space indicated below and return the signed copy of this Agreement to us. Acceptance may also be effected by facsimile or scanned transmission and in counterpart.

We thank you for allowing us the opportunity to provide you with this Agreement.

Yours truly,

BRIDGING FINANCE INC., as Agent and Lender

Per: *"Graham Marr"*
Name: Graham Marr
Title: Senior Managing Director, Portfolio Manager

I have authority to bind the Corporation.

ACCEPTANCE

Each of the undersigned hereby accepts this Agreement as of the date first above written.

BORROWER:

HIGH PARK HOLDINGS LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

GUARANTORS:

TILRAY, INC.

Per: "*Brendan Kennedy*"

Name: Brendan Kennedy
Title: Chief Executive Officer

TILRAY CANADA LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

HIGH PARK FARMS LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

1197879 B.C. LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

FHF HOLDINGS LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

FRESH HEMP FOODS LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Treasurer

MANITOBA HARVEST USA, LLC

Per: "*Brendan Kennedy*"

Name: Brendan Kennedy
Title: Manager

HIGH PARK GARDENS INC.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

NATURA NATURALS HOLDINGS INC.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Secretary

NATURA NATURALS INC.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Secretary

DORADA VENTURES LTD.

Per: "*Mark Castaneda*"

Name: Mark Castaneda
Title: Chief Financial Officer and Treasurer

SCHEDULE "A"

DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

"**Applicable Laws**" means, with respect to any person, property, securities, transaction or event, all present or future statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations acts, and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction, in each case, having the force of law in any applicable jurisdiction.

"**Applicable Securities Laws**" means the securities acts in the United States and all provinces of Canada where applicable to the Obligors, together with all the regulations and rules made and promulgated thereunder and all administrative policy statements, instruments, blanket orders and rulings, notices and administrative directions issued by the securities commissions or equivalent regulatory authority in the United States and the provinces of Canada.

"**Bankruptcy Laws**" means the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the United States Bankruptcy Code and any applicable corporations legislation, as in effect from time to time.

"**Business Day**" means any day other than a Saturday or a Sunday or any other day on which banks are closed for business in Toronto, Ontario.

"**Change of Control**" means, with respect to an Obligor, (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group of Persons "acting jointly or in concert" (as contemplated by the *Securities Act* (Ontario)), of Equity Interests representing more than 30% of the aggregate voting power represented by the issued and outstanding Equity Interests of an Obligor, and (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors of an Obligor by Persons who were neither (i) nominated by the board of directors of such Obligor nor (ii) appointed by directors so nominated.

"**Closing Date**" means February 28, 2020.

"**Collateral**" means any and all real and personal property owned, leased or operated by an Obligor and any and all other property of the Obligors, now existing or hereafter acquired, that may at any time be, become or intended to be, subject to a security interest or Encumbrance in favor of the Agent, on behalf of the Lender, to secure the Obligations.

"**Confidential Information**" shall mean any data or information, that is of value to a party hereto and is not generally known to competitors of such party, including the terms of this Agreement. To the extent consistent with the foregoing, Confidential Information includes without limitation, lists of any information about a party's executives and employees, marketing techniques and information, price lists, pricing policies, business and operating methods, strategies, plans and ideas, contracts and contractual relations with customers and suppliers, financial information and reports, ideas for products and services, computer software programs (including object code and source code), data base technologies, systems, structures and architectures, business merger, acquisition, divestiture or sale plans and new personnel acquisition plans. Confidential Information also includes any information described in this this definition which a party hereto obtains from another party and treats as proprietary or designates as Confidential Information, whether or not owned or developed by such party.

"**Contract**" means any agreement, contract, indenture, Lease, deed of trust, licence, option, undertaking, promise or any other commitment or obligation in writing, other than a Permit.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"**Convertible Notes**" means the 5.00% Convertible Senior Notes due 2023 issued by Tilray, Inc. pursuant to the terms and conditions of a Trust Indenture dated as of October 10, 2018 and in an aggregate principal amount not to exceed $475,000,000.

"**Credit Documents**" means this Agreement, the Security Agreements, and all other security agreements, hypothecs, mortgages, any other agreements, instruments and documents executed in connection with this Agreement, including, without limitation, all other security agreements, pledge agreements, loan agreements, notes, guarantees, subordination agreements, pledges, powers of attorney, consents, assignments, contracts, fee letters, notices, leases, financing statements, and all other documents, instruments, certificates, contracts and notices now or hereafter executed by or on behalf of Borrower, or any employee of Borrower and delivered to the Agent or Lender in connection with this Agreement or the transactions contemplated hereby.

"**Default**" means any of the events specified in the Section of this Agreement entitled "Events of Default" which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both, would, unless cured or waived, become an Event of Default.

"**Disclosing Party**" shall mean the party disclosing Confidential Information to the other party.

"**Deposit Account**" means any demand, time, savings, passbook, or any other bank account (with a deposit function) but shall not include accounts the balance of which consists solely of funds set aside in connection with, and at all times are used solely as, payroll accounts and accounts dedicated to the payment of employee benefits.

"**Encumbrance**" means:

(i) with respect to any property, any mortgage, deed of trust, lien, pledge, hypothec, hypothecation, encumbrance, charge, assignment, consignment, security interest, royalty interest, adverse claim or defect of title in, on or of the property;

(ii) the interest of a vendor or lessor under any conditional sale agreement, capital lease or title retention agreement relating to an asset;

(iii) any purchase option, call or similar right of a third party in respect of any property;

(iv) any netting arrangement, set off arrangement, defeasance arrangement or other similar arrangement arising by Contract (other than customary bankers' liens); and

(v) any other agreement, trust or arrangement having the effect of security for the payment or performance of any debt, liability or obligation,

and "**Encumbrances**", "**Encumbrancer**", "**Encumber**" and "**Encumbered**" shall have corresponding meanings.

"**Environmental Laws**" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to (a) the environment, (b) preservation or reclamation

of natural resources, (c) the management, Release or threatened Release of any Hazardous Material or (d) health and safety matters.

"**Environmental Liability**" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower directly or indirectly resulting from or based upon (a) any violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"**Equity Interests**" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"**GAAP**" means generally accepted accounting principles which are in effect from time to time in Canada, as established by the Canadian Institute of Chartered Accountants or any successor institute.

"**Governmental Authority**" means (i) any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and (ii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.

"**Hazardous Materials**" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"**Health Canada**" means Health Canada and any successor organization or agencies which have been given jurisdiction over the business of cannabis in Canada.

"**Inactive Subsidiary**" means High Park Shops Inc.

"**Interest Payment Date**" means the last Business Day of each month of each calendar year.

"**Lease**" includes any lease, sublease, offer to lease or sublease or occupancy or tenancy agreement, and "**Leased**" shall have a corresponding meaning.

"**Material Adverse Change**" means any change, condition or event which, when considered individually or together with other changes, conditions, events or occurrences could reasonably be expected to have a Material Adverse Effect.

"**Material Adverse Effect**" means any Material Adverse Change in or effect on (a) the business, assets, liabilities, financial condition, results of operations or prospects of the Obligors taken as a whole; (b) the ability of any Obligor to observe, perform or comply with its obligations under any of the Credit Documents; or (c) the rights and remedies of the Agent or any of the Lenders under any of the Credit Documents.

"**Mortgaged Property**" means any real property owned by the Obligors, which as of the Closing Date are located at the following locations:

(i) 1100 Maughan Road, Nanaimo, British Columbia;

(ii) 512, 558, and 604 Voyageur Road, Ste. Agathe, Manitoba; and

(iii) 279 – 285 Talbot Street West, Leamington, Ontario.

"**Obligations**" means all unpaid principal of and accrued and unpaid interest on the Facility, all accrued and unpaid fees (including, without limitation, any prepayment fees) and all expenses, reimbursements, indemnities and other obligations and indebtedness (including interest and fees accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), obligations and liabilities of the Obligors to the Agent or Lender or any indemnified party individually or collectively, existing on the Closing Date or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Credit Documents or in respect of any of the loans made under the Facility or reimbursement or other obligations incurred or other instruments at any time evidencing any thereof.

"**Payment Conditions**" each of the following conditions are satisfied at the time of each action or proposed action and immediately after giving effect thereto: (i) no Default or Event of Default exists or will result after giving effect thereto, and (ii) the Borrower delivers to Agent a certificate signed by a senior officer of Borrower certifying that on each of the thirty (30) consecutive calendar days immediately prior to, and immediately after, giving effect to such action the Obligors on a combined basis maintain unrestricted cash of at least $40,000,000.

"**Permits**" means licences, certificates, authorizations, consents, registrations, exemptions, permits, attestations, approvals, characterization or restoration plans, depollution programmes and any other approvals required by or issued pursuant to any Applicable Law, in each case, against a Person or its Property which are made, issued or approved by a Governmental Authority.

"**Permitted Encumbrances**" means any Encumbrance approved by the Agent including, without limitation, any Encumbrance listed on Schedule "B" hereto.

"Permitted Indebtedness" means:

(i) indebtedness in respect of the Obligations,

(ii) indebtedness arising in connection with the endorsement of instruments or other payment items for deposit,

(iii) the Convertible Notes,

(iv) indebtedness secured by purchase money encumbrances described in clause (xii) of Permitted Encumbrances,

(v) indebtedness incurred in the ordinary course of business under performance, surety, statutory, or appeal bonds,

(vi) the incurrence by Borrower of indebtedness under hedge agreements that is incurred for the bona fide purpose of hedging the interest rate, commodity, or foreign currency risks associated with Borrower's operations and not for speculative purposes,

(vii) indebtedness for borrowed money, in respect of which the holder thereof has entered into a subordination agreement in form and substance satisfactory to the Agent, which shall provide (among other things) that (i) the holder of such indebtedness may not receive any payments on account of principal or interest thereon (except to the extent expressly permitted therein); (ii) any Encumbrances held in respect of such indebtedness are subordinated to the Security; and (iii) the holder of such indebtedness may not take any enforcement action in respect of such indebtedness or Encumbrances without the prior written consent of the Agent (except to the extent expressly permitted therein);

(viii) indebtedness incurred in the ordinary course of business in respect of credit cards, credit card processing services, debit cards, stored value cards, commercial cards (including so-called "purchase cards", "procurement cards" or "p-cards"), and

(ix) unsecured indebtedness incurred in respect of netting services, overdraft protection, and other like services, in each case, incurred in the ordinary course of business.

"**Permitted Protest**" means the right of an Obligor to protest any payment of wages or other monetary remuneration payable by the Borrower to its employees; provided, that (a) a reserve with respect to such obligation is established on the Obligor's books and records in such amount as is (and if) required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by such Obligor, as applicable, in good faith, and (c) Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of Agent's Encumbrances on the Collateral.

"**Person**" means any natural person, corporation, limited liability company, unlimited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"**PPSA**" means the *Personal Property Security Act* (Ontario) as the same may be amended from time to time.

"**Prepayment**" means the payment in full of the Obligations at any time prior to the end of the Term.

"**Prepayment Notice**" means a written notice in the form given to the Agent by the Borrower pursuant to the Prepayment provisions of this Agreement.

"**Recipient Party**" means the party receiving Confidential Information from the other party.

"**Related Party**" means, in relation to any Person, a "related party" in respect of such Person within the meaning of Ontario Securities Commission Multilateral Instrument 61-101.

"**Security**" means all guarantees and security held from time to time by or on behalf of any of the Agent and the Lender (including guarantees and security held by the Agent), securing or intended to secure or support repayment of any of the Obligations, including, without limitation, the security and guarantees described in this Agreement from time to time.

"**Security Agreement**" means that certain (i) Canadian Security Agreement, (ii) US Security Agreement, (iii) Canadian Intellectual Property Security Agreement, (iv) US Intellectual Property Security Agreement, and (v) each mortgage/charge in respect of the Mortgaged Properties, each dated as of the Closing Date, by and between certain Obligors and Agent.

"**Statutory Encumbrances**" means any Encumbrances arising by operation of Applicable Laws, including, without limitation, for carriers, warehousemen, repairers', taxes, assessments, statutory obligations and government charges and levies for amounts not yet due and payable or which may

be past due but which are being contested in good faith by appropriate proceedings (and as to which there are no other enforcement proceedings or they shall have been effectively stayed).

"**Subsidiary**" or "**subsidiary**" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, unlimited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and/or one or more subsidiaries of the parent.

"**Taxes**" means all present and future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable to them.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the state of New York or any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

Words importing the singular include the plural thereof and vice versa and words importing gender include the masculine, feminine and neuter genders.

SCHEDULE "B"

PERMITTED ENCUMBRANCES

(i) liens for taxes, assessments or governmental charges or levies which are not yet due, or for which instalments have been paid based on reasonable estimates pending final assessments, or the validity of which is being contested in good faith by appropriate proceedings and for which the Person has set aside adequate reserves in accordance with GAAP and which do not have, and will not reasonably be expected to have, a Material Adverse Effect;

(ii) inchoate or statutory liens of contractors, subcontractors, workers, suppliers, material men, carriers and others in respect of construction, maintenance, repair or operation of assets of the Person, in respect of which (i) adequate holdbacks are being maintained as required by applicable law, and (ii) (x) which have not at such time been filed or exercised and of which none of the Lenders have been given notice, or (y) which relate to obligations not due or payable or if due, the validity of which is being contested in good faith by appropriate proceedings and for which such Person has set aside adequate reserves in accordance with GAAP and which do not materially reduce the value of the affected asset or materially interfere with the use of such asset in the operation of the business of the Person;

(iii) easements, rights of way, licences, servitudes, restrictions, restrictive covenants, and similar rights in real property comprised in the assets of the Person or interests therein (including in respect of sewers, drains, gas and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables) which do not materially reduce the value of the affected asset or materially interfere with the use of such asset in the operation of the business of the Person;

(iv) in the case of real property, title defects or irregularities which are of a minor nature and which do not materially reduce the value of the affected asset or materially interfere with the use of such asset in the operation of the business of the Person and do not have, and will not reasonably be expected to have, a Material Adverse Effect;

(v) the Encumbrance resulting from the deposit of cash or securities in connection with contracts, bids, trade contracts, statutory obligations, surety and appeal bonds, performance bonds, tenders or expropriation proceedings, or to secure workers' compensation, employment insurance, and other similar obligations, in each case in the ordinary course of business;

(vi) the Encumbrance created by a judgment of a court of competent jurisdiction; provided, however, that the Encumbrance is in existence for less than 30 days after its creation or the execution or other enforcement of the Encumbrance is effectively stayed and the claims so secured are being actively contested in good faith and by proper legal proceedings and do not result in the occurrence of an Event of Default;

(vii) the reservations, limitations, provisos and conditions, if any, expressed in any original grant from the Crown of any real property or any interest therein which do not materially reduce the value of the affected asset or materially interfere with the use of such asset in the operation of the business of the Person;

(viii) Encumbrances given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the operation of the business or the ownership of the assets of the Person which do not materially reduce the value of the affected asset or materially interfere with the use of such asset in the operation of the business of the Person;

(ix) servicing agreements, development agreements, site plan agreements, and other agreements with Governmental Authorities pertaining to the use or development of any real or immovable Property of the Person, provided same are complied with and do not materially reduce the value of the affected asset or materially interfere with the use of such asset in the operation of the business of the Person;

(x) the right reserved to or vested in any Governmental Authority by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Person, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

(xi) Encumbrances in favour of the Agent created by the Credit Documents;

(xii) purchase money encumbrances and capital leases provided that the aggregate principal amount (or fair market value of Property Encumbered if no principal amount is designated) of all purchase money encumbrances and capital leases for all Obligors, does not exceed $750,000 in aggregate for all Obligors at any time;

(xiii) the Encumbrances listed in the title opinion of the Borrower's counsel delivered on the Closing Date registered against the Mortgaged Properties;

(xiv) a lease of premises granted by an Obligor: (i) in respect of a period for one year or less (including renewals); (ii) in the ordinary course of business on commercially reasonable terms and conditions between Persons dealing at arms-length for purposes of the *Income Tax Act* (Canada); or (iii) and disclosed in writing to the Agent prior to the date hereof;

(xv) British Columbia Personal Property Security Act registration no. 803312L in favour of Britco Boxx Limited Partnership against Privateer Holdings Inc Tilray/Lafitte Ventures Ltd;

(xvi) Manitoba Personal Property Security Act registration nos. 201703798700 and 201402333605 in favour of Royal Bank of Canada against Fresh Hemp Foods Ltd.;

(xvii) Encumbrances in respect of indebtedness incurred pursuant to clause (viii) of the definition of Permitted Indebtedness up to a maximum amount of $60,000 United States Dollars in aggregate for the Obligors at any time,

(xviii) Statutory Encumbrances; and

(xix) other Encumbrances not referred to in the preceding clauses which have been expressly consented to in writing by the Agent.

SCHEDULE "C"

POST-CLOSING UNDERTAKINGS

1. Within 10 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall provide the Agent with evidence (in form and substance reasonably satisfactory to Agent) of valid title insurance with endorsements and in amounts reasonably acceptable to the Agent, on each of the Mortgaged Properties.

2. Within 15 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall have caused each of the following bank accounts to be subject to a Control Agreements in form and substance reasonably satisfactory to the Agent:

   [***]

3. Within 30 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall deliver or cause to be delivered to Agent evidence of the discharge of the following registrations:

4. **[***]**

5. Within 30 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall use commercially reasonable efforts to deliver or cause to be delivered to Agent estoppel letters from each of the following secured parties (in form and substance reasonably satisfactory to Agent):

   [***]

6. Within 30 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall use commercially reasonable efforts to deliver or cause to be delivered to Agent a landlord waiver (in form and substance reasonably satisfactory to Agent) with respect to each of the following leased locations:

   [***]

7. Within 30 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall use commercially reasonable efforts to deliver or cause to be delivered to Agent a bailee waiver (in form and substance reasonably satisfactory to Agent) with respect to each of the following locations:

   [***]

8. Within 30 days after the Closing Date (or such longer period as agreed to by Agent in its sole discretion), the Obligors shall cause the constating documents of Manitoba Harvest USA, LLC to be amended to permit the certification of the LLC interests, and deliver the physical LLC certificates to the Agent along with corresponding transfer powers.

Exhibit 10.26

Execution Version

Confidential

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed; and is indicated with brackets where the information has been omitted from the filed version of this exhibit.

DatedFebruary 28, 2020

NORTON ROSE FULBRIGHT

TILRAY, INC.

TILRAY CANADA LTD.

HIGH PARK FARMS LTD.

1197879 B.C. LTD.

FHF HOLDINGS LTD.

FRESH HEMP FOODS LTD.

MANITOBA HARVEST USA, LLC

HIGH PARK GARDENS INC.

NATURA NATURALS HOLDINGS INC.

NATURA NATURALS INC.

DORADA VENTURES, LTD.

HIGH PARK SHOPS INC.

and

BRIDGING FINANCE INC.

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GUARANTEE

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Contents

Section **Page**

Article 1 Guarantee 1
- 1.1 Guarantee1
- 1.2 Indemnity1
- 1.3 Primary Obligation2
- 1.4 Absolute Liability2

Article 2 Enforcement 3
- 2.1 Payment on Demand3
- 2.2 Amount of Guaranteed Obligations4
- 2.3 Interest4
- 2.4 Assignment and Postponement4
- 2.5 Remedies4
- 2.6 No Prejudice to Lender or Agent5
- 2.7 Suspension of Guarantor Rights5
- 2.8 No Subrogation6
- 2.9 No Set-off by Guarantor6
- 2.10 Successors of the Borrower6
- 2.11 Continuing Guarantee and Continuing Obligations6
- 2.12 Supplemental Security7
- 2.13 Security for Guarantee7
- 2.14 Right of Set-off7
- 2.15 Interest Act (Canada)7
- 2.16 Judgment Currency8

Article 3 Representations and Warranties 8
- 3.1 No Conflict or Breach8
- 3.2 Corporate and Other Authorizations8
- 3.3 Execution and Binding Obligation9

Article 4 Taxes and Other Taxes 9
- 4.1 Taxes and Other Taxes9
- 4.2 Payment of Other Taxes9
- 4.3 Tax Indemnity10
- 4.4 Entitlement to Exemption10
- 4.5 Survival10
- 4.6 Definitions10

Article 5 General 12
- 5.1 Notices, Etc.12
- 5.2 Defined Terms13
- 5.3 Gender and Number13
- 5.4 Headings, etc.13
- 5.5 Currency13
- 5.6 No Merger, Survival of Representations and Warranties13
- 5.7 Time of Essence13
- 5.8 No Collateral Promises13
- 5.9 Further Assurances14
- 5.10 Payment of Expenses14
- 5.11 Amendment14
- 5.12 Waivers, etc.14
- 5.13 Successors and Assigns14
- 5.14 Severability15
- 5.15 Governing Law15
- 5.16 Counterparts and Electronic Delivery15

Contents

Section **Page**

5.17 Copy of Guarantee15
SCHEDULE A GUARANTOR SECURITY 1

CAN_DMS: \132149788\4

THIS GUARANTEE is dated February 28, 2020 and made between:

(1) Each of the parties listed on the signature pages hereto under the heading GUARANTORS (each a **Guarantor**, collectively the **Guarantors**); and

(2) Bridging Finance Inc.

RECITALS:

(A) Bridging Finance Inc., as agent (in such capacity, the **Agent**) for and on behalf of any of the funds managed or co-managed by Bridging Finance Inc. (collectively, together with Bridging Finance Inc. in its capacity as a lender, the **Lender**) has agreed to make certain credit facilities available to the Borrower upon the terms and conditions contained in a credit agreement among, *inter alia* the, Borrower, the Guarantors, the Agent and the Lender dated as of this date (such credit agreement as it may at any time or from time to time, be amended, supplemented, restated or replaced, the **Credit Agreement**).

(B) The Guarantors have agreed with the Lender and the Agent to guarantee the payment and performance of all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, of the Borrower to the Lender and the Agent arising pursuant to, or in respect of, the Credit Agreement and the other Credit Documents.

(C) The Guarantors have executed and delivered to the Agent, the Guarantor Security Agreements (as hereinafter defined) as continuing collateral security for the obligations of the Guarantor under this Guarantee.

(D) The Guarantors consider it to be in their best interests to provide this Guarantee and the Guarantor Security Agreements.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Guarantor agrees as follows.

Article 1
Guarantee

1.1 Guarantee

The Guarantors irrevocably and unconditionally guarantee to and in favour of the Lender and the Agent by way of a continuing guarantee, the due and punctual payment and performance, whether at stated maturity, by acceleration or otherwise, of all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, of the Borrower to the Lender and the Agent or any one of them arising pursuant to, or in respect of, the Credit Agreement and the other Credit Documents (such obligations, the **Guaranteed Obligations**).

1.2 Indemnity

If any or all of the Guaranteed Obligations are not paid or performed by the Borrower and are not paid or performed by the Guarantors under Section 1.1 for any reason whatsoever, the Guarantors will, as a separate and distinct obligation, indemnify and save harmless each of the Lender and the Agent from and against all losses, costs and expenses suffered

or incurred by such Lender or Agent arising from, or in connection with, or as a result of (a) any of the provisions of the Credit Agreement or any of the Credit Documents being or becoming void, voidable, unenforceable or invalid, or (b) the failure of the Borrower to fully and promptly pay or perform any of the Guaranteed Obligations.

1.3 Primary Obligation

If any or all of the Guaranteed Obligations are not paid or performed by the Borrower and are not paid or performed by the Guarantors under Section 1.1 or the Lender or the Agent are not indemnified under Section 1.2, in each case, for any reason whatsoever, such Guaranteed Obligations will, as a separate and distinct obligation, be paid and performed by the Guarantors as primary obligors immediately upon written demand to the Guarantors by the Agent for such payment or performance.

1.4 Absolute Liability

The Guarantors agree that the liability of the Guarantors under Section 1.1, Section 1.2 and Section 1.3 is absolute and unconditional and the obligations of the Guarantors in this Guarantee shall remain in full force and effect until all Guaranteed Obligations have been validly, finally and irrevocably paid in full or this Guarantee has been released. The liability and obligations of the Guarantors in this Guarantee shall not be affected by any matter or thing which but for this provision might operate to affect such liability or obligations, including:

(a) the lack of validity or enforceability of any term of a Credit Document;

(b) any contest by the Borrower or any other Person as to the amount of the Guaranteed Obligations or the validity or enforceability of any terms of the Credit Documents or the perfection or priority of any security interest granted to the Agent or the Lender by the Borrower or any other Person;

(c) any taking or failure to take a security interest by the Agent or the Lender or any loss of, or loss of value of, any security interest granted to the Agent or any of the Lender;

(d) any defence, counter-claim or right of set-off available to the Borrower or any other Person;

(e) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Borrower, the Guarantors or any other Person or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Borrower, the Guarantors or any other Person or their respective businesses;

(f) any extension of time or times for payment or performance of the Guaranteed Obligations or any releases, variations or indulgences which the Lender or the Agent may grant to the Borrower or any other Person or any extinguishment of all or any part of the Guaranteed Obligations by operation of law;

(g) any dealings with the security interests which the Lender or the Agent hold or may hold pursuant to the Credit Documents, including the taking, giving up or exchange

of security interests or any collateral subject thereto, the variation or realization thereof, the accepting of compositions and the granting of releases and discharges;

(h) any limitation of status or power, disability, incapacity or other circumstance relating to the Borrower, the Guarantors or any other Person, including any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Borrower, the Guarantors or any other Person or any action taken with respect to this Guarantee by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantors have notice or knowledge of any of the foregoing;

(i) any impossibility, impracticability, frustration of purpose, *force majeure* or illegality of any of the Credit Documents or the Borrower's or Guarantors' performance in respect thereof, or the occurrence of any change in the law of any jurisdiction or by any present or future action of any Governmental Authority that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Guaranteed Obligations or the obligations of the Guarantors under this Guarantee, or the obtaining of any court order that amends, varies, reduces or otherwise affects any of the Guaranteed Obligations or the obligations of the Guarantors under this Guarantee;

(j) any invalidity, non-perfection or unenforceability of any security interest held by the Agent or the Lender, or any exercise or enforcement of, or failure to exercise or enforce, security interests, or any irregularity or defect in the manner or procedure by which the Agent and the Lender realize on such security interest;

(k) the assignment of all or any part of the benefits of this Guarantee; and

(l) any other circumstances which might otherwise constitute a defence available to, or a discharge of, the Guarantors, the Borrower or any other Person in respect of the Guaranteed Obligations or this Guarantee.

Article 2
Enforcement

2.1 Payment on Demand

(a) The obligation of the Guarantors to pay the amount of the Guaranteed Obligations and all other amounts payable by it to the Agent and the Lender under this Guarantee arises, and the Guarantors shall make such payments, immediately after demand for same is made in writing to it by the Agent.

(b) If acceleration of the time for payment of any amount payable by the Borrower in respect of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy, arrangement or reorganization of the Borrower or any moratorium affecting the payment of the Guaranteed Obligations all such amounts that would otherwise be subject to acceleration will nonetheless be payable by the Guarantors forthwith on demand by the Lender.

2.2 Amount of Guaranteed Obligations

Any account settled or stated by or among the Lender, the Agent and the Borrower, or if any such account has not been settled or stated immediately before demand for payment under this Guarantee, any account stated by the Agent shall, in the absence of manifest mathematical error, be accepted by the Guarantors as conclusive evidence of the amount of the Guaranteed Obligations which is due by the Borrower to the Lender and the Agent or remains unpaid by the Borrower to the Lender and the Agent.

2.3 Interest

The liability of the Guarantors bears interest from the date of demand at the rate or rates of interest then applicable to the Guaranteed Obligations under, and calculated in the manner provided in, the Credit Documents (including any adjustment to give effect to the provisions of the *Interest Act* (Canada)).

2.4 Assignment and Postponement

(a) All obligations, liabilities and indebtedness among the Borrower and the Guarantors of any nature whatsoever and all security therefor (the **Intercorporate Indebtedness**) are hereby assigned and transferred to the Agent as continuing and collateral security for the Guarantors' obligations under this Guarantee. Until notice by the Agent that the Guaranteed Obligations are due and payable, the Guarantors may receive payments in respect of the Intercorporate Indebtedness in accordance with its terms. The Guarantors shall not assign all or any part of the Intercorporate Indebtedness to any Person other than the Agent or the Lender.

(b) Upon the occurrence and during the continuance of an Event of Default, all Intercorporate Indebtedness shall be held in trust for the Lender and the Agent and shall be collected, enforced or proved subject to, and for the purpose of, this Guarantee and any payments received by the Guarantors in respect of the Intercorporate Indebtedness shall be segregated from other funds and property held by the Guarantors and immediately paid to the Agent on account of the Guaranteed Obligations.

(c) Upon the occurrence and during the continuance of an Event of Default, the Lender and the Agent shall be entitled to receive payment of the Guaranteed Obligations in full before the Guarantors are entitled to receive any payment on account of any obligations, liabilities and indebtedness of the Borrower to the Guarantors of any nature whatsoever (the Intercorporate Indebtedness). In such case, the Intercorporate Indebtedness shall not be released by the Guarantors without the Agent's prior written consent. The Guarantors shall not permit the prescription of the Intercorporate Indebtedness by any statute of limitations or ask for or obtain any security interest or negotiable paper for, or other evidence of, the Intercorporate Indebtedness except for the purpose of delivering the same to the Agent.

2.5 Remedies

The Agent and the Lender need not seek or exhaust their recourse against the Borrower or any other Person or realize on any security interest they may hold in respect of the

Guaranteed Obligations before being entitled to (a) enforce payment and performance under this Guarantee, or (b) pursue any other remedy against the Guarantors. Should the Agent or the Lender elect to realize on any security interest they hold, either before, concurrently with, or after demand for payment under this Guarantee, the Guarantors shall have no right of discussion or division.

2.6 No Prejudice to Lender or Agent

The Lender and the Agent are not prejudiced in any way in the right to enforce any provision of this Guarantee by any act or failure to act on the part of the Borrower, the Lender or the Agent. The Agent and the Lender may, at any time and from time to time, in such manner as they may determine is expedient, without any consent of, or notice to, the Guarantors, and without impairing or releasing the obligations of the Guarantors, (a) change the manner, place or terms of payment or change or extend the time of payment of, or renew or alter, all or any part of, the Guaranteed Obligations, (b) renew, determine, vary or increase any credit or credit facilities to, or the terms or conditions in respect of any transaction with, the Borrower or any other Person, (c) release, compound or vary the liability of the Borrower or any other Person liable in any manner under or in respect of the Guaranteed Obligations, (d) accept compromises or arrangements from any Person; (e) exercise or enforce or refrain from exercising or enforcing any right or security interest against the Borrower or any other Person, (f) apply any sums from time to time received to the Guaranteed Obligations or any part thereof, and change any such application in whole or in part from time to time, and (g) otherwise deal with, or waive or modify their right to deal with, any Person and security interest. In their dealings with the Borrower, the Agent and the Lender need not enquire into the authority or power of any Person purporting to act for or on behalf of the Borrower.

2.7 Suspension of Guarantor Rights

The Guarantors shall not exercise any rights which it may at any time have by reason of the performance of any of its obligations under this Guarantee to (a) be indemnified by the Borrower, (b) claim contribution from any other Guarantor of the debts, liabilities or obligations of the Borrower, or (c) take the benefit of any rights of the Lender or the Agent under any of the Credit Documents.

2.8 No Subrogation

The Guarantors irrevocably waive any claim, remedy or other right which they now have or may hereafter acquire against the Borrower that arises from the existence, payment, performance or enforcement of the Guarantors' obligations under this Guarantee, including any right of subrogation, reimbursement, exoneration, indemnification or any right to participate in any claim or remedy of the Lender or the Agent against the Borrower or any collateral which the Lender or the Agent now have or hereafter acquire, whether or not such claim, remedy or other right is reduced to judgment or is liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and whether or not such claim, remedy or other right arises in equity or under contract, statute or common law. The Guarantors further agree that the Borrower is an intended third party beneficiary of the Guarantors' waiver contained in this Section 2.8. If any amount is paid to the Guarantors in violation of the preceding sentence and, at such time, the Lender's and the Agent's claims against the Borrower in respect of the Guaranteed Obligations have not been paid in full, any amount paid to the Guarantors will be deemed to have been paid to the Guarantors for the benefit of, and held in trust for, the Lender and the Agent, and must immediately be paid to the Agent to be credited and applied upon such Guaranteed Obligations. The Guarantors acknowledge that they will receive direct and indirect benefits from the transactions contemplated by this Guarantee and that the waiver set forth in this Section 2.8 is knowingly made in contemplation of such benefits.

2.9 No Set-off by Guarantor

To the fullest extent permitted by law, the Guarantors shall make all payments under this Guarantee without regard to any defence, counter-claim or right of set-off available to it.

2.10 Successors of the Borrower

Any change or changes in the name of or reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Borrower or its business will not affect or in any way limit or lessen the liability of the Guarantors under this Guarantee or under the Guarantor Security Agreements. This Guarantee and the Guarantor Security Agreements extends to any Person acquiring, or from time to time carrying on, the business of the Borrower.

2.11 Continuing Guarantee and Continuing Obligations

The obligations of the Guarantors under Section 1.1 is a continuing guarantee and the obligations of the Guarantors under Section 1.2 and Section 1.3 are continuing obligations. Each of Sections 1.1, 1.2 and 1.3 extends to all present and future Guaranteed Obligations, applies to and secures the ultimate balance of the Guaranteed Obligations due or remaining due to the Agent and the Lender and is binding as a continuing obligation of the Guarantors until the Agent releases the Guarantors. This Guarantee will continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Lender or the Agent upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

2.12 Supplemental Security

This Guarantee is in addition and without prejudice to and supplemental to all other guarantees and security interests held or which may hereafter be held by the Lender or the Agent.

2.13 Security for Guarantee

The Guarantors acknowledge that this Guarantee is intended to secure payment and performance of the Guaranteed Obligations and that the payment and performance of the Guaranteed Obligations and the other obligations of the Guarantors under this Guarantee are secured by the agreements described in Schedule A (collectively, the **Guarantor Security Agreements**).

2.14 Right of Set-off

The Agent and each of the Lender are authorized by the Guarantors at any time and from time to time and may, to the fullest extent permitted by law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Agent or the Lender to or for the credit or the account of the Guarantors against any and all of the obligations of the Guarantors now or hereafter existing irrespective of whether or not (a) the Lender or the Agent have made any demand under this Guarantee, or (b) any of the obligations comprising the Guaranteed Obligations are contingent or unmatured. The rights of the Agent and the Lender under this Section 2.14 are in addition and without prejudice to and are supplemental to other rights and remedies which the Agent and the Lender may have.

2.15 Interest Act (Canada)

The Guarantors acknowledge that certain of the rates of interest applicable to the Guaranteed Obligations may be computed on the basis of a year of 360 days or 365 days, as the case may be and paid for the actual number of days elapsed. For purposes of the *Interest Act* (Canada), whenever any interest is calculated using a rate based on a year of 360 days or 365 days, as the case may be, such rate determined pursuant to such calculation, when expressed as an annual rate is equivalent to (a) the applicable rate based on a year of 360 days or 365 days, as the case may be, (b) multiplied by the actual number of days in the calendar year in which the period for such interest is payable (or compounded) ends, and (c) divided by 360 or 365, as the case may be.

2.16 Judgment Currency

(a) If for the purposes of obtaining judgment in any court it is necessary to convert all or any part of the Guaranteed Obligations or any other amount due to a Lender or the Agent in respect of the Guarantors' obligations under this Guarantee in any currency (the **Original Currency**) into another currency (the **Other Currency**), the Guarantors, to the fullest extent that it may effectively do so, agrees that the rate of exchange used will be that at which, in accordance with normal banking procedures, the Lender or the Agent, as the case may be, could purchase the Original Currency with the Other Currency on the Business Day preceding that on which final judgment is paid or satisfied.

(b) The obligations of the Guarantors in respect of any sum due in the Original Currency from it to the Agent or any Lender will, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by the Agent or a Lender of any sum adjudged to be so due in such Other Currency the Agent or such Lender may, in accordance with its normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to the Agent or the Lender in the Original Currency, the Guarantors agree, as a separate obligation and notwithstanding any such judgment, to indemnify the Agent or such Lender against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due to the Agent or such Lender in the Original Currency, the Agent or the Lender, as applicable, agrees to remit such excess to the Guarantors.

Article 3
Representations and Warranties

The Guarantors represent and warrant to the Agent and each Lender, acknowledging and confirming that the Agent and each Lender is relying on such representations and warranties without independent inquiry, as follows.

3.1 No Conflict or Breach

The execution and delivery by the Guarantors of the Guarantee and each of the Guarantor Security Agreements and the performance by it of their obligations thereunder do not and will not (a) conflict with or result in a breach or violation of any (i) of their constating documents, (ii) applicable law, (iii) contractual restriction binding on or affecting them or their properties, or (iv) judgment, injunction, determination or award which is binding on them, or (b) result in, require or permit the acceleration of the maturity of any indebtedness binding on or affecting the Guarantors.

3.2 Corporate and Other Authorizations

The execution and delivery by the Guarantors of the Guarantee and each of the Guarantor Security Agreements and the performance by them of their obligations thereunder have been duly authorized by all necessary corporate or limited liability company action. No authorization, consent, approval, registration, qualification, designation, declaration or filing with any Governmental Authority or other Person, is or was necessary in connection with the execution, delivery and performance of obligations by the Guarantors under the

Guarantee and each of the Guarantor Security Agreements except as are (i) in full force and effect, unamended, at the date of this Guarantee or (ii) as provided for in such Guarantor Security Agreement.

3.3 Execution and Binding Obligation

This Guarantees and each of the Guarantor Security Agreements have been duly executed and delivered by the Guarantors and constitute legal, valid and binding obligations of the Guarantors, enforceable against them in accordance with their respective terms.

Article 4
Taxes and Other Taxes

4.1 Taxes and Other Taxes

All payments to the Agent or a Lender by the Guarantors under this Guarantee or under any of the Guarantor Security Agreements shall be made free and clear of, and without deduction or withholding for, any and all Taxes except as required by applicable aw to be deducted or withheld. If the Guarantors are required by applicable law to deduct or withhold any Indemnified Taxes from, or in respect of, any amount payable under this Guarantee or under any of the Guarantor Security Agreements (a) the amount payable shall be increased (and for greater certainty, in the case of interest, the amount of interest shall be increased) as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to any additional amounts paid under this Article 4), the Agent or the relevant Lender receives an amount equal to the amount it would have received if no such deduction or withholding had been made, (b) the Guarantors shall make such deductions or withholdings, (c) the Guarantors shall immediately pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, and (d) the Guarantors shall deliver to the Agent or such Lender as soon as practicable after it has made such payment (i) a copy of any receipt issued by the Governmental Authority evidencing the payment of all amounts required to be deducted or withheld from the sum payable hereunder, or (ii) if such a receipt is not available from such Governmental Authority, notice of the payment of the amount deducted or withheld.

4.2 Payment of Other Taxes

The Guarantors agree to immediately pay any Other Taxes which arise from any payment made by the Guarantors under this Guarantee or under any of the Guarantor Security Agreements or from the execution, delivery or registration of, or otherwise with respect to, this Guarantee or any of the Guarantor Security Agreements.

4.3 Tax Indemnity

(a) The Guarantors shall indemnify the Lender and the Agent for the full amount of Indemnified Taxes or Other Taxes paid by the Lender or the Agent and any liability (including penalties, interest and expenses) arising from, or with respect to, such Indemnified Taxes or Other Taxes, whether or not they were correctly or legally asserted. In addition, the Guarantors shall indemnify the Lender and the Agent for any Taxes, Other Taxes or tax based on or measured by the overall net income of a Lender or the Agent (Net Income Taxes) imposed by any jurisdiction on or with respect to any increased amount payable by the Guarantors under Section 4.1 or any payment or indemnity payable by such Guarantors under Section 4.2 or this Section 4.3. Payment under this indemnification shall be made within 30 days from the date the relevant Lender or the Agent makes written demand for it. A certificate as to the amount of such Indemnified Taxes or Other Taxes submitted to the Guarantors by such Lender is conclusive evidence, absent manifest error, of the amount due from the Guarantors to such Lender.

(b) The Guarantors shall furnish to the relevant Lender and the Agent the original or a certified copy of a receipt evidencing payment of Indemnified Taxes or Other Taxes made by the Guarantors within 30 days after the date of any payment of Indemnified Taxes or Other Taxes.

4.4 Entitlement to Exemption

If a Lender or the Agent is entitled to an exemption from, or reduction of, withholding tax under the law of the jurisdiction in which a Guarantor is resident for tax purposes, or any treaty to which that jurisdiction is a party, with respect to payments under this Guarantee, it shall, at the request of that Guarantor, deliver to the Guarantor, at the time or times prescribed by applicable law or reasonably requested by the Guarantor, all properly completed and executed documentation prescribed by applicable law that will permit the payments to be made without withholding or at a reduced rate of withholding. In addition, the Lender or the Agent, if requested by the Guarantor, shall deliver other documentation prescribed by applicable law or reasonably requested by the Guarantor that will enable the Guarantor to determine whether or not a Lender or the Agent is subject to withholding or information reporting requirements.

4.5 Survival

The provisions of this Article 4 survive the termination of this Guarantee.

4.6 Definitions

In this Article 4 words and expressions have the following meanings:

Excluded Taxes means any of the following Taxes imposed on, or with respect to, a Lender or the Agent or required to be withheld or deducted from a payment to such Lender or the Agent:

(a) Taxes imposed on, or measured by, its net income (however denominated), franchise Taxes and branch profits Taxes, in each case, (i) imposed as a result of that recipient being organized under the laws of, or having its principal office or, in

the case of a Lender or the Agent, its applicable lending office located in the jurisdiction imposing the Tax (or any political subdivision of the jurisdiction) or (ii) that are Other Connection Taxes;

(b) any FATCA Withholding Tax;

(c) any Taxes imposed by reason of a Lender or the Agent not dealing at arm's length with the Borrower or the Guarantors for purposes of the ITA or a Lender or the Agent being a "specified non-resident shareholder" as defined in subsection 18(5) of the ITA.

FATCA Withholding Tax means any United States federal withholding tax imposed or collected pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the Code), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of those sections of the Code.

Indemnified Taxes means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by, or on account of, any obligation of the Guarantors under this Guarantee or under any of the Guarantor Security Agreements, and (b) to the extent not otherwise described in (a), Other Taxes.

Other Connection Taxes means Taxes imposed as a result of a present or former connection between the Agent or a Lender and the jurisdiction imposing the Tax (other than connections arising from such Lender or the Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Guarantee or the Guarantor Security Agreements, or sold or assigned an interest in any Advance or Credit Document).

Other Taxes means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Guarantee or the Guarantor Security Agreements.

Taxes means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable to them.

Article 5
General

5.1 Notices, Etc.

Any notice, consent, waiver, demand or other communication given under this Guarantee or any Guarantor Security Agreement shall be in writing and given by delivering it or sending it by facsimile or other similar form of recorded electronic communication addressed:

(a) to the Guarantors at:

495 Wellington St W, Unit 250, Toronto, ON M5V 1G1

Attention: Michael Kruteck
Facsimile: [***]
Email: [***]

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

the Guarantors' solicitors

Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza, 40 King St. W
Toronto, ON M5H 3C2 Canada

Attention: Chuck Rich
Email: [***]

(b) to the Agent, on behalf of itself and each of the Lender, at:

Bridging Finance Inc.
77 King Street West Suite 2925
P.O. Box 322,
Toronto ON M5K 1K7
Canada

Attention: Graham Marr
Email: [***]

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

the Agent's solicitors

Norton Rose Fulbright Canada LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto ON M5K 1E7
Canada

Attention: David Amato
Facsimile: [***]
Email: [***]

Any such communication shall be deemed to have been validly and effectively given if (a) delivered personally or by courier, on the day of delivery if such day is a Business Day and delivery was made prior to 4 pm (Toronto time), otherwise on the next Business Day, or (b) transmitted by facsimile or another means of electronic communication on the day of transmission if such day is a Business Day and transmission was made prior to 4 pm (Toronto time), otherwise on the next Business Day. Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the Party at its changed address.

5.2 Defined Terms

Capitalized terms used in this Guarantee and not otherwise defined have the respective meanings given to them in the Credit Agreement.

5.3 Gender and Number

Any reference in this Guarantee to gender includes all genders and words importing the singular include the plural and *vice versa*.

5.4 Headings, etc.

The inclusion of a table of contents, the division of this Guarantee into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Guarantee.

5.5 Currency

All monetary amounts in this Guarantee, unless otherwise specifically indicated, are stated in Canadian currency.

5.6 No Merger, Survival of Representations and Warranties

The representations and warranties of the Guarantors in this Guarantee survive the execution and delivery of this Guarantee and notwithstanding any investigation made by or on behalf of the Agent or the Lender, continue in full force and effect.

5.7 Time of Essence

Time is of the essence in this Guarantee and the time for performance of the obligations of the Guarantors under this Guarantee may be strictly enforced by the Agent.

5.8 No Collateral Promises

This Guarantee shall not be subject to or affected by any promise or condition affecting or limiting the liability of the Guarantors except as expressly set out in this Guarantee. No statement, representation, agreement or promise on the part of the Agent, a Lender or any officer, employee or agent thereof, unless set out in this Guarantee, forms any part of

this Guarantee or any Credit Document or has induced its creation or shall be deemed in any way to have affected the liability of the Guarantors.

5.9 Further Assurances

The Guarantors will do all acts and things and execute and deliver, or cause to be executed and delivered, all documents and instruments that the Agent or any of the Lender may reasonably request to (a) give full effect to this Guarantee and the Guarantor Security Agreements, and (b) to perfect and preserve the rights and powers of the Agent and the Lender under this Guarantee and the Guarantor Security Agreements.

5.10 Payment of Expenses

The Guarantors will pay on demand, and will indemnify and save the Agent and the Lender harmless from, any and all reasonable costs and expenses (including reasonable and documented legal fees and expenses) (a) incurred by or on behalf of the Agent and the Lender in the administration or enforcement of this Guarantee, or (b) with respect to, or resulting from, any failure or delay by the Guarantors in performing or observing any of its obligations under this Guarantee.

5.11 Amendment

This Guarantee may only be amended, supplemented or otherwise modified by written agreement of the Agent and the Guarantors.

5.12 Waivers, etc.

(a) No consent or waiver by the Agent or the Lender in connection with this Guarantee is binding unless made in writing and signed by an authorized officer of the Agent. Any consent or waiver given under this Guarantee is effective only in the specific instance and for the specific purpose for which it was given. No waiver of any of the provisions of this Guarantee constitutes a waiver of any other provision.

(b) A failure or delay on the part of the Agent or the Lender in exercising a right or remedy under this Guarantee or the Guarantor Security Agreements does not operate as a waiver of, or impair, any rights or remedies of the Agent or the Lender however arising. A single or partial exercise of a right or remedy on the part of the Agent or the Lender does not preclude any other or further exercise of that right or remedy or the exercise of any other rights or remedies by the Agent or the Lender.

5.13 Successors and Assigns

This Guarantee is binding upon the Guarantors, their successors and assigns, and enures to the benefit of the Lender, the Agent and their respective successors and permitted assigns. All rights of the Agent and the Lender are assignable without any requirement of consent on the part of the Guarantors and in any action brought by an assignee to enforce any such right, the Guarantors shall not assert against the assignee any claim or defence which the Guarantors now has or hereafter may have against the Agent or any of the Lender. The Guarantors may not assign, transfer or delegate any of its rights or obligations under this Guarantee without the prior written consent of the Agent.

5.14 Severability

If any provision of this Guarantee is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable that provision will be severed from this Guarantee and the remaining provisions will continue in full force and effect, without limitation.

5.15 Governing Law

(a) This Guarantee is governed by and is to be interpreted and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

(b) The Guarantors irrevocably and unconditionally (i) submit to the non-exclusive jurisdiction of the courts of Ontario located in Toronto, (ii) agree that all claims in respect of any suit, action or proceeding may be heard and determined in such court, and (iii) waive, to the fullest extent permitted by law, any objection which they may have based upon doctrines of venue or *forum incoveniens*.

5.16 Counterparts and Electronic Delivery

This Guarantee may be executed in any number of separate counterparts and all such signed counterparts will together constitute one and the same instrument. To evidence its execution of an original counterpart of this Guarantee, a party may send a copy of its signature on the execution page hereof to the other party by facsimile or other means of recorded electronic transmission (including in PDF form) and such transmission shall constitute valid delivery of an executed copy of this Guarantee to the receiving party.

5.17 Copy of Guarantee

The Guarantors acknowledge receipt of an executed copy of this Guarantee.

IN WITNESS WHEREOF the Guarantors have executed and delivered this Guarantee.

GUARANTORS

Tilray, Inc.

By: "*Brendan Kennedy*"
Chief Executive Officer

Tilray Canada Ltd.

By: "*Mark Castaneda*"
Chief Financial Officer and Treasurer

High Park Farms Ltd.

By: "*Mark Castaneda*"
Chief Financial Officer and Treasurer

1197879 B.C. Ltd.

By: "*Mark Castaneda*"
Chief Financial Officer and Treasurer

FHF Holdings Ltd.

By: "*Mark Castaneda*"
Chief Financial Officer and Treasurer

Fresh Hemp Foods Ltd.

By: "*Mark Castaneda*"

Treasurer

Manitoba Harvest USA, LLC

By: "*Brendan Kennedy*"

Manager

Natura Naturals Holdings Inc.

By: "*Mark Castaneda*"

Secretary

Natura Naturals Inc.

By: "*Mark Castaneda*"

Secretary

Dorada Ventures, Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

High Park Gardens Inc.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

Signature page to Canadian Guarantee

ACCEPTED and agreed by the Agent on its own behalf and for and on behalf of each of the Lender this 28th day of February, 2020.

Bridging Finance Inc., in its capacity as agent

By: "*Graham Marr"*

Senior Managing Director, Portfolio Manager

SCHEDULE A
GUARANTOR SECURITY

1 Canadian Security Agreement dated as of the date of this Guarantee, made between the Agent, the Borrower and all of the Guarantors party to this Guarantee.

2 US Pledge and Security Agreement dated as of the date of this Guarantee, made between the Agent and the following Guarantors:

(a) Tilray, Inc.

(b) Manitoba Harvest USA, LLC

Exhibit 10.27

Execution Version

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed; and is indicated with brackets where the information has been omitted from the filed version of this exhibit.

DatedFebruary 28, 2020

NORTON ROSE FULBRIGHT

TILRAY, INC.

MANITOBA HARVEST USA, LLC

AND

BRIDGING FINANCE INC.

US PLEDGE AND SECURITY AGREEMENT

CAN_DMS: \132147718\7

Contents

Section **Page**

ARTICLE 1
DEFINITIONS 1

1.1 Definitions 1

1.2 Terms Generally 6

ARTICLE 2
PLEDGE OF COLLATERAL 7

2.1 Grant of Security Interest 7

2.2 Revision to UCC 8

2.3 Excluded Assets 8

2.4 Security Interest Absolute 9

ARTICLE 3
RIGHTS AND REMEDIES 10

3.1 Exercise of Remedies 10

3.2 Remedies Upon Event of Default: General 10

3.3 Decree for Specific Performance 11

3.4 Additional Remedies: Accounts Receivable 11

3.5 Additional Remedies: Intellectual Property 12

3.6 Additional Remedies: Pledged Collateral and Deposit Accounts 12

3.7 Rights Cumulative 14

3.8 Exercise of Rights and Remedies 14

3.9 Further Dealings with Collateral by Collateral Agent 14

3.10 Waivers by Debtor 15

3.11 Perpetual Bar 15

3.12 Application of Proceeds 16

3.13 Liability for Deficiency 16

3.14 No Liability of Collateral Agent 16

ARTICLE 4
POWERS OF ATTORNEY AND DEALING WITH SECURITY 17

4.1 Power of Attorney 17

4.2 Power of Attorney – Insurance 18

4.3 Documentation; Further Assurances 18

4.4 Termination and Release of Security Interest 19

4.5 Reimbursement of Expenses 19

ARTICLE 5
REPRESENTATIONS, WARRANTIES AND COVENANTS OF A GUARANTOR 19

Contents

Section		Page
5.1	Representations and Warranties	19
5.2	General Covenants	23
5.3	Special Covenants: Accounts Receivable	25
5.4	Special Covenants: Inventory and Equipment	25
5.5	Special Provisions Regarding Documents, Letters of Credit, etc.	26
5.6	Special Covenants: Intellectual Property	27
5.7	Special Covenants: Pledged Collateral and Deposit Accounts	28
5.8	Remedy for Breach	30
ARTICLE 6 MISCELLANEOUS		30
6.1	Survival; Successors and Assigns	30
6.2	Indemnity	30
6.3	Indemnity Obligations Secured by Collateral	31
6.4	Currency	31
6.5	Notices	32
6.6	Headings	32
6.7	Entire Agreement	32
6.8	Amendment; Waivers	32
6.9	Governing Law	33
6.10	Waiver of Jury Trial	33
6.11	Consent to Jurisdiction; Service of Process	33
6.12	Counterparts and Electronic Delivery	34
6.13	No Presumption	34
6.14	Severability	35
6.15	Application to Collateral Agent	35

SCHEDULES

Schedule 5.1(d)	Debtor Details
Schedule 5.1(f)	Debtor Names
Schedule 5.1(g)	Mergers and Other Combinations
Schedule 5.1(i)	US Patents, Trademarks and Copyright Registrations and Applications
Schedule 5.1(o)	Commercial Tort Claims
Schedule 5.1(p)	Letters of Credit
Schedule 5.1(q)	Securities Accounts and Commodity Accounts
Schedule 5.1(r)	Deposit Accounts
Schedule 5.1(s)	Pledged Stock, Pledged Partnership Interests and Pledged LLC Interests
Schedule 5.1(x)	Pledged Notes
Schedule 5.1(y)	UCC Financing Statements and Other Filings
Schedule 5.2(d)	Location of Books and Records

CAN_DMS: \132147718\7

THIS PLEDGE AND SECURITY AGREEMENT is dated February 28, 2020 and made between:

(1) Each of the parties listed on the signature pages hereto (each a **Guarantor** and collectively the **Guarantors**); and

(2) Bridging Finance Inc.

RECITALS:

(A) Bridging Finance Inc., as agent (in such capacity, the **Collateral Agent**) for and on behalf of any of the funds managed or co-managed by Bridging Finance Inc. (collectively, together with Bridging Finance Inc. in its capacity as a lender, the **Lender**) has agreed to make certain credit facilities available to the High Park Holdings Ltd. (the **Borrower**) upon the terms and conditions contained in a credit agreement among*, inter alios*, the Borrower, the Collateral Agent, the Guarantors and the Lender dated as of this date (such credit agreement as it may at any time or from time to time, be amended, supplemented, restated or replaced, the **Credit Agreement**).

(B) Pursuant to a guarantee dated the date hereof (such guarantee as it may at any time or from time to time be amended, supplemented, restated or replaced the **Guarantee**), each Guarantor has agreed with the Lender and the Collateral Agent to guarantee the payment and performance of all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, of the Borrower to the Lender and the Collateral Agent arising pursuant to, or in respect of, the Credit Agreement and the other Credit Documents (as defined in the Credit Agreement).

(C) The Collateral Agent is to hold for its own benefit and is to act as agent under the Credit Agreement, *inter alia*, to hold as agent for the benefit of the Lender, any and all security for the payment and performance of the obligations of the Guarantors under the Credit Agreement, the Guarantee and the other Credit Documents (as such term is defined in the Credit Agreement).

(D) The Guarantors have agreed to execute and deliver this Agreement to and in favour of the Collateral Agent as security for the payment and performance of the Guarantors' obligations to the Lender under the Credit Agreement, the Guarantee and other Credit Documents.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, and in order to induce the Lender to make funds available to the Borrower, the Guarantors and the Collateral Agent, on behalf of itself and each Lender, hereby agree as follows:

Article 1
Definitions

1.1 **Definitions**

Capitalized words and terms used in this Agreement without definition have the respective meanings given to them in the Credit Agreement. In addition, as used in this Agreement, unless otherwise specified, the following words and terms have the following meanings:

Account Debtor means each Person who is obligated on an Account Receivable or Contract or any Supporting Obligation relating thereto.

Accounts Receivable means all of a Guarantor's now owned or hereafter acquired accounts as such term is defined in the UCC, together with all of a Guarantor's now owned or hereafter acquired accounts receivable, book debts, purchase orders and receipts for goods or services to the extent not included in accounts.

Agreement means this pledge and security agreement as it may be amended, supplemented, restated or replaced from time to time and the words "Article" and "Section" followed by a number or letter refer to the specified Article or Section in this Agreement.

Borrower has the meaning specified in the Recitals.

Chattel Paper means all of a Guarantor's now owned or hereafter acquired chattel paper as such term is defined in the UCC and includes electronic chattel paper.

Collateral has the meaning specified in Section 2.1.

Collateral Agent has the meaning specified in the Recitals.

Commercial Tort Claims means all of a Guarantor's now held or hereafter acquired commercial tort claims as such term is defined in the UCC.

Contracts means all contracts as such term is defined in the UCC, now subsisting or hereafter entered into by a Guarantor, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which a Guarantor may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or performance of any Account Receivable.

Copyright means any of the following in which a Guarantor now holds or hereafter acquires an interest: (a) all copyright rights in any work subject to the copyright laws of the United States (whether or not the underlying works of authorship have been published), whether as author, assignee, transferee or otherwise and all copyrightable works of authorship (whether or not published and whether or not registered), (b) all registrations and applications for registration of any such copyright in the United States or any state or territory thereof and registrations, recordings, supplemental registrations and pending applications for registration in the US Copyright Office including those referred to in Schedule 5.1(i) under the heading "Copyright", (c) all renewals of any of the foregoing, and (d) any claims or causes of action or defenses arising out of, or related to, any of the foregoing.

Copyright Licenses means any and all agreements and licenses (other than any generally available off-the-shelf software licenses provided on non-discriminatory terms) providing for the granting of any right in or to Copyrights (whether a Guarantor is licensee or licensor thereunder) and all renewals and extensions thereof.

Credit Agreement has the meaning specified in the Recitals.

Deposit Accounts means all of a Guarantor's now owned or hereafter acquired deposit accounts as such term is defined in the UCC.

Documents means all of a Guarantor's now owned or hereafter acquired documents as such term is defined in the UCC.

Equipment means all of a Guarantor's now owned or hereafter acquired equipment, machinery, vehicles, furniture and furnishings and all other tangible personal property similar to any of the foregoing, including tools, parts, spare parts and supplies of every kind and description, all improvements, accessions or appurtenances thereto and any rights of a Guarantor as lessor or lessee under all leases of equipment and includes equipment as such term is defined in the UCC.

Event of Default has the meaning specified in the Credit Agreement.

Excluded Asset has the meaning specified in Section 2.3.

Fixture means any item of Equipment that become so related to particular real estate that an interest in it arises under applicable real estate law.

General Intangibles means all general intangibles as such term is defined in the UCC, now owned or hereafter acquired by a Guarantor, including all payment intangibles, customer lists, interests in joint ventures and other business associations, licenses, permits, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, designs, knowledge, know-how, software, data bases, data, processes, models, drawings, materials and records, goodwill, all rights and claims in or under insurance policies, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights of indemnification and rights to receive dividends, distributions, cash, Instruments and other property in respect of, or in exchange for, Pledged Collateral.

Goods means all goods as such term is defined in the UCC, now owned or hereafter acquired by a Guarantor, wherever located, including embedded software to the extent included in goods (as defined in the UCC), manufactured homes, standing timber that is cut and removed for sale and unborn young of animals.

Guarantee has the meaning specified in the Recitals.

Guarantor has the meaning specified in the Recitals.

Instruments means all of a Guarantor's now owned or hereafter acquired instruments as such term is defined in the UCC, including all certificates of deposit, and all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

Indemnified Party has the meaning specified in Section 6.2.

Intellectual Property means any and all Patents, Copyrights, Trademarks and Trade Secrets and the agreements, licenses and goodwill associated therewith.

Inventory means all merchandise and inventory, and all additions, substitutions and replacements thereof and all accessions thereto, wherever located (including in transit or on consignment or otherwise in the possession of a third party), together with all goods, supplies, incidentals, packaging, labels, materials, parts, spare parts and any other items

used or usable in manufacturing, processing, packaging or shipping same, in all stages of production from raw materials through work in process to finished goods, and all products and proceeds of whatever sort and wherever located and any portion thereof which may be returned, rejected, reclaimed or repossessed from a Guarantor's customers, and specifically includes all inventory as such term is defined in the UCC.

Investment Property means all investment property as such term is defined in the UCC now held or hereafter acquired by a Guarantor including all (a) securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries and mutual fund shares, (b) security entitlements, including the rights of a Guarantor in and to any securities accounts and the financial assets held by securities intermediaries in such securities accounts and any free credit balances or other money owing by any securities intermediary with respect to those accounts, (c) securities accounts, (d) commodity contracts, and (v) commodity accounts.

Lender has the meaning specified in the Recitals.

Lien means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien (statutory or other), charge, security interest, easement or encumbrance, or preference, priority or other agreement or preferential arrangement of any similar kind or nature whatsoever (including any conditional sale or title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing).

LLC means a limited liability company in which a Guarantor now has or hereafter acquires an interest including the companies described as such in Schedule 5.1(s).

LLC Agreement means each limited liability company agreement or similar agreement governing the operation of any LLC.

Obligations means all monies, debts, obligations and liabilities of a Guarantor, now or in the future due, owing or incurred in any manner under the Credit Agreement, the Guarantee and the other Credit Documents whether direct or indirect, absolute or contingent and whether solely or jointly with any other Person, and whether as principal or as surety (including, without limitation, all interest that accrues after the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization or similar proceeding of a Guarantor, whether or not a claim for post-petition interest is allowed in any such proceeding) and includes principal, any reimbursement obligations, interest, premiums, penalties and indemnification costs.

Partnership means a partnership in which a Guarantor now has or hereafter acquires an interest including the partnerships described as such in Schedule 5.1(s).

Partnership Agreement means each partnership agreement or similar agreement governing the operation of any Partnership.

Parties means the Guarantors and the Collateral Agent and their respective successors and permitted assigns.

Patent Licenses means all agreements and licenses (other than any generally available off-the-shelf software licenses provided on non-discriminatory terms) providing for the

granting of any right in or to Patents (whether a Guarantor is licensee or licensor thereunder) and all extensions and renewals thereof.

Patents means any of the following in which a Guarantor now holds or hereafter acquires any interest: (a) all letters patent and all applications for letters patent in the United States or any state or territory thereof and registrations, recordings and applications in the USPTO or in any similar office or agency of the United States or any state or territory thereof including those referred to in Schedule 5.1(i) under the heading "Patents" and (b) all reissues, continuations, continuations-in-part or extensions thereof.

Permitted Encumbrances has the meaning specified in the Credit Agreement.

Pledged Collateral means, collectively, the Pledged Notes, the Pledged Stock, the Pledged Partnership Interests and the Pledged LLC Interests, all certificates representing any of the foregoing and all security entitlements of a Guarantor in any of the foregoing.

Pledged LLC Interests means all of a Guarantor's right, title and interest in any Obligor LLC and any LLC Agreement relating thereto including the LLCs listed in Schedule 5.1(s).

Pledged Notes means all of a Guarantor's right, title and interest in each Instrument evidencing indebtedness in excess of $1,000,000 owed to a Guarantor including the Instruments listed in Schedule 5.1(x).

Pledged Partnership Interests means all of a Guarantor's right, title and interest in any Obligor Partnership and any Partnership Agreement relating thereto including the Partnerships listed in Schedule 5.1(s).

Pledged Stock means all of a Guarantor's right, title and interest in the shares of capital stock and other securities of an Obligor issuer including all shares of capital stock listed in Schedule 5.1(s).

Proceeds means proceeds as such term is defined in the UCC and includes any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, any property collected on or distributed on account of the Collateral and any and all other amounts from time to time paid or payable under, or in connection with, any of the Collateral.

Records has the meaning specified in the UCC.

Restricted Asset has the meaning specified in Section 2.3.

Security Interest has the meaning specified in Section 2.1.

Software means software as such term is defined in the UCC, now owned or hereafter acquired by a Guarantor, including all computer programs and all supporting information provided in connection with a transaction related to any program.

Supporting Obligation means any supporting obligations as such term is defined in the UCC, now or hereafter held by a Guarantor or in which a Guarantor has any rights.

Trademark Licenses means any and all agreements and licenses providing for the granting of any right in or to Trademarks (whether a Guarantor is licensee or licensor thereunder), and any and all extensions and renewals thereof.

Trademarks means any of the following in which a Guarantor now holds or hereafter acquires an Interest: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and General Intangibles of similar nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith and registrations, recordings and applications in the USPTO or in any similar office or agency of the United States or any state or territory thereof including those referred to in Schedule 5.1(i) under the heading "Trademarks", (b) all reissues, extension or renewals thereof, and (c) all goodwill associated with or symbolized by any of the foregoing.

Trade Secret Licenses means any and all agreements and licenses providing for the granting of any right in or to Trade Secrets (whether a Guarantor is licensee or licensor thereunder), and all extensions and renewals thereof.

Trade Secrets means all trade secrets and all other confidential or proprietary information and know-how now or hereafter owned or used in, the business of a Guarantor, whether or not such Trade Secrets have been reduced to a writing or other tangible form, including all documents and things embodying, incorporating, or referring in any way to such Trade Secrets and the right to sue for past, present and future infringement of any Trade Secret.

UCC means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that if the UCC is used to define a term in this Agreement and such term is defined differently in different Articles and Divisions of the UCC, the definition of such term contained in Article or Division 9 shall prevail.

USPTO means the United States Patent and Trademark Office.

1.2 **Terms Generally**

(a) Words in the singular include the plural and *vice versa*, and words of one gender include the other genders, in each case, as the context requires.

(b) The words "hereof", "herein", "hereunder" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article, Section and Schedule references are to the Articles, Sections and Schedules in this Agreement unless otherwise specified.

(c) The word "including" and words of similar import when used in this Agreement mean "including, without limitation" unless otherwise specified.

(d) The Schedules to this Agreement, as amended, amended and restated, replaced, supplemented or otherwise modified from time to time in accordance with the provisions of this Agreement form an integral part of this Agreement.

(e) If any conflict or inconsistency exists between this Agreement and the Credit Agreement, the Credit Agreement will govern to the extent of any such conflict or inconsistency. If any conflict or inconsistency exists between this Agreement and any other Credit Document other than the Credit Agreement, this Agreement will govern to the extent of any such conflict or inconsistency. Without limiting the generality of the foregoing, to the extent there is any conflict between this Agreement and the Canadian Security Agreement, the Parties hereto expressly acknowledge that matters of creation, attachment, perfection and delivery of a security interest in the Collateral of the Guarantors shall be governed by the terms of the this Agreement and the terms of this Agreement shall prevail.

(f) All references in this Agreement to provisions of the UCC include all successor provisions under any subsequent version or amendment to any Article of the UCC.

(g) Unless the context requires otherwise (a) any definition of, or reference to, any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions set forth herein or in the Credit Agreement), (b) any reference herein to any Person will be construed to include such Person's successors and permitted assigns, (c) any reference to any law, statute or regulation will, unless otherwise specified, refer to such law, statute or regulation as amended, modified or supplemented from time to time, and (d) the words "asset" and "property" will be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Article 2
Pledge of Collateral

2.1 **Grant of Security Interest**

As security for the prompt and complete payment and performance when due (whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise) of the Obligations, each Guarantor hereby grants to the Collateral Agent, for the benefit of the Lender and their respective successors and assigns, a continuing security interest (the **Security Interest**) in all of the Guarantor's right, title and interest in, to and under the following (the **Collateral**):

(a) all Goods and Equipment;

(b) all Inventory now owned or hereafter acquired by a Guarantor;

(c) all Contracts;

(d) all Accounts Receivable;

(e) all Chattel Paper, Instruments and Documents;

(f) all Investment Property;

(g) all Intellectual Property;

(h) all Deposit Accounts;

(i) all Commercial Tort Claims;

(j) all money or other property of any kind which is received by the Guarantor in connection with refunds with respect to taxes, assessments and governmental charges imposed on the Guarantor or on any of its property or income;

(k) all insurance and any proceeds thereof now held or hereafter acquired by the Guarantor;

(l) all Supporting Obligations;

(m) all other General Intangibles including all Software;

(n) all books, records, files, correspondence and other papers, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Collateral described in clauses (a) through (m) above or that are otherwise necessary or helpful in the collection thereof or realization thereon; and

(o) all Proceeds of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, or in respect of, any of the foregoing.

2.2 **Revision to UCC**

If the UCC is revised after this date such that the definition of any of the terms included in the description of Collateral is changed, any property that is included in such changed definition that would not otherwise be included in the foregoing definitions on this date shall be included in such definition immediately upon the effective date of such revision, it being the intention of the Parties that the description of Collateral be construed to include the broadest possible range of property and assets (except as specifically excluded by Section 2.3).

2.3 **Excluded Assets**

The Collateral shall not include any of the following property and assets (each, an **Excluded Asset**):

(a) any license, contract, permit, instrument or franchise to which a Guarantor is a party or has the benefit thereof, to the extent, but only to the extent, that the grant or perfection of a security interest therein would, under the terms of such license, contract, permit, instrument or franchise, result in a breach of the terms of, constitute a default under, render unenforceable, trigger an express termination

right on the part of any other party (which right is not waived in writing) or result in the termination of, any such license, contract, permit, instrument or franchise (other than to the extent that any such term would be rendered ineffective pursuant to sections 9-406, 9-407 or 9-408 of the UCC or any other applicable law (including the *Bankruptcy Code*);

(b) any asset, the grant or perfection of a security interest in which would be prohibited under Applicable Laws or would require any governmental or regulatory consent, approval, license or authorization, except to the extent such prohibition or requirement would be rendered ineffective pursuant to sections 9-406, 9-407 or 9-408 of the UCC or any other applicable law (including the *Bankruptcy Code*). Notwithstanding such prohibition or requirement, it is understood that the term "Excluded Asset" does not include proceeds or accounts arising out of any asset described in this Section 2.3(b) to the extent that the assignment of such proceeds or accounts is expressly deemed to be effective under the UCC or other applicable laws notwithstanding the relevant prohibition or requirement;

(c) any United States intent-to-use trademark or service mark application to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark application under applicable law;

(d) motor vehicles and any other property subject to any certificate of title or other registration statute of the United States, any State or other jurisdiction;

(e) any deposit account or security account subject to a Permitted Encumbrance, to the extent that applicable law or any agreement or arrangement prohibits the creation of a Lien therein or thereto, or the creation of such security interest results in abandonment, invalidation or unenforceability of any right title or interest of any Grantor therein; and

(f) assets subject to purchase money encumbrances or capital leases permitted by the Credit Agreement to the extent that the grant or perfection of a security interest therein would be in violation of the terms of the agreement giving rise to such Permitted Encumbrance; and (g) any right, title and interest in the shares of capital stock or other securities of an issuer which is a joint venture.

2.4 **Security Interest Absolute**

All rights of the Collateral Agent and the Lender in this Agreement, the grant of the Security Interest, and all obligations of the Guarantors hereunder, shall be absolute and unconditional pending satisfaction and payment and performance in full of the Obligations irrespective of:

(a) any claim as to the validity, regularity or enforceability of this Agreement, the Credit Agreement, the Guarantee or any other Credit Document;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of, or any consent to any departure from, the Credit Agreement, the Guarantee or any other Credit Document or any other agreement or instrument relating to any of the foregoing;

(c) any change in the laws of any jurisdiction;

(d) the occurrence of an Event of Default;

(e) any exchange, release or non-perfection of the Collateral, the Collateral Agent's or the Lender' security interest in any other property or assets of a Guarantor or any other Person, or any release, amendment or waiver of, or consent to or departure from, any guaranty, for all or any of the Obligations; or

(f) any other circumstance that might otherwise constitute a defense available to, or a discharge of, a Guarantor in respect of the Obligations or this Agreement.

Article 3
Rights and Remedies

3.1 **Exercise of Remedies**

The Collateral Agent, acting alone, may enforce the Security Interest, commence foreclosure proceedings and otherwise exercise any rights and remedies available to it under this Agreement, at law or otherwise upon the occurrence and during the continuation of an Event of Default, and in doing so will act on behalf of all of the Lender.

3.2 **Remedies Upon Event of Default: General**

If an Event of Default has occurred and is continuing, the Collateral Agent, acting alone, may, but shall not be obligated to, exercise the following rights and remedies, which a Guarantor hereby agrees are commercially reasonable:

(a) to require a Guarantor to assemble and deliver the Collateral or any part thereof to the Collateral Agent at any reasonable place or places designated by the Collateral Agent;

(b) personally or by agents or attorneys, to take possession of the Collateral or any part thereof and, to the extent a Guarantor can give authority therefor, without liability for trespass and without notice or judicial process, to enter any premises where the Collateral may be located for the purpose of taking possession of, or removing, the Collateral;

(c) to receive all amounts payable in respect of the Collateral that would otherwise be payable to a Guarantor and to instruct Account Debtors and any other obligors on any agreement, instrument or other obligation to make any payment required by the terms of such agreement, instrument or other obligation directly to the Collateral Agent and to exercise any and all remedies of a Guarantor in respect of such Collateral;

(d) to transfer or assign all or any part of the Collateral (including any letters of credit of which a Guarantor is the named beneficiary) into the Collateral Agent's name or the name of its nominee and to execute such documents as may be necessary or appropriate to reflect such transfers and assignments;

(e) to give all consents, waivers and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the owner thereof (each Guarantor irrevocably constituting and appointing the Collateral Agent as proxy and attorney-in-fact of a Guarantor, with full power of substitution to do so);

(f) to sell, assign or otherwise dispose of, or grant options to purchase, all or any part of the Collateral for cash, on credit or for other property, for immediate or future delivery, without any assumption of credit risk, and for such price or prices and on such terms as the Collateral Agent in its absolute discretion may determine. Any such sale or other disposition may be effected by means of a public or private sale in accordance with the requirements (in each case if and to the extent applicable) of section 9-613 of the UCC and such other mandatory requirements of Applicable Law as may apply to the disposition. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned by announcement at the time and place fixed for the sale, and such sale may be made at the time or place to which it has been so adjourned. Unless prohibited by Applicable Law, the Collateral Agent or any other Lender may bid for and purchase all or any part of the Collateral free from any right or equity of redemption. The Collateral Agent is authorized to comply with any limitation or restriction in connection with any sale of Collateral as it may be advised by counsel is necessary or desirable in order to (i) avoid any violation of Applicable Law or (ii) obtain any required governmental approval of the sale or purchase, and a Guarantor agrees that such compliance shall not result in such purchase or sale being considered or deemed not to have been made in a commercially reasonable manner and that the Collateral Agent shall not be liable or accountable to a Guarantor for any discount allowed by reason of the fact that such Collateral is disposed of in compliance with any such limitation or restriction; and

(g) to take any other action as specified in clauses (1) through (5), inclusive, of section 9-607(a) of the UCC.

3.3 **Decree for Specific Performance**

If so requested by the Collateral Agent pursuant to Section 3.2, a Guarantor shall, at its own expense, assemble and deliver each item of Collateral to the Collateral Agent. Each Guarantor's obligation to assemble and deliver Collateral to the Collateral Agent upon and during the continuance of an Event of Default is of the essence of this Agreement and, accordingly, upon application to a court having jurisdiction, the Collateral Agent shall be entitled to a decree requiring specific performance by a Guarantor of such obligation.

3.4 **Additional Remedies: Accounts Receivable**

(a) In addition to all other rights and remedies set out in this Agreement, upon the occurrence and during the continuance of an Event of Default, if the Collateral Agent so directs a Guarantor, that Guarantor shall (i) cause all payments on account of the Accounts Receivable and Contracts to be made directly to such account as the Collateral Agent shall instruct in writing, (ii) deliver all tangible evidence of its Accounts Receivable and Contracts and related books and records to the Collateral Agent or its representatives; (iii) permit the Collateral Agent, at its option, to directly notify any or all Account Debtors to make payments directly

to the Collateral Agent or as it may otherwise direct, (iv) legend, in form and manner satisfactory to the Collateral Agent, the Accounts Receivable and the Contracts, as well as books, records and documents (if any) of a Guarantor evidencing or pertaining to such Accounts Receivable and Contracts with an appropriate reference to the fact that such Accounts Receivable and Contracts have been assigned to the Collateral Agent and that the Collateral Agent, for and of behalf of the Lender, has a security interest therein, and (v) permit the Collateral Agent to enforce collection of any such Accounts Receivable and Contracts and adjust, settle or compromise the amount of payment thereof, in the same manner and to the same extent as a Guarantor.

(b) The costs and expenses of collection (including reasonable and documented attorneys' fees), whether incurred by a Guarantor or the Collateral Agent, shall be borne by the Guarantor. The Collateral Agent shall deliver a copy of each notice referred to in Section 3.4(a) to the Guarantor, provided that the failure by the Collateral Agent to so notify the Guarantor shall not affect the effectiveness of such notice or the other rights of the Collateral Agent created by this Section 3.4(a) and no such notice shall be required if an Event of Default of the type described in subsection **[(j) of the Event of Default section of]** the Credit Agreement has occurred and is continuing.

3.5 **Additional Remedies: Intellectual Property**

In addition to all other rights and remedies set out in this Agreement, if an Event of Default has occurred and is continuing, the Collateral Agent shall also be entitled but shall not be obligated with respect to any Collateral consisting of Intellectual Property, to (a) cause the Security Interest to become an assignment, transfer and conveyance of any or all such Collateral by a Guarantor to the Collateral Agent or otherwise declare the right, title and interest of a Guarantor in and to such Collateral to be vested in the Collateral Agent for the benefit of the Lender, (b) license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine, (c) from time to time, in its sole discretion, enforce against any licensee or sublicensee all rights and remedies of a Guarantor in, to and under any such Collateral and take or refrain from taking any action under any such license or sublicense, (d) take and use or practice or sell the Intellectual Property and the goodwill of a Guarantor's business symbolized by the Trademarks, and (e) direct a Guarantor to refrain, in which event a Guarantor shall refrain, from practicing the Patents and using the Copyrights and Trademarks in any manner whatsoever, directly or indirectly.

3.6 **Additional Remedies: Pledged Collateral and Deposit Accounts**

(a) In addition to all other rights and remedies set out in this Agreement, if an Event of Default has occurred and is continuing, the Collateral Agent may, but shall not be obligated to, without notice to a Guarantor, transfer or direct the transfer of funds from one or more Deposit Accounts, to satisfy the Obligations.

(b) In addition to all other rights and remedies set out in this Agreement, if an Event of Default has occurred and is continuing, the Collateral Agent may, but shall not be obligated to, without notice to a Guarantor, (i) transfer all or any portion of the Pledged Collateral to its name or the name of its nominee or agent, and (ii) exchange any certificates representing any Investment Property or Instruments for certificates or Instruments of smaller or larger denominations.

(c) In addition to all other rights and remedies set out in this Agreement, if an Event of Default has occurred and is continuing:

(i) automatically, in the case of an Event of Default under subsection **[(j) of the Event of Default section]** of the Credit Agreement and otherwise upon notice from the Collateral Agent to a Guarantor, all rights of a Guarantor to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant hereto will cease and all such rights will thereupon become vested in the Collateral Agent which will have the sole right to exercise such voting and other consensual rights provided that the Collateral Agent may, from time to time, permit a Guarantor to exercise such rights irrespective of whether an Event of Default has occurred or notice as aforesaid has been delivered; and

(ii) automatically, in the case of an Event of Default under subsection **[(j) of the Event of Default section]** of the Credit Agreement and otherwise upon notice from the Collateral Agent to a Guarantor, all rights of a Guarantor to dividends, distributions, interest or principal that a Guarantor is authorized to receive pursuant to this Agreement or the Credit Agreement will cease, and all such rights will thereupon become vested in the Collateral Agent, which will have the sole and exclusive right and authority to receive and retain such dividends, distributions, interest and principal.

(d) In order to permit the Collateral Agent to exercise its voting and other consensual rights and to receive all dividends, distributions, interest and principal that it may be entitled to receive hereunder a Guarantor shall promptly execute and deliver (or cause to be executed and delivered) to the Collateral Agent all proxies, dividend payment orders and other instruments as the Collateral Agent may from time to time reasonably request.

(e) Each Guarantor understands that compliance with United States federal securities laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral under applicable Blue Sky laws or other state securities laws or similar laws analogous in purpose or effect. Each Guarantor recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account for investment and not with a view to the distribution or resale thereof. Each Guarantor acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its

sole discretion, may (i) proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof has been filed under United States federal securities laws, and (ii) approach and negotiate with a single potential purchaser to effect such sale. Each Guarantor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent will incur no responsibility or liability for selling Pledged Collateral at a price that the Collateral Agent, in its sole discretion, may deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section 3.6(e) will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices might exceed substantially the price at which the Collateral Agent sells.

3.7 **Rights Cumulative**

Each right, power and remedy of the Collateral Agent provided for in this Agreement or the other Credit Documents or at law or in equity shall be cumulative and concurrent and shall be in addition to every other right, power and remedy. The exercise or beginning of the exercise by the Collateral Agent of any one or more of the rights, powers or remedies provided for in this Agreement or the other Credit Documents or at law or in equity shall not preclude the simultaneous or later exercise by the Collateral Agent of all such other rights, powers or remedies, and no failure or delay on the part of the Collateral Agent to exercise any such right, power or remedy and no renewal or extension of any Obligation shall impair any such right, power or remedy or shall operate as a waiver thereof. No notice to, or demand on, a Guarantor shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Collateral Agent to any other or further action without notice or demand.

3.8 **Exercise of Rights and Remedies**

(a) In no event shall the Collateral Agent be obligated to exercise any right or remedy against any other Person obligated with respect to, or any other collateral security for, the Obligations prior to exercising its rights hereunder.

(b) The Collateral Agent may exercise rights, powers and remedies in such order and priority as the Collateral Agent may determine in its sole discretion.

3.9 **Further Dealings with Collateral by Collateral Agent**

The Collateral Agent may sell or otherwise dispose of Collateral without giving any warranties as to the Collateral including warranties as to title or fitness for use. The Collateral Agent may specifically disclaim any warranties of title or the like. Any disposition on this basis will not be considered to adversely affect the commercial reasonableness of such sale or other disposition of the Collateral.

3.10 **Waivers by Debtor**

EACH GUARANTOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE COLLATERAL AGENT'S TAKING POSSESSION OR DISPOSING OF ANY OR ALL OF THE COLLATERAL, INCLUDING ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES, and each Guarantor hereby further waives, to the fullest extent permitted by Applicable Law:

(a) all damages occasioned by such taking of possession or disposition except damages which are the direct result of the Collateral Agent's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder; and

(c) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under Applicable Law which could prevent or delay the enforcement of this Agreement or the sale of the Collateral or any portion thereof, and each Guarantor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such laws.

3.11 **Perpetual Bar**

(a) Any sale or other disposition (whether in the course of a realization or otherwise) of Collateral by the Collateral Agent or its representatives or agents shall operate to divest all right, title, interest and claim, either at law or in equity, of a Guarantor therein and thereto, and shall be a perpetual bar both at law and in equity against a Guarantor and against any and all Persons claiming or attempting to claim the Collateral so sold or otherwise disposed of.

(b) Each purchaser at any sale or other disposition of Collateral shall hold the property so sold or transferred to it absolutely free from any claim or right on the part of a Guarantor, and each Guarantor waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after any disposition, and all rights, if any, of marshaling the Collateral and all rights, if any, of stay or appraisal which it now has or may at any time in the future have under any rule of law now existing or hereafter enacted.

(c) Upon any sale of the Collateral by the Collateral Agent (whether by the power of sale herein granted, pursuant to judicial process or otherwise), the receipt by the Collateral Agent of the purchase price therefor shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold, and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or be answerable in any way for the misapplication or nonapplication thereof.

3.12 **Application of Proceeds**

All monies or other Proceeds collected by the Collateral Agent upon any sale, collection, realization or other disposition of the Collateral, together with all other monies or Proceeds received by the Collateral Agent hereunder shall be applied as follows:

(a) first, to the payment of all costs and expenses of any such sale, collection, realization or other disposition, including compensation to the Collateral Agent and its agents and counsel, and all other expenses, liabilities and advances made or incurred by the Collateral Agent in connection therewith, and to the payment of all costs and expenses paid or incurred by the Collateral Agent in connection with the exercise of any right or remedy hereunder or under any Credit Document;

(b) second, to the payment of all remaining Obligations owed to the Lender *pro rata* in accordance with the aggregate amount of Obligations then owing to each of them, or in such other proportion as the Lender may otherwise agree in their sole discretion; and

(c) third, to the extent monies remain after their application pursuant to the preceding Sections 3.12(a) and 3.12(b), to a payment to a Guarantor or to whomever may be lawfully entitled to receive such payment.

3.13 **Liability for Deficiency**

If the proceeds of any sale or other disposition of Collateral are insufficient to pay the entire outstanding amount of the Obligations, a Guarantor shall be liable for the deficiency and the fees of any Persons employed by the Collateral Agent to collect such deficiency.

3.14 **No Liability of Collateral Agent**

Notwithstanding any other provision of this Agreement, nothing herein contained shall be construed as requiring the Collateral Agent or any of the Lender to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent or any Lender, or to present or file any claim or notice, or to take any action with respect to the Collateral or the moneys due or to become due in respect thereof. No action taken or omitted to be taken by the Collateral Agent or any Lender with respect to the Collateral will give rise to any defense, counterclaim or offset in favor of a Guarantor or to any claim against the Collateral Agent or any Lender. The provisions of this Section 3.14 shall not relieve a Guarantor of any of its obligations hereunder or under the Credit Agreements, the Guarantee or the other Credit Documents with respect to the Collateral or any part thereof or impose any obligation on the Collateral Agent or any Lender to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Collateral Agent or any Lender of any other or further right that it may have, whether hereunder or under the other Credit Documents, by law or otherwise. The Collateral Agent and each Lender, as the case may be, will be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their respective officers, directors, employees or agents will be responsible to a Guarantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct in each case as determined by a final, non-appealable judgment of a court of competent jurisdiction.

Article 4
Powers of Attorney and Dealing with Security

4.1 **Power of Attorney**

Each Guarantor hereby constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as its true and lawful attorney with full power, acting alone, to take any of the following actions which the Collateral Agent may deem necessary or advisable to protect the interests of the Lender, which appointment as attorney is irrevocable and coupled with an interest:

(a) upon the occurrence and during the continuance of an Event of Default,

(i) to receive, endorse, assign, collect and deliver any and all notes, acceptances, checks, drafts, money orders or other Instruments, Documents and Chattel Paper or other evidences of payment relating to the Collateral;

(ii) to ask for, demand, collect, sue for, recover, receive payment of, give receipts for and give discharges and releases of all or any of the Collateral;

(iii) to send verifications of Accounts Receivable to Account Debtors and to notify Account Debtors to make payment directly to the Collateral Agent;

(iv) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; and

(v) to settle, compromise, compound, adjust or defend any claims, actions, suits or proceedings relating to all or any of the Collateral; and

(b) at any time and from time to time,

(i) to prepare and file Records (including UCC financing statements);

(ii) to prepare, sign, and file for recordation in the USPTO or the US Copyright Office, as applicable, appropriate evidence of the Security Interest granted herein in the Intellectual Property in the name of a Guarantor as assignor; and

(iii) after five Business Days' notice to the Guarantor, to take or cause to be taken all actions necessary to perform or comply or cause performance or compliance with the terms of this Agreement if the Guarantor has not complied with its obligations within the time period provided, including to pay or discharge taxes or Liens (other than Permitted Encumbrances) levied or placed upon or threatened against the Collateral, the legality thereof and the amounts necessary to discharge the same to be determined by the Collateral Agent in its sole discretion. Any such payments made by the Collateral Agent shall be due and payable

immediately without demand and shall constitute Obligations secured hereby.

4.2 **Power of Attorney – Insurance**

(a) Each Guarantor irrevocably constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as its true and lawful agent (and attorney-in-fact) for the purpose, after the occurrence and during the continuance of an Event of Default, of making, settling and adjusting claims in respect of the Collateral under policies of insurance, endorsing the name of the Guarantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto.

4.3 **Documentation; Further Assurances**

(a) Each Guarantor has delivered to the Collateral Agent fully executed UCC financing statements, mortgages and other appropriate filings, recordings and registrations containing a complete and accurate description of the Collateral for filing in all recording offices of each jurisdiction where is may be necessary or desirable to do so to publish notice of, protect the validity of, and establish a legal, valid and perfected security interest in favor of the Collateral Agent, for the benefit of the Lender, in, all Collateral in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof).

(b) Each Guarantor has caused to be delivered to the Collateral Agent, with respect to United States registered Patents, Trademarks (and Trademarks for which United States registration applications are pending) and Copyrights, a fully executed security agreement and other documents containing a description of all such Collateral for recording with the USPTO and the US Copyright Office, and otherwise as may be required pursuant to the laws of any other jurisdiction in the United States (or any political subdivision thereof) to protect the validity of, and to establish a legal, valid and perfected security interest in favor of the Collateral Agent, for the benefit of the Lender in, all Intellectual Property of the Guarantor in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof).

(c) Each Guarantor shall execute and deliver from time to time as may be reasonably requested by the Collateral Agent such other instruments, agreements, certificates and documents and other filings, recordings and registrations as may be appropriate, in the opinion of the Collateral Agent, to evidence, confirm, perfect and maintain the security interests granted or required to be granted to the Collateral Agent for the benefit of the Lender by this Agreement, and shall fully cooperate with the Collateral Agent and perform all additional acts that are necessary to effect the purposes of the foregoing.

(d) If a Guarantor fails to perform any act required by this Section 4.3, the Collateral Agent may (in the name of the Guarantor or otherwise) perform or cause to be performed, such act. Each Guarantor hereby authorizes the Collateral Agent to file any financing statements, continuation statements, amendments to financing statements or other documents in any jurisdictions and with any filing offices as the Collateral Agent may determine, in its sole discretion, are necessary or advisable to perfect the Security Interest.

4.4 **Termination and Release of Security Interest**

(a) Upon satisfaction and payment and performance in full of all Obligations, the Security Interest shall terminate and the Collateral Agent, at the request of the Guarantors, shall execute and deliver to the Guarantors a proper instrument or instruments acknowledging the termination of the Security Interest, and shall assign, transfer and deliver the Guarantors Collateral in its possession which has not been sold or otherwise applied or released pursuant to this Agreement.

(b) Upon any sale, transfer or other disposition by a Guarantor of any item of Collateral which is permitted to be sold, transferred or otherwise disposed of pursuant to the terms of the other Credit Agreement and the Credit Documents, the Security Interest in such Collateral shall be automatically released. The Collateral Agent shall execute and deliver to each Guarantor all UCC termination statements, releases and similar documents that the Guarantors may reasonably request to evidence the release of such item of Collateral from the Security Interest provided that any such release shall be without recourse and without any representation or warranty, except that the Collateral Agent has not previously encumbered or sold such Collateral in violation of this Agreement.

4.5 **Reimbursement of Expenses**

Each Guarantor shall reimburse the Collateral Agent on demand for the fees (including legal fees) and expenses incurred by the Collateral Agent in connection with the preparation, filing, publication or recording of any instruments, agreements, certificates and documents (including UCC financing statements) pursuant to Section 4.3 or Section 4.4 and all such amounts shall form part of the Obligations and be secured hereby until paid in full.

Article 5
Representations, Warranties and Covenants of a Guarantor

5.1 **Representations and Warranties**

Each Guarantor represents and warrants to and in favour of the Collateral Agent and each of the Lender as follows:

(a) The Collateral is owned, and as to all Collateral acquired by it from time to time after the date hereof will be owned, solely by the Guarantor free and clear of all Liens except for the Security Interest and Permitted Encumbrances. The Guarantor has not filed or consented to the filing of any financing statements or analogous documents under the UCC or any other applicable laws covering any Collateral, including any filing with the USPTO or the US Copyright Office, which financing statements or analogous document are still in effect, except, in each case, for the Security Interest and Permitted Encumbrances.

(b) The Security Interest constitutes a legal, valid and perfected security interest in all Collateral securing the payment and performance of the Obligations. The Security Interest is and will at all times rank in priority to any other Lien on any of the Collateral other than Permitted Encumbrances.

(c) The Guarantor has, and as to all Collateral acquired by it from time to time after the date hereof will have, good and valid rights in and title to the Collateral with respect to which it has purported to grant a security interest and has, and as to all Collateral acquired by it from time to time after the date hereof will have, full power and authority to grant to the Collateral Agent a security interest in such Collateral and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval which has been obtained.

(d) At the date of this Agreement and for the five immediately preceding years, (i) the exact legal name, type of organization and sole jurisdiction of organization (together with the organizational identification number, if any issued by such jurisdiction) of the Guarantor are set out in Schedule 5.1(d) under the heading “Legal Name”, (ii) the address for the Guarantor’s place of business, or if it has more than one place of business, its chief place of business and chief executive office, is set out in Schedule 5.1(d) under the heading “Chief Place of Business”, (iii) the addresses of all places where Collateral located are set out in Schedule 5.1(d) under the heading “Location of Collateral”, and (iv) the legal names and addresses of all Persons other than the Guarantor or the Collateral Agent that have possession of any of the Collateral, for which a warehouseman’s agreement is not in effect are set out in Schedule 5.1(d) under the heading “Third Parties Holding Collateral”.

(e) All Inventory and Equipment included in the Collateral have been kept for the past five years only at the locations specified in Schedule 5.1(d) under the heading “Location of Collateral”.

(f) The Guarantor does not operate in any jurisdiction and in the preceding five years has not operated in any jurisdiction under any trade names, fictitious names or other names except its legal name and such other trade or fictitious names as are listed in Schedule 5.1(f).

(g) During the five years preceding the date of this Agreement, no Person has merged or consolidated with or into the Guarantor, and no Person has liquidated into, or transferred all or substantially all of its assets to, the Guarantor, in each case except as described in Schedule 5.1(g). With respect to any transactions described in Schedule 5.1(g), the Guarantor has furnished such information, including UCC lien searches, with respect to such Person (and the assets of the Person and locations thereof) as has been requested by the Collateral Agent to establish that no security interest (excluding Permitted Encumbrances) continues perfected on the date hereof with respect to any such Person (or the assets transferred to the Guarantor by such Person).

(h) [Reserved].

(i) Schedule 5.1(i) sets out a complete list as at the date of this Agreement of all United States registrations and applications for registration of Patents, Trademarks and Copyrights, and Trademark Licenses, Patent Licenses and Copyright Licenses (A) granting rights to any other Person to use any Intellectual Property owned by or licensed by a Guarantor, or (B) granting rights to the Guarantor to use Intellectual Property owned by another Person.

(j) No other Person is, to the Guarantor's knowledge, infringing upon any material Intellectual Property. No claim has been received by the Guarantor alleging that any aspect of the Guarantor's present or contemplated business operations infringes or will infringe any intellectual property or business identifier or design or domain name of any other Person except to the extent that such claimed infringement would not cause a material adverse effect, or the Guarantor has misappropriated any trade secret or proprietary information.

(k) To the Guarantor's knowledge, (i) none of its material Trade Secrets has been used, divulged, disclosed or appropriated to the detriment of the Guarantor for the benefit of any other Person; (ii) no employee, independent contractor or agent of the Guarantor has misappropriated any trade secrets of any other Person in the course of the performance of his or her duties as an employee, independent contractor or agent of the Guarantor; and (iii) no employee, independent contractor or agent of the Guarantor is in default or breach in any material respect of any term of any employment agreement, non-disclosure agreement, assignment of inventions agreement or similar agreement relating in any way to the protection, ownership, development, use or transfer of the Guarantor's Intellectual Property.

(l) No Collateral consisting of Intellectual Property is subject to any outstanding consent, settlement, decree, order, injunction, judgment or ruling restricting its use or that would impair its validity or enforceability.

(m) As each of its Accounts Receivable arises, the Guarantor shall be deemed to have represented and warranted that it, and all records, papers and documents relating to it (if any), are genuine and what they purport to be, and that all such papers and documents (if any) (i) represent, to the knowledge of the Guarantor, the genuine, legal, valid and binding obligation of the Account Debtor enforceable in accordance with its terms and evidencing indebtedness unpaid and owed by the Account Debtor arising out of the performance of labor or services or the sale or

lease and delivery of the merchandise listed therein, or both, and (ii) are the only original writings evidencing or embodying such obligation of the Account Debtor named therein (other than copies created for general accounting purposes).

(n) As at the date of this Agreement, Schedule 5.1(o) sets out a complete description of each Commercial Tort Claims of the Guarantor with a value in excess of $500,000 for which a Guarantor has filed a complaint in a court of competent jurisdiction.

(o) As at the date of this Agreement, Schedule 5.1(p) sets out a complete description of each letter of credit with a face amount in excess of $1,000,000 under which the Guarantor is the beneficiary. The Guarantor has used commercially reasonable efforts to obtain the consent of each issuer of such letter of credit (other than those constituting Supporting Obligations with an individual value of less than $1,000,000) to the assignment of the proceeds of such letter of credit to the Collateral Agent.

(p) As at the date of this Agreement, Schedule 5.1(q) sets out a complete list of all securities accounts and commodity accounts in which the Guarantor has an interest. The Guarantor is the sole entitlement holder of each of its securities accounts and commodity accounts and the Guarantor has not consented to, and is not otherwise aware of, any Person (other than the Collateral Agent) having “control” (as defined in sections 8-106 and 9-106 of the UCC) over, or any other interest in, any of its securities accounts or commodity accounts or any financial assets or other property deposited therein.

(q) As at the date of this Agreement, Schedule 5.1(r) sets out a complete list of all Deposit Accounts in which the Guarantor has an interest. Except for Excluded Accounts indicated on Schedule 5.1(r), the Guarantor is the sole account holder of each Deposit Account in which it has an interest and it has not consented to, and is not otherwise aware of, any Person (other than the Collateral Agent) having “control” (as defined in section 9-104 of the UCC) over, or any other interest in, any of its Deposit Accounts or any money or other property deposited therein.

(r) As at the date of this Agreement, Schedule 5.1(s) sets out a complete list and description of the Pledged Stock, Pledged Partnership Interests and Pledged LLC Interests pledged hereunder by the Guarantor to and in favour of the Collateral Agent, on behalf of the Lender and, in each case, the list sets out that percentage of the issued and outstanding interests of all classes of each issuer thereof.

(s) All of the Pledged Stock, Pledged Partnership Interests and Pledged LLC Interests have been duly and validly issued and, to the extent applicable, are fully paid and non-assessable.

(t) No Person other than the Collateral Agent has “control” (as defined in sections 8-106 and 9-106 of the UCC) over any Pledged Collateral and, other than the Pledged Partnership Interests and the Pledged LLC Interests that constitute General Intangibles, there is no Pledged Collateral other than (i) Pledged Collateral that is represented by certificated securities or Instruments that are in the possession of the Collateral Agent, (ii) Pledged Collateral held in a securities account over which the Collateral Agreement has control, (iii) Pledged Collateral

consisting of securities accounts and financial assets credited thereto that are linked by a sweep mechanism to a Deposit Account over which the Collateral Agent has control, and (iv) Investment Property constituting uncertificated securities that are subject to control arrangements satisfactory to the Collateral Agent.

(u) There are no restrictions on transfer in the LLC Agreements governing any Pledged LLC Interests, in the Partnership Agreements governing any Pledged Partnership Interests or in any other agreement relating to the Pledged Collateral which would limit or restrict (i) the grant of a security interest in the Pledged LLC Interests, the Pledged Partnership Interests or the Pledged Stock, (ii) the perfection of such security interest, (iii) the exercise of remedies in respect of such security interest, or (iv) the transfer of the Pledged LLC Interests, the Pledged Partnership Interests or the Pledged Stock, in each case as contemplated by this Agreement.

(v) Each of the Pledged Collateral consisting of Instruments has been delivered to the Collateral Agent.

(w) As at the date of this Agreement, Schedule 5.1(w) sets out a complete list and description of each Pledged Note. Each of the Pledged Notes constitutes the legal and valid obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, and general equitable principles.

(x) Schedule 5.1(x) contains copies of all UCC financing statements and other filings (including, to the extent required by the Collateral Agent, any filings made in the USPTO or the US Copyright Office), recordings or registrations that have been delivered to the Collateral Agent prior to the date hereof for filing in each governmental, municipal or other office in the jurisdictions identified in Schedule 5.1(d). Such filings, recordings and registrations contain an accurate description of the Collateral and are all of the filings, recordings and registrations that are necessary as at the date hereof to publish notice of, protect the validity of, and establish a legal, valid and perfected Security Interest in favor of the Collateral Agent (for the benefit of the Lender) in, all Collateral in which a security interest may be perfected by filing, recording or registration in the United States.

5.2 **General Covenants**

Each Guarantor covenants and agrees with the Collateral Agent and the Lender as follows.

(a) The Guarantor shall, at its own cost and expense, take any and all necessary actions to defend its title to the Collateral, the Security Interest and the priority of the Security Interest against any Lien (other than Permitted Encumbrances). Except as otherwise permitted herein or in the Credit Agreement, the Guarantor shall take no action to impair the rights of the Collateral Agent and the Lender in the Collateral.

(b) So long as any Obligations remain outstanding, the Guarantor shall not file or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) relating to the Collateral, except financing statements filed in connection with the Security Interest or Permitted Encumbrances.

(c) The Guarantor shall pay promptly when due all property and other material taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Collateral and its other property and assets, except to the extent the validity thereof is being contested in good faith and by appropriate proceedings and for which the Guarantor maintains adequate reserves.

(d) The Guarantor shall not distribute, sell, assign, license, transfer, lease or otherwise dispose of any Collateral without the prior written consent of the Collateral Agent while the Obligations are outstanding, except for the sale of Inventory in the ordinary course of business or as otherwise permitted pursuant to the Credit Agreement.

(e) Unless the Guarantor has given the Collateral Agent not less than 15 days' prior notice thereof, the Guarantor shall not change its name, type of entity, jurisdiction of organization, organizational identification number (if any) or the location of its principal place of business or chief executive office. In any such case, the Guarantor shall provide a supplement to Schedule 5.1(d) which shall update and correct all information contained therein. The Guarantor shall cooperate with the Collateral Agent in making all filings that are required in the opinion of the Collateral Agent in order for the Collateral Agent to continue at all times following such change to have a legal, valid and perfected first priority Security Interest in all the Collateral subject only to Permitted Encumbrances. If the Guarantor does not have an organizational identification number and later obtains one, it will forthwith notify the Collateral Agent of such organizational identification number.

(f) The Guarantor shall keep at its address indicated on Schedule 5.1(d) as its principal place of business or chief executive office (as such Schedule may be updated pursuant to Section 5.2(e)) its corporate records and all records, documents and instruments constituting, relating to, or evidencing Collateral, including originals of all documentation with respect thereto, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith. The Guarantor shall permit the Collateral Agent and its agents and representatives, during normal business hours and upon reasonable notice, to inspect the Collateral, to examine and make copies of the records referred to above, and to discuss matters relating to the Collateral directly with the Guarantor's officers and employees.

(g) The Guarantor shall not assume or operate in any jurisdiction under any new trade, fictitious or other name until it has given the Collateral Agent not less than 15 days' prior written notice of its intention to do so, clearly describing such new name and the jurisdictions in which such new name will be used and providing such other information as the Collateral Agent may reasonably request. In any such case, the Guarantor shall provide a supplement to Schedule 5.1(f) which shall update and correct all information contained therein. The Guarantor shall

cooperate with the Collateral Agent in making all filings that are required in the opinion of the Collateral Agent in order for the Collateral Agent to continue at all times following such change to have a legal, valid and perfected first priority Security Interest in all the Collateral subject only to Permitted Encumbrances.

(h) Upon the Guarantor obtaining knowledge thereof, it shall promptly notify the Collateral Agent in writing of any event that could materially and adversely affect the value of the Collateral or any material portion thereof, the ability of the Guarantor or the Collateral Agent to dispose of the Collateral or any material portion thereof, or the rights and remedies of the Collateral Agent in relation thereto.

(i) [Reserved].

(j) A Guarantor shall promptly and in any event within 15 days of its filing, deliver to the Collateral Agent a supplement to Schedule 5.1(o) describing each new Commercial Tort Claim with an individual value in excess of $500,000 for which a Guarantor has filed a complaint in a court of competent jurisdiction.

5.3 **Special Covenants: Accounts Receivable**

(a) As between a Guarantor on the one hand and the Collateral Agent and the Lender on the other, each Guarantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each Account Receivable or Contract relating to the Collateral, all in accordance with the terms and conditions thereof.

(b) Each Guarantor shall collect from each Account Debtor named in any Accounts Receivable or obligor under any Contract, as and when due, any and all amounts owing under or on account of such Account Receivable or Contract, and apply all such amounts to the outstanding balance of such Account Receivable or under such Contract.

(c) Each Guarantor shall, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, transfers, endorsements, certificates, reports and other assurances or instruments and take such further steps, including any and all actions as may be necessary or required, whether under the *Federal Assignment of Claims Act* or otherwise, relating to its Accounts Receivable and Contracts, as the Collateral Agent may reasonably require.

5.4 **Special Covenants: Inventory and Equipment**

(a) To the extent practicable, each Guarantor shall, if any warehouse receipt or a receipt in the nature of a warehouse receipt is issued with respect to any of its Inventory, request that such warehouse receipt or receipt in the nature thereof shall not be negotiable (as such term is used in section 7-104 of the UCC).

(b) Each Guarantor shall keep its Equipment and Inventory (other than Inventory in transit) at the locations specified on Schedule 5.1(d) unless it shall have notified

the Collateral Agent in writing, at least 30 days prior to any change in location, identifying the new location and providing such information in connection therewith as the Collateral Agent may reasonably request. In any such case, each Guarantor shall provide a supplement to Schedule 5.1(d) which shall update and correct all information contained therein. Each Guarantor shall cooperate with the Collateral Agent in making all filings that are required in the opinion of the Collateral Agent in order for the Collateral Agent to continue at all times following such change of location to have a legal, valid and perfected Security Interest in the Collateral subject only to Permitted Encumbrances.

(c) A Guarantor shall not deliver any Document evidencing any of its Equipment or Inventory to any Person other than the issuer of such Document to claim the Goods evidenced thereby or the Collateral Agent.

(d) In producing its Inventory, each Guarantor will comply with all requirements of Applicable Law, including the *Fair Labor Standards Act*.

(e) With respect to Equipment, Inventory or other Goods of a Guarantor having an aggregate value equal to or greater than $1,000,000 which are in the possession or under the control of any one third party, including warehousemen, bailees, agents or processors (but excluding, in each case (x) any Equipment, Inventory or other Goods out for repair or (y) or any Equipment, Inventory or other Goods at a customer's location or on a job site) for a period of more than 90 days at any time, a Guarantor shall notify such third party of the Security Interest and obtain a written acknowledgement that it will (i) hold such Equipment, Inventory or other Goods subject to the Security Interest and the instructions of the Collateral Agent, and (ii) waive and release any Lien held by it with respect to such Equipment, Inventory or other Goods, whether arising by operation of law or otherwise. With respect to any such Equipment, Inventory or other Goods having an aggregate value of less than $1,000,000, a Guarantor shall notify the third party of the Collateral Agent's Security Interest and will use commercially reasonable efforts to obtain a written acknowledgement from such third party that it will (i) hold such Equipment, Inventory or other Goods subject to the Security Interest and the instructions of the Collateral Agent, and (ii) waive and release any Lien held by it with respect to such Equipment, Inventory or other Goods, whether arising by operation of law or otherwise.

5.5 **Special Provisions Regarding Documents, Letters of Credit, etc.**

(a) Unless the Collateral Agent otherwise consents in writing (which consent may be revoked), each Guarantor shall deliver to Collateral Agent all Collateral consisting of negotiable Documents, Chattel Paper and Instruments (in each case, accompanied by endorsements or other instruments of transfer executed in blank) promptly after the Guarantor receives the same.

(b) Each Guarantor shall take all steps necessary to grant the Collateral Agent control of all electronic Chattel Paper with a face amount in excess of $1,000,000 in accordance with the UCC and all transferable records as defined in each of the *Uniform Electronic Transactions Act* and the *Electronic Signatures in Global and National Commerce Act*.

(c) If a Guarantor retains possession of any Chattel Paper or Instruments with the Collateral Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of the Collateral Agent, for the benefit of Lender."

(d) Each Guarantor shall, with respect to any letter of credit issued to the Guarantor after the date hereof (other than letters of credit (i) constituting Supporting Obligations with a value of less than $1,000,000, or (ii) with a face amount less than $1,000,000), use commercially reasonable efforts to obtain the consent of the issuer thereof to the assignment of the proceeds of the letter of credit to the Collateral Agent. In any such case, the Guarantor shall promptly deliver to the Collateral Agent supplements to Schedule 5.1(p), describing such letters of credit.

5.6 **Special Covenants: Intellectual Property**

(a) Each Guarantor shall, with respect to any Patent, Trademark or Copyright registrations and applications and any Patent Licenses, Trademark Licenses and Copyright Licences acquired by the Guarantor after the date of this Agreement, deliver to the Collateral Agent supplements to Schedule 5.1(i), describing in such detail as the Collateral Agent may request, the new Patents, Trademarks, Copyrights and licences.

(b) Each Guarantor shall notify the Collateral Agent promptly if it knows that any Intellectual Property may become invalidated, abandoned, lost or dedicated to the public, or of any adverse determination or development regarding the Guarantor's ownership of any such Intellectual Property, its right to register the same, or to keep and maintain the same.

(c) A Guarantor shall not do or cause to be done any act or omission whereby any Patent would become invalidated or dedicated to the public.

(d) Each Guarantor shall take all necessary steps that are consistent with the practice in any proceeding before the USPTO, the US Copyright Office or any office or agency in any political subdivision of the United States, to maintain and pursue each application relating to the Intellectual Property, and to obtain the relevant grant or registration and to maintain each issued Patent and each registration of the Trademarks and Copyrights, including making timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees.

(e) If any Intellectual Property owned by or licensed to a Guarantor is infringed, misappropriated, or diluted by another Person, the Guarantor shall promptly take all reasonable actions to stop such infringement, misappropriation, or dilution and to protect its rights in such Intellectual Property including the initiation of suit for injunctive relief and to recover damages.

(f) A Guarantor shall not sell, assign, license, dispose of or otherwise divest itself of any right under any Intellectual Property without the prior written consent of the Collateral Agent or as otherwise permitted in the Credit Agreement.

(g) If a Guarantor is requested by the Collateral Agent to deliver short-form security agreements with respect to its Intellectual Property forming part of the Collateral, complete copies of such short-form security agreements containing a full and complete description of all such Collateral shall be delivered to the Collateral Agent for recording in the USPTO, the US Copyright Office and otherwise as may be appropriate pursuant to the laws of any other jurisdiction, to protect the validity of, and to establish a legal, valid and perfected Security Interest in favor of the Collateral Agent (for the benefit of the Lender) in, all such Collateral consisting of Patents, registered Trademarks and registered Copyright in which a security interest may be perfected by filing, recording or registration in the United States.

(h) Upon the request of the Collateral Agent, a Guarantor shall use its commercially reasonable efforts to obtain all requisite consents or approvals by a licensor of each Copyright License, Patent License or Trademark License to effect an assignment of all of the Guarantor's right, title and interest thereunder to the Collateral Agent or its designee.

5.7 **Special Covenants: Pledged Collateral and Deposit Accounts**

(a) Without the written consent of the Collateral Agent, no Guarantor will cause or permit the Pledged LLC Interests, the Pledged Partnership Interests or the Pledged Stock of any Guarantor in any issuer that is a limited liability company or partnership to constitute a security governed by Article 8 of the UCC unless the applicable Guarantor, if it has not already done so, complies with Section 5.7(e) and Section 5.7(f) with respect to such security.

(b) If a Guarantor acquires rights in any Pledged Collateral or establishes any securities accounts or commodity accounts after the date hereof, it shall deliver to the Collateral Agent not less than 10 days prior to any such acquisition, a supplement to the applicable Schedule reflecting such new Pledged Collateral, securities account or commodity account, as the case may be.

(c) With respect to Collateral consisting of securities accounts, securities entitlements, commodity accounts or commodity contracts (other than securities accounts and financial assets credited thereto that are linked by a sweep mechanism to a Deposit Account over which the Collateral Agent has "control"), a Guarantor shall cause the securities intermediary or commodity intermediary, as applicable, maintaining such securities account, securities entitlement or commodity account to enter into account control agreements satisfactory to the Collateral Agent within 30 days of the date of this Agreement (or such longer period of time as may be acceptable to Collateral Agent in its sole discretion).

(d) With respect to each Deposit Account (except for Excluded Accounts indicated on Schedule 5.1(r)), the relevant Guarantor shall cause the depositary bank to enter into account control agreement satisfactory to the Collateral Agent within 30 days of the date of this Agreement (or such longer period of time as may be acceptable to Collateral Agent in its sole discretion). If a Guarantor intends to acquire or establish any Deposit Accounts, it shall deliver to the Collateral Agent not less than 10 days prior to such acquisition or establishment, a supplement to Schedule 5.1(r) describing the new Deposit Account with such information as the Collateral Agent may request. Upon any termination by a Guarantor of a Deposit

Account, a Guarantor will promptly transfer all funds and property held in such terminated Deposit Account to another Deposit Account, unless such funds are otherwise used as expressly permitted and in accordance with the terms of the Credit Agreement.

(e) With respect to any Pledged Collateral constituting certificated securities acquired or pledged after the date hereof, it shall deliver or cause to be delivered to the Collateral Agent all such certificated securities, stock powers duly executed in blank or other instruments of transfer reasonably satisfactory to the Collateral Agent and all such instruments and documents as the Collateral Agent may reasonably request in order to give effect to the pledge granted hereby and obtain control thereof.

(f) With respect to any Pledged Collateral constituting uncertificated securities acquired or pledged after the date hereof, such Guarantor will cause the issuer thereof either (a) to register the Collateral Agent as the registered owner of such securities or (b) to agree in an authenticated record with such Guarantor and the Collateral Agent that such issuer will comply with instructions with respect to such securities originated by the Collateral Agent without further consent of such Guarantor, such authenticated record to be in form and substance satisfactory to the Collateral Agent, (c) upon request by the Collateral Agent, provide to the Collateral Agent an opinion of counsel, in form and substance reasonably satisfactory to the Collateral Agent, confirming such pledge and perfection thereof and (d) if reasonably requested by the Collateral Agent, request the issuer of such Pledged Collateral to cause such Pledged Collateral to become certificated and in the event such Pledged Collateral become certificated, to deliver such Pledged Collateral to the Collateral Agent in accordance with the provisions of Section 5.7(e).

(g) So long as no Event of Default has occurred and is continuing subject to the terms of the Credit Agreement and Section 3.6 of this Agreement:

(i) a Guarantor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement and the Credit Agreement;

(ii) the Collateral Agent shall execute and deliver (or cause to be executed and delivered) to a Guarantor all proxies and other instruments as the Guarantor may from time to time reasonably request for the purpose of enabling the Guarantor to exercise the voting and other consensual rights when and to the extent that it is entitled to exercise the same pursuant to clause (i) above and to receive the dividends and other distributions that it is entitled to receive pursuant to clause (iii) below; and

(iii) a Guarantor may receive and retain any and all dividends, interest, principal and other distributions paid on the Pledged Collateral to the extent and only to the extent that such dividends, interest, principal and other distributions are permitted by the Credit Agreement. All non cash dividends, interest, principal or other distributions and all dividends or other distributions paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid-in surplus,

and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Pledged Collateral, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of the issuer of any Pledged Collateral or received in exchange for Pledged Collateral or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, will be and become part of the Collateral without any further action. A Guarantor will promptly take all steps, if any, required or necessary to ensure the validity, perfection, priority and, if applicable, "control" (as defined in Article 8 or Article 9 of the UCC, as applicable) of the Collateral Agent of such dividends, interest, principal or other distributions (including delivery thereof to the Collateral Agent), and pending any such action the Guarantor will be deemed to hold same in trust for the benefit of the Collateral Agent and such property will be segregated from all other property of the Guarantor. In any such case, each Guarantor shall provide supplements to the applicable schedules with a description, satisfactory to the Collateral Agent, of all such property.

5.8 **Remedy for Breach**

Each Guarantor acknowledges and agrees that a breach of any of the covenants contained in this Article 5 will cause irreparable injury to the Collateral Agent, that the Collateral Agent has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Article 5 will be specifically enforceable against the Guarantors, and each Guarantor hereby waives and agrees not to assert any defenses in an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Obligations becoming due and payable prior to their stated maturities.

Article 6
Miscellaneous

6.1 **Survival; Successors and Assigns**

This Agreement and all covenants, representations and warranties made herein shall survive its execution and delivery and shall continue in full force and effect so long as any of the Obligations are still outstanding. Whenever a Party is referred to in this Agreement, such reference is deemed to include the successors and assigns of such Party, if any; provided, however, that a Guarantor may not assign any of its rights or obligations hereunder without the prior written consent of the Collateral Agent or as expressly contemplated by the Credit Agreement. All covenants, promises and agreements made by each Guarantor in this Agreement, shall inure to the benefit of the Collateral Agent and the Lender and their respective successors and assigns, and all covenants, promises and agreements made by the Collateral Agent in this Agreement, shall inure to the benefit of each Guarantor and its successors and assigns.

6.2 **Indemnity**

(a) Each Guarantor hereby agrees to indemnify and hold harmless the Collateral Agent, the Lender and each of their respective affiliates and each of their

respective officers, directors, employees, agents, advisors and representatives (each, an **Indemnified Party**) from and against any and all claims, damages, losses, liabilities and expenses (including fees and disbursements of counsel), joint or several, that may be incurred by, or asserted or awarded against, any Indemnified Party (including in connection with any investigation, litigation or proceeding or the preparation of a defense in connection therewith), in each case arising out of, or in connection with, or by reason of, this Agreement or the transactions contemplated hereby, or in any other way connected with the enforcement of any of the terms hereof, or the preservation of any rights hereunder, or in any way relating to, or arising out of, the manufacture, ownership, ordering, purchase, delivery, control, acceptance, lease, financing, possession, operation, condition, sale, return or other disposition, or use of the Collateral (including latent or other defects, whether or not discoverable), the violation of the laws of any country, state or other governmental body, any tort (including claims arising or imposed under the doctrine of strict liability, or for or on account of injury to or the death of any Person (including any Indemnified Party), or property damage), or contract claim related to the Collateral; provided that no Indemnified Party shall be indemnified pursuant to this Section 6.2(a) for losses, damages or liabilities to the extent caused by the gross negligence or willful misconduct of such Indemnified Party or by any breach of duties imposed by applicable law on such Indemnified Party. Upon written notice by any Indemnified Party of the assertion of such a liability, obligation, damage, injury, penalty, claim, demand, action, suit or judgment, each Guarantor shall assume full responsibility for the defense thereof. Each Indemnified Party agrees to use reasonable efforts to promptly notify a Guarantor of any such assertion of which such Indemnified Party has knowledge. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 6.2 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by a Guarantor, any of its directors, security holders or creditors, an Indemnified Party or any other Person or an Indemnified Party is otherwise a party thereto.

(b) No Indemnified Party shall have any liability (whether in contract, tort or otherwise) to a Guarantor or any of its affiliates, security holders or creditors for or in connection with this Agreement or the transactions contemplated hereby. Each Guarantor agrees that any indemnification or other protection provided to any Indemnified Party pursuant to this Agreement will (i) survive payment in full of the Obligations, and (ii) inure to the benefit of any Person who was at any time a Collateral Agent or Indemnified Party.

6.3 **Indemnity Obligations Secured by Collateral**

Any amounts paid by any Indemnified Party in respect of which such Indemnified Party has the right to reimbursement shall constitute Obligations secured by the Collateral.

6.4 **Currency**

Unless otherwise indicated, all dollar amounts stated in this Agreement are stated in US currency, and all payments required under this Agreement shall be paid in US currency. If it is necessary to convert any lawful currency of a jurisdiction other than the United States of America into US Dollars for purposes of determining any amounts owed under, or due and payable pursuant to, this Agreement, the Parties agree such currency conversion

shall be determined by reference to the New York foreign exchange mid-range rates published in The Wall Street Journal (or such other internationally-recognized currency conversion source as may be mutually agreed between the Parties).

6.5 **Notices**

Any notice, consent, demand, waiver or other communication given under this Agreement must be in writing and shall be given in accordance with the provisions of the Credit Agreement.

Any such communication is deemed to have been duly given (a) if delivered personally, on the day of delivery, (b) if sent by a nationally recognized courier service, on the later of (i) the first Business Day following the date of dispatch, or (ii) the scheduled day of delivery by such service, and (c) if sent by facsimile or electronic mail on the day so sent if the day is a Business Day and it was sent prior to 5 pm (New York time) and otherwise on the next Business Day. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

6.6 **Headings**

The headings in this Agreement are for reference purposes only and shall not affect in any way its meaning or interpretation.

6.7 **Entire Agreement**

This Agreement, together with the Credit Agreement and the other Credit Documents, constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the Parties with respect to the subject matter hereof.

6.8 **Amendment; Waivers**

(a) No failure on the part of the Collateral Agent to exercise and no delay in exercising any power or right hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No waiver of any provisions of this Agreement or any other Credit Document or consent to any departure by a Guarantor therefrom will in any event be effective unless the same is permitted by Section 6.8(b), and then such waiver or consent will be effective only in the specific instance and for the purpose for which given. No notice to, or demand on, a Guarantor will entitle that Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof (other than any provision that expressly states that such provision may be waived or extended by the Collateral Agent in its discretion) may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Guarantors, subject to any consent required in accordance with the Credit Agreement.

6.9 **Governing Law**

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER ARE GOVERNED BY, AND WILL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. **This Agreement was negotiated and executed in the State of New York.**

6.10 **Waiver of Jury Trial**

EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Agreement or any transaction provided hereunder or contemplated hereby, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each Party hereto acknowledges that this waiver is a material inducement to enter into a business relationship, that each Party has already relied on this waiver in entering into this Agreement, and that each Party will continue to rely on this waiver in their related future dealings. Each Party further warrants and represents that it has reviewed this waiver with its legal counsel and that it knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. **THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 6.10 AND EXECUTED BY EACH OF THE PARTIES), AND THIS WAIVER WILL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.** In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

6.11 **Consent to Jurisdiction; Service of Process**

ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PARTY HERETO ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, THE GUARANTORS, FOR THEMSELVES AND IN CONNECTION WITH THEIR PROPERTIES, IRREVOCABLY TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO:

(A) **ACCEPT GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;**

(B) **WAIVE ANY RIGHT OF IMMUNITY (SOVEREIGN OR OTHERWISE) AND DEFENSE OF FORUM NON CONVENIENS;**

(C) AGREE THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO SUCH PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 6.5 OR THIS SECTION 6.11;

(D) AGREE THAT SERVICE AS PROVIDED IN 6.11(C) IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER A GUARANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(E) AGREE THAT THE COLLATERAL AGENT RETAINS THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST THE GUARANTORS IN THE COURTS OF ANY OTHER JURISDICTION; AND

(F) AGREE THAT THE PROVISIONS OF THIS SECTION 6.11 RELATING TO JURISDICTION AND VENUE WILL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

EACH GUARANTOR IRREVOCABLY APPOINTS TILRAY, INC. AS ITS AGENT FOR SERVICE OF PROCESS IN CONNECTION WITH THIS AGREEMENT AND IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY COURT REFERRED TO IN SECTION 6.11 IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, SUCH SERVICE TO BECOME EFFECTIVE FIVE DAYS AFTER SUCH MAILING.

6.12 **Counterparts and Electronic Delivery**

This security agreement may be executed in any number of separate counterparts and all such signed counterparts will together constitute one and the same instrument. To evidence its execution of an original counterpart of this security agreement, a party may send a copy of its signature on the execution page hereof to the other party by facsimile or other means of recorded electronic transmission (including in PDF form) and such transmission shall constitute valid delivery of an executed copy of this security agreement to the receiving party.

6.13 **No Presumption**

This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

6.14 **Severability**

If any provision of this security agreement is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this security agreement and the remaining provisions will continue in full force and effect without amendment or limitation.

6.15 **Application to Collateral Agent**

By acceptance of this Agreement, the Collateral Agent agrees that it shall comply with the provisions in respect of the Collateral Agent contained herein.

IN WITNESS WHEREOF the Parties have executed and delivered this Agreement.

TILRAY, INC.

By: "*Brendan Kennedy*"
Name: Brendan Kennedy
Title:Chief Executive Officer

MANITOBA HARVEST USA, LLC

By: "*Brendan Kennedy*"
Name: Brendan Kennedy
Title:Manager

(Signature Page for the US Pledge and Security Agreement)

SCHEDULE 5.1(D)

Debtor Details

[***]

Other Locations:

[***]

SCHEDULE 5.1(F)

Debtor Names

None

SCHEDULE 5.1(G)

Mergers and Other Combinations

None

SCHEDULE 5.1(I)

US Patents, Trademarks and Copyright Registrations and Applications

Patents:

[***]

Trademarks:

[***]

SCHEDULE 5.1(O)

Commercial Tort Claims

None

SCHEDULE 5.1(P)

Letters of Credit

None

SCHEDULE 5.1(Q)

Securities Accounts and Commodity Accounts

[***]

SCHEDULE 5.1(R)

Deposit Accounts

[***]

SCHEDULE 5.1(S)

Pledged Stock, Pledged Partnership Interests and Pledged LLC Interests

[***]

SCHEDULE 5.1(X)

Pledged Notes

[***]

SCHEDULE 5.1(X)

UCC Financing Statements and Other Filings

[attached]

SCHEDULE 5.2(D)

Location of Books and Records

Schedule 5.1(d) is incorporated herein by reference

Exhibit 10.28

Execution Version

Certain identified information has been excluded from this exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed; and is indicated with brackets where the information has been omitted from the filed version of this exhibit.

DatedFebruary 28, 2020

HIGH PARK HOLDINGS LTD.

EACH OF THE UNDERSIGNED OBLIGORS

and

BRIDGING FINANCE INC.

CANADIAN SECURITY AGREEMENT

CAN_DMS: \132141408\5

Contents

Section **Page**

Article 1 Security 2

1.1 Statutory and Other References2

1.2 Grant of Security2

1.3 Obligations Secured3

1.4 Attachment, Perfection, Possession and Control4

1.5 Special Provisions Relating to Pledged Investment Property5

1.6 Scope of Security Interest6

1.7 Care and Custody of Collateral7

1.8 Absence of Fiduciary Relationship7

1.9 ULC Shares7

1.10 Amalgamation8

Article 2 Enforcement 8

2.1 Enforcement8

2.2 Remedies8

2.3 Additional Rights9

2.4 Concerning a Receiver10

2.5 Exercise of Remedies11

2.6 Dealing with Security, etc.11

2.7 Dealing with Collateral11

2.8 Appointment of Attorney12

2.9 Dealings With Third Parties12

2.10 Application of Proceeds13

2.11 Obligors Liable for Deficiency13

Article 3 General 13

3.1 Certain References13

3.2 Notices13

Contents

Section		Page
3.3	Discharge	13
3.4	Amendment	14
3.5	Waivers, etc.	14
3.6	No Merger	14
3.7	Further Assurances	14
3.8	Supplemental Security	14
3.9	Successors and Assigns	15
3.10	Headings, etc.	15
3.11	Gender and Number	15
3.12	Entire Agreement	15
3.13	Severability	15
3.14	Conflict	15
3.15	Governing Law and Submission to Jurisdiction	15
3.16	Acknowledgement and Waiver	16
3.17	Counterparts and Electronic Delivery	16
3.18	US Pledge and Security Agreement	16

SCHEDULES

Schedule A – Financial Assets (Negotiable Collateral and Securities)

Schedule B – Securities Accounts

Schedule C – Intellectual Property

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THIS SECURITY AGREEMENT is dated February 28, 2020 and made between:

(1) High Park Holdings Ltd., a corporation formed under the laws of British Columbia (the **Borrower**);

(2) Each of the parties listed on the signature pages hereto under the heading GUARANTORS (each a **Guarantor**, collectively the **Guarantors** and, together with the Borrower, the **Obligors**); and

(3) Bridging Finance Inc.

RECITALS:

(A) Bridging Finance Inc., as agent (in such capacity, the **Agent**) for and on behalf of any of the funds managed or co-managed by Bridging Finance Inc. (collectively, together with Bridging Finance Inc. in its capacity as a lender, the **Lender**) has agreed to make certain credit facilities available to the Borrower upon the terms and conditions contained in a credit agreement among the Borrower, the Guarantors, the Agent and the Lender dated as of this date (such credit agreement as it may at any time or from time to time, be amended, supplemented, restated or replaced, the **Credit Agreement**).

(B) Pursuant to a guarantee dated the date hereof (such guarantee as it may at any time or from time to time be amended, supplemented, restated or replaced the **Guarantee**), each Guarantor has agreed with the Lender and the Agent to guarantee the payment and performance of all present and future debts, liabilities and obligations, direct or indirect, absolute or contingent, of the Borrower to the Lender and the Agent arising pursuant to, or in respect of, the Credit Agreement and the other Credit Documents (as defined in the Credit Agreement).

(C) The Agent is to hold for its own benefit and is to act as agent under the Credit Agreement, *inter alia*, to hold as agent for the rateable benefit of the other Lender, any and all security for the payment and performance of the obligations of the Borrower and the Guarantors under the Credit Agreement, the Guarantee and the other Credit Documents (as defined in the Credit Agreement) to which it is a party.

(D) The Obligors have agreed to execute and deliver this security agreement to and in favour of the Agent as security for the payment and performance of the their obligations to the Lender under the Credit Agreement, the Guarantee and other Credit Documents.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, the Obligors and the Agent agree as follows.

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Article 1
Security

1.1 Statutory and Other References

Terms defined in the *Personal Property Security Act* (Ontario) (as amended from time to time, the **PPSA**) and used in this security agreement have the same meanings. Any reference to the **STA** in this security agreement is a reference to the *Securities Transfer Act*, 2006 (Ontario) or, to the extent applicable, similar legislation of any other jurisdiction, as amended from time to time. Where a reference is made to the Agent, it shall be deemed to include, as applicable, any nominee appointed by the Agent to hold or otherwise take possession of the Collateral.

1.2 Grant of Security

Subject to Section 1.6, the Obligors hereby grant to the Agent, for its own benefit as a Lender and as agent for the benefit of the other Lender, a security interest in, and assign, mortgage, charge, hypothecate and pledge to the Agent, for its own benefit as a Lender and as agent for the benefit of the other Lender, all of the personal property and undertaking of the Obligors now owned or hereafter acquired and all of the personal property in which the Obligors now have or hereafter acquire any interest (collectively, the **Collateral**) including, without limitation, any and all of the:

(a) inventory of the Obligors including goods held for sale, lease or resale, goods provided or to be provided to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, goods used in or procured for packing and materials used or consumed in the businesses of the Obligors;

(b) equipment, machinery, furniture, fixtures, vehicles and other tangible personal property of every kind and description of the Obligors and all licences and other rights and all records, files, charts, plans, drawings, specifications, manuals and documents relating thereto;

(c) accounts due, owing or accruing due to the Obligors, including deposit accounts (whether chequing, savings or other similar account, and whether or not evidenced by a certificate of deposit, account agreement or other document) maintained for the benefit of the Obligors by a bank or other financial institution, and all other monetary obligations due, owing or accruing due to the Obligors;

(d) money, documents of title, chattel paper, instruments, securities and all other financial assets of the Obligors including the property described in Schedule A;

(e) securities accounts of the Obligors, including the securities accounts listed in Schedule B and all of the credit balances, security entitlements, other financial assets and items or property standing to the credit of the Obligors from time to time in such securities accounts;

(f) intangibles of the Obligors including all security interests, goodwill, claims, choses in action, contracts and contractual rights, licences and benefits;

(g) trademarks, trademark registrations and pending trademark applications, patents and pending patent applications, copyrights, proprietary and non-public business information, trade and business names, web names and worldwide web addresses and other intellectual property and industrial property of the Obligors (collectively, the **Intellectual Property**) including the Intellectual Property described in Schedule C;

(h) authorizations, permits, approvals, grants, licenses, consents, rights, franchises, privileges, orders, decrees and similar entitlements issued or granted to the Obligors by law or by rule or regulation of any public body;

(i) books, records, files, correspondence, invoices, documents, papers, computer programs, disks and other repositories of data recording or storage in any form or medium, evidencing or relating to the property described in Sections 1.2(a)-(h) inclusive;

(j) substitutions and replacements of, and increases, additions and, where applicable, accessions to, the property described in Sections 1.2(a)-(i) inclusive; and

(k) proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Sections 1.2(a)-(j) inclusive or the proceeds of such proceeds.

1.3 Obligations Secured

(a) The security interests, assignments, mortgages, charges, hypothecations and pledges granted hereby (collectively, the **Security Interest**) secure the payment and performance of all debts, liabilities and obligations (including interest that but for the filing of a petition in bankruptcy, would accrue on such debts, liabilities and obligations), present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by, or otherwise payable by, the Obligors to the Agent and the Lender, however or wherever incurred, and in any currency, and whether incurred by a Obligor alone or with another or others and whether as principal, guarantor or surety under, in connection with, or pursuant to, the Credit Agreement, the Guarantee and each of the other Credit Documents (collectively, and together with the expenses, costs and charges described in Section 1.3(b), the **Obligations**).

(b) All reasonable, out of pocket expenses, costs and charges incurred by or on behalf of the Agent and the Lender in connection with this security agreement or the Collateral, including all reasonable and documented legal fees, court costs, receiver's or agent's remuneration and other costs incurred in taking possession or control of, repairing, protecting, insuring, preparing for disposition, selling, delivering or obtaining payment for the Collateral, as well as reasonable and out of pocket expenses, costs and charges incurred in any other lawful exercises of the powers conferred by the Credit Agreement and the other Credit Documents, are payable on demand and shall be added to, and form a part of, the Obligations.

1.4 Attachment, Perfection, Possession and Control

(a) The Obligors and the Agent acknowledge that (i) value has been given, (ii) the Obligors have rights in the Collateral (other than after-acquired Collateral) or the power to transfer rights in the Collateral, and (iii) the parties have not agreed to postpone the time for attachment for the Security Interest.

(b) The Obligors shall promptly notify the Agent of the acquisition by the Obligors of any material property which is not adequately described in this security agreement, and the Obligors shall execute and deliver, from time to time, at its own expense, amendments to this security agreement and its schedules or additional security agreements or schedules as may be required by the Agent in order to identify the property and preserve, protect and perfect the Security Interest in such property.

(c) If the Obligors acquire Collateral consisting of chattel paper, instruments or negotiable documents of title (collectively, **Negotiable Collateral**), they shall promptly notify the Agent of such acquisition and shall, at the request of the Agent, (i) deliver the Negotiable Collateral to the Agent or as it may direct, (ii) endorse the same for transfer in blank or as the Agent may direct, (iii) cause any transfer to be registered wherever, in the opinion of the Agent, such registration may be necessary or desirable, and (iv) deliver to the Agent any and all consents or other documents which may be necessary or desirable to transfer the Negotiable Collateral. The Obligors represent and warrant that as of the date of this security agreement, the only Negotiable Collateral they hold is listed and described in Part 1 of Schedule A.

(d) If the Obligors now have or hereafter acquire Collateral consisting of certificated securities (collectively, **Pledged Certificated Securities**), they shall promptly notify the Agent of such acquisition and, upon request by the Agent, shall deliver to the Agent any and all certificates representing such Collateral and other materials (including effective endorsements) as may be required from time to time in the opinion of the Agent, to provide the Agent with control over all such Pledged Certificated Securities in the manner provided under Section 23 of the STA. Without limiting the generality of the foregoing, the Obligors shall, at the request of the Agent, cause the Pledged Certificated Securities to be registered in the name of the Agent or as it may direct. The Obligors represent and warrant that as of the date of this security agreement, all of the certificated securities held by the Obligors are listed and described (with reference to the issuer, the certificate number and the number and class of securities) in Part 2 of Schedule A.

(e) If the Obligors now have or hereafter acquire Collateral consisting of uncertificated securities (collectively, **Pledged Uncertificated Securities**), they shall promptly notify the Agent of such acquisition and, upon request by the Agent, shall deliver to the Agent any and all such documents, agreements (including control agreements, using commercially reasonable efforts) and other materials (including effective endorsements) as may be required from time to time in the opinion of the Agent, to provide the Agent with control over all such Pledged Uncertificated Securities in the manner provided under Section 24 of the STA. Without limiting the generality of the foregoing, the Obligors shall, at the

request of the Agent, cause the Pledged Uncertificated Securities to be registered in the name of the Agent or as it may direct. The Obligors represent and warrant that as of the date of this security agreement, all of the uncertificated securities held by the Obligors are described (by reference to the issuer and the number and class of securities) in Part 3 of Schedule A.

(f) If the Obligors now have or hereafter acquire Collateral consisting of one or more securities accounts (collectively, the **Pledged Securities Accounts**), they shall promptly notify the Agent and, upon request by the Agent, shall deliver to the Agent any and all such documents, agreements (including control agreements, using commercially reasonable efforts) and other materials as may be required from time to time in the opinion of the Agent, to provide the Agent with control over all such Pledged Securities Accounts and the security entitlements credited to those accounts in the manner provided under Section 25 of the STA and in Section 1(2)(e) of the PPSA. Without limiting the generality of the foregoing, the Obligors shall, at the request of the Agent, cause the Agent to be noted as the entitlement holder of the Pledged Securities Accounts. The Obligors represent and warrant that as of the date of this security agreement, all Pledged Securities Accounts of the Obligors are described (by reference to the account number and securities intermediary) in Schedule B.

(g) If the Obligors now have or hereafter acquire Collateral consisting of an interest in a partnership, limited partnership or limited liability company, they shall take all steps necessary, in the opinion of the Agent, to ensure that such property is and remains a security (either certificated or uncertificated) for the purposes of the STA. The Obligors represent and warrant that as of the date of this security agreement, any interest they hold in a partnership, limited partnership or limited liability company is described (by reference to the issuer and the nature and extent of the interest) in Part 4 of Schedule A.

(h) The Obligors shall not cause or permit any Person other than the Agent, for and on behalf of the Lender, to have a security interest in any Collateral consisting of investment property, other than a security interest in favour of a securities intermediary for customary fees and expenses which has been subordinated to the Security Interest pursuant to documentation in form and substance satisfactory to the Agent. The Obligors shall not grant control over any investment property or other financial assets constituting part of the Collateral to any Person other than the Agent.

1.5 Special Provisions Relating to Pledged Investment Property

(a) Until the Security Interest has become enforceable, the Obligors may exercise all voting, consensual and other powers of ownership pertaining to Collateral which is investment property (the **Pledged Investment Property**) for all purposes not inconsistent with the terms of this security agreement, the Credit Agreement or any of the other Credit Documents and the Obligors agree that they shall not vote the Pledged Investment Property in any manner that is inconsistent with such terms. Upon the Security Interest becoming enforceable, all rights of the Obligors to vote, make entitlement orders or give instructions, consents, notices or waivers shall cease and all such rights shall become, at the option of the Agent, vested solely and absolutely in the Agent.

(b) Subject to the restrictions, if any, set out in the Credit Agreement, until the Security Interest has become enforceable, the Obligors may receive and retain any dividends or distributions on the Pledged Investment Property (whether paid or distributed in cash, securities or other property). Upon the Security Interest becoming enforceable, all rights of the Obligors to receive dividends or other distributions shall cease and all such rights shall be vested solely and absolutely in the Agent.

(c) Any dividends or distributions received by the Obligors contrary to Section 1.5(b) or any other moneys or property received by the Obligors after the Security Interest has become enforceable shall be received as trustee for the Agent and shall be immediately paid over to the Agent.

1.6 Scope of Security Interest

(a) To the extent that an assignment of amounts payable and other proceeds arising under, or the grant of a security interest in, any agreement, licence, permit or quota of the Obligors would result in the termination of such agreement, licence, permit or quota (each, a **Restricted Asset**), the Security Interest with respect to such Restricted Asset will constitute a trust created in favour of the Agent pursuant to which the Obligors hold as trustee all proceeds arising under or in connection with the Restricted Asset in trust for the Agent and the other Lender on the following basis:

(i) until the Security Interest has become enforceable and subject to the Credit Agreement, the Obligors may receive all such proceeds; and

(ii) upon the Security Interest becoming enforceable, (A) all rights of the Obligors to receive proceeds shall cease and all proceeds shall be immediately paid over to the Agent, and (B) the Obligors shall take all actions requested by the Agent to collect and enforce payment and other rights arising under the Restricted Asset.

(b) The Security Interest with respect to Collateral consisting of trademarks shall constitute a security interest in, and a charge, hypothecation and pledge of, such Collateral in favour of the Agent, but shall not constitute an assignment or mortgage of such Collateral to the Agent or any other Lender. Until the Security Interest has become enforceable, the grant of the Security Interest in the Intellectual Property will not affect in any way the Obligors' rights to commercially exploit it or defend or enforce the Obligors' rights in it or with respect to it.

(c) The Security Interest shall not extend to consumer goods.

(d) The Security Interest shall not extend or apply to the last day of the term of any lease or sublease or any agreement for a lease or sublease, now held or hereafter acquired by the Obligors in respect of real property, but the Obligors shall stand possessed of any such last day upon trust to assign and dispose of it as the Agent may direct.

1.7 Care and Custody of Collateral

(a) The Agent and the Lender shall have no obligation to keep Collateral in their possession identifiable.

(b) The Agent and the Lender shall exercise in the physical keeping of any Negotiable Collateral or Pledged Certificated Securities, only the same degree of care as they would exercise in respect of their own such property kept at the same place.

(c) The Agent is not required to see to the collection of dividends, distributions or interest payable on, or exercise any option or right in connection with, the Collateral. In addition, it shall have no obligation to protect or preserve the Collateral from depreciating in value or becoming worthless and is hereby released from all responsibility for any loss or diminution of value of the Collateral.

(d) If any Event of Default shall have occurred and be continuing and the Security Interest has become enforceable, the Agent may (i) notify any Person obligated on an account, chattel paper or instrument to make payments to the Agent whether or not the Obligors were previously making collections on such accounts, chattel paper or instruments, and (ii) assume control of any proceeds arising from the Collateral.

1.8 Absence of Fiduciary Relationship

No implied agreements, covenants or obligations on the part of the Agent or any Lender with respect to the Obligors, a securities intermediary or an issuer of any Pledged Investment Property are to be read into this security agreement against the Agent or any other Lender. Neither the Agent nor any other Lender owes any fiduciary duty to any of the Obligors, any issuer of Pledged Investment Property, any securities intermediary or any other Person in connection with this security agreement or the Collateral.

1.9 ULC Shares

Notwithstanding anything else contained in this security agreement or any other agreement among all or some of the parties, the Obligors are and shall remain the sole registered and beneficial owners of all Collateral that consists of shares of an unlimited company, an unlimited liability company or an unlimited liability corporation incorporated pursuant to, or otherwise governed by, the laws of any province of Canada (a **ULC**) until such time as the shares of the ULC (the **ULC Shares**) are transferred to the Agent or its nominee on the books and records of the ULC. Until then, the Obligors shall receive for their own account any dividends or other distributions in respect of ULC Shares that are Collateral and may vote such ULC Shares and control the direction, management and policies of any ULC to the same extent as it would if such ULC Shares were not pledged to the Agent. Nothing in this security agreement or any other agreement among all or some of the parties is intended to, or shall, constitute the Agent or any other Lender, a member or shareholder of a ULC for the purposes of the *Companies Act* (Nova Scotia), the *Business Corporations Act* (British Columbia), the *Business Corporations Act* (Alberta) or any other applicable legislation until such time as notice is given by the Agent to the Obligors and further steps are taken, at the request and direction of the

Agent, to register the Agent or its nominee as the holder of such ULC Shares. If any provision of this security agreement would have the effect of constituting the Agent or any other Lender a member or shareholder of a ULC prior to such time, that provision shall be severed from this security agreement and ineffective with respect to shares of such ULC without otherwise invalidating or rendering unenforceable this security agreement as it relates to all other Collateral.

1.10 Amalgamation

If the Borrower or any of the Guarantors amalgamate with any other corporation or corporations, it is the intention of the parties that the Security Interest will (a) extend to all of the property, assets and interests that (i) any of the amalgamating corporations own, or (ii) the amalgamated corporation thereafter acquires, and (b) secure the payment and performance of all debts, liabilities and obligations of any of the amalgamating corporations and the amalgamated corporation to the Agent and the Lender, however or wherever incurred and whether as principal, guarantor or surety and whether incurred prior to, at the time of, or subsequent to, the amalgamation. The Security Interest will attach to the property, assets and interests of the amalgamating corporations not previously subject to this security agreement at the time of amalgamation and to any property, assets or interests thereafter owned or acquired by the amalgamated corporation when such property, assets and interests become owned or are acquired. Upon any such amalgamation with the Borrower, the defined term Borrower shall include each of the amalgamating corporations and the amalgamated corporation. Upon any such amalgamation with any Guarantor, the defined term Guarantors shall include each of the amalgamating corporations and the amalgamated corporation. Upon any such amalgamation, the defined term Collateral shall include all of the property, assets and interests described in (a) above, and the defined term Obligations shall include the obligations described in (b) above.

Article 2
Enforcement

2.1 Enforcement

The Security Interest shall be and become enforceable against the Obligors upon the occurrence and during the continuance of an Event of Default (as defined in the Credit Agreement).

2.2 Remedies

Whenever the Security Interest has become enforceable, the Agent may realize upon the Collateral and enforce its rights and the rights of the Lender by:

(a) entering onto any premises where Collateral consisting of tangible personal property may be located;

(b) entering into possession of the Collateral by any method permitted by law;

(c) selling, granting an option to purchase or leasing all or any part of the Collateral;

(d) holding, storing, keeping idle or operating all or any part of the Collateral;

(e) collecting any proceeds arising in respect of the Collateral;

(f) collecting, realizing, selling, or otherwise dealing with, the accounts;

(g) exercising and enforcing all rights and remedies of a holder of the Collateral as if the Agent were the absolute owner thereof (including, if necessary, causing the Collateral to be registered in the name of the Agent or its nominee);

(h) issuing any instructions or entitlement orders to an issuer or securities intermediary;

(i) instructing a financial institution to transfer funds held by it to an account maintained with or by the Agent or any other Lender;

(j) appointing a receiver (which term as used in this security agreement includes an interim receiver and a receiver and manager) or agent of all or any part of the Collateral and removing or replacing from time to time any receiver or agent;

(k) instituting proceedings in any court of competent jurisdiction for the appointment of a receiver of all or any part of the Collateral;

(l) instituting proceedings in any court of competent jurisdiction for sale or foreclosure of all or any part of the Collateral;

(m) filing proofs of claim and other documents to establish claims to the Collateral in any proceeding relating to the Obligors; and

(n) exercising any other remedy or commencing any other proceeding authorized or permitted under the PPSA or otherwise by law or equity.

2.3 Additional Rights

In addition to the rights and remedies set out in Section 2.2, whenever the Security Interest has become enforceable, the Agent may:

(a) require the Obligors, at the Obligors' expense, to assemble the Collateral at a place or places designated by the Agent and the Obligors agree to so assemble the Collateral;

(b) require the Obligors to disclose to the Agent the location or locations of the Collateral and the Obligors agree to make such disclosure in writing when so requested;

(c) repair, process, modify, complete or otherwise deal with the Collateral and prepare the Collateral for disposition, whether on the premises of the Obligors or otherwise;

(d) carry on all or any part of the businesses of the Obligors and, to the exclusion of all others including the Obligors, enter upon, occupy and use all or any of the premises, buildings and other property of, or used or occupied by, the Obligors, free of charge, and the Agent and the Lender shall not be liable to the Obligors for any act or omission in so doing or for any rent, charges, depreciation or damages incurred in connection with, or resulting from, such action;

(e) borrow for the purpose of carrying on any of the businesses of the Obligors or for the maintenance, preservation or protection of the Collateral and grant security interests in the Collateral, whether or not in priority to the Security Interest, to secure repayment;

(f) redeem any prior security interest against any Collateral, procure the transfer of such security interest to itself, or settle and pass the accounts of any prior mortgagee, chargee or lienholder;

(g) pay any liability secured by a lien against any of the Collateral;

(h) commence, continue or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and give good and valid receipts and discharges in respect of the Collateral;

(i) compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any Person to the Obligors; and

(j) at any public or private sale, bid for and purchase any or all of the Collateral offered for sale and upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to the Obligors or any other Person with respect to such holding, retention or disposition, except as required by law.

2.4 Concerning a Receiver

(a) Any receiver appointed by the Agent shall be vested with all rights of the Agent and all of the remedies which could have been exercised by the Agent in respect of the Obligors or the Collateral and such other powers and discretions as are granted in the instrument of appointment and any supplemental instruments. The choice of receiver and its remuneration shall be within the sole discretion of the Agent.

(b) Any receiver appointed by the Agent shall act as agent for the Agent for the purposes of taking possession of the Collateral, but otherwise and for all other purposes (except as provided below), as agent for the Obligors. The receiver may sell, lease, or otherwise dispose of Collateral as agent for the Obligors or as agent for the Agent as the Agent may determine in its sole discretion. The Obligors agree to ratify and confirm all actions of the receiver acting as agent for the Obligors, and to release and indemnify the receiver in respect of all such actions.

(c) The Agent, in appointing or refraining from appointing any receiver, shall not incur any liability to the receiver, the Obligors or any other Person and shall not be responsible for any misconduct or negligence of such Person.

2.5 Exercise of Remedies

Any remedy may be exercised separately or in combination and is in addition to, and not in substitution for, any other rights or remedies the Agent and the Lender may have, however created. The Agent and the Lender are not bound to exercise any right or remedy, and the exercise of rights and remedies is without prejudice to any other rights of the Agent and the Lender in respect of the Obligations including the right to claim for any deficiency.

2.6 Dealing with Security, etc.

(a) The Agent and the Lender are not obligated to exhaust their recourse against the Obligors or any other Person or against any other security they may hold in respect of the Obligations before realizing upon or otherwise dealing with the Collateral.

(b) The Agent and the Lender may grant extensions or other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Obligors and with guarantors, sureties or security as they may see fit without prejudice to the Obligations, the liabilities of the Obligors or any other Person or the rights of the Agent and the Lender in respect of the Collateral.

2.7 Dealing with Collateral

(a) The Agent and the Lender are not (i) liable or accountable for any failure to collect, realize or obtain payment in respect of the Collateral, (ii) bound to institute proceedings for the purpose of collecting, enforcing, realizing or obtaining payment of the Collateral or for the purpose of preserving any rights of any Persons in respect of the Collateral, or (iii) responsible for any loss occasioned by any sale or other dealing with the Collateral or by the retention of, or failure to sell or otherwise deal with, the Collateral.

(b) The Obligors acknowledge and agree that it is commercially reasonable for the Agent to, and the Agent may, in its sole discretion, (i) incur expenses to prepare the Collateral for disposition, (ii) exercise collection remedies directly or through the use of collection agencies, (iii) dispose of Collateral by way of public auction, public tender or private contract, with or without advertising and without any other formality, (iv) dispose of Collateral to a Lender or to a customer or client of a Lender, (v) contact other Persons, whether or not in the same business as the Obligors, for expressions of interest in acquiring all or any portion of the Collateral, (vi) hire one or more professional auctioneers to assist in the disposition of the Collateral, whether or not the Collateral is of a specialized nature, (vii) establish an upset or reserve bid or price in respect of the Collateral, and (viii) establish such terms as to credit or otherwise as the Agent may determine advantageous.

(c) The Obligors acknowledge that the Agent may be unable to complete a public sale of Collateral by reason of certain prohibitions contained in applicable securities laws. In connection therewith, it may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire the Collateral for their own account for investment and not with a view to the distribution or resale thereof. Any such private sale may result in prices and other terms less favourable to the seller than if such sale were a public sale and, notwithstanding such circumstances, the Obligors agree that any such private sale shall not be deemed to have been made in a commercially unreasonable manner by reason of it being a private sale. The Agent is under no obligation to delay a sale of any or all of the Collateral for the period of time necessary to permit the issuer thereof to register such Collateral for public sale under applicable securities law or otherwise, even if the issuer agrees to do so.

2.8 Appointment of Attorney

The Obligors irrevocably constitute and appoint the Agent (and each of its officers and directors) their true and lawful attorney (with full power of substitution) to do, make and execute, in the name of and on behalf of the Obligors, all such acts, documents, matters and things which the Agent may deem necessary or advisable to accomplish the purposes of this security agreement including the execution, endorsement and delivery of documents and any notices, receipts, assignments or verifications of accounts. This power of attorney is in addition to, and not in substitution for, any stock transfer powers of attorney delivered by the Obligors and any powers of attorney may be relied upon by the Agent severally or in combination. All acts of the attorney are hereby ratified and approved, and the attorney shall not be liable for any act, failure to act or any other matter or thing, except to the extent caused by its own gross negligence or wilful misconduct, provided that this power of attorney shall not be effective until the occurrence of an Event of Default that is continuing. This power of attorney is irrevocable, is coupled with an interest, has been given for valuable consideration (the receipt and adequacy of which are acknowledged) and will survive, and will not terminate upon, the bankruptcy, dissolution, winding up or insolvency of any of the Obligors. This power of attorney extends to and is binding upon the Obligors' successors and assigns. The Obligors authorize the Agent to (a) delegate in writing to another Person any power and authority granted under this power of attorney as may be necessary or desirable in the opinion of the Agent, and (b) revoke or suspend such delegation.

2.9 Dealings With Third Parties

(a) No Person dealing with the Agent, any of the Lender or an agent or receiver is required to determine (i) whether the Security Interest has become enforceable, (ii) whether the powers which the Agent, a Lender or a receiver or agent is purporting to exercise have become exercisable, (iii) whether any money remains due to the Agent or the Lender by the Obligors, (iv) the necessity or expediency of the stipulations and conditions subject to which any sale, lease or other disposition is made, (v) the propriety or regularity of any sale or other dealing by the Agent, any Lender or any agent or receiver with the Collateral, or (vi) how any money paid to the Agent or Lender has been applied.

(b) Any purchaser of Collateral shall hold the Collateral absolutely and free from any claim or right of any kind whatsoever, including any equity of redemption, of the Obligors. The Obligors waive (to the fullest extent permitted by law) as against any such purchaser, all rights of redemption, stay or appraisal which the Obligors may have under any rule of law or statute now existing or hereafter adopted.

2.10 Application of Proceeds

Any and all moneys and other proceeds realized by the Agent pursuant to this security agreement may be applied by the Agent to such part of the Obligations as the Agent in its sole discretion determines appropriate from time to time, subject only to such limitations as may be set out in the Credit Agreement.

2.11 Obligors Liable for Deficiency

The Obligors shall be and remain jointly and severally liable to the Agent and the Lender for any deficiency after the proceeds of any sale or other disposition of Collateral are received by the Agent.

Article 3
General

3.1 Certain References

(a) Capitalized terms used in this security agreement and not otherwise defined have the respective meanings given to them in the Credit Agreement.

(b) Any reference to this security agreement, the Credit Agreement, the Guarantee or any other Credit Document refers to this security agreement, the Credit Agreement or such other Credit Document as it may have been or may from time to time be, amended, modified, extended, renewed, restated, replaced or supplemented.

3.2 Notices

Any notice, consent, demand, waiver or other communication given under this security agreement must be in writing and delivered in accordance with the provisions of the Credit Agreement.

3.3 Discharge

The Security Interest may not be discharged except pursuant to a written release signed by the Agent. The Obligors may request a discharge of the Security Interest by notice to the Agent if, but only if, (a) there has been full and indefeasible payment and performance of the Obligations, and (b) the Agent and the Lender have no commitments under any Credit Document. Upon satisfaction of those conditions, the Agent shall execute and deliver to the Obligors such financing statements and other documents or instruments as the Obligors may reasonably require and the Agent shall redeliver to the Obligors, or as the Obligors may otherwise direct, any Collateral in its possession.

3.4 Amendment

This security agreement may only be amended, supplemented or otherwise modified by written agreement of the Agent and the Obligors.

3.5 Waivers, etc.

(a) No consent or waiver by the Agent in connection with this security agreement is binding unless made in writing and signed by an authorized officer of the Agent. Any consent or waiver given under this security agreement is effective only in the specific instance and for the specific purpose for which it was given.

(b) A failure or delay on the part of the Agent or a Lender in exercising a right or remedy under this security agreement does not operate as a waiver of, or impair, any rights or remedies of the Agent or the Lender however arising. A single or partial exercise of a right or remedy on the part of the Agent or a Lender does not preclude any other or further exercise of that right or remedy or the exercise of any other rights or remedies by the Agent or the Lender.

(c) Any delay or omission by the Lender in requiring strict performance by the Obligors of any provision of this security agreement will not waive, affect or diminish the Agent's right thereafter to demand strict compliance and performance therewith.

3.6 No Merger

This security agreement does not operate by way of merger of any of the Obligations and no judgment recovered by the Agent or any of the Lender will operate by way of merger of, or in any way affect, the Security Interest, this security agreement or the other Credit Documents.

3.7 Further Assurances

The Obligors shall from time to time, whether before or after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and agreements as the Agent may reasonably require for (a) protecting the Collateral, (b) perfecting the Security Interest, (c) obtaining control of the Collateral, (d) exercising all powers, authorities and discretions conferred upon the Agent, and (e) otherwise enabling the Agent and the Lender to obtain the full benefits of this security agreement and the rights and powers herein granted. The Obligors shall, from time to time after the Security Interest has become enforceable, do all acts and things and execute and deliver all transfers, assignments and agreements as the Agent may require for facilitating the sale or other disposition of the Collateral in connection with its realization.

3.8 Supplemental Security

This security agreement is in addition and without prejudice to, and not in substitution for, all other security now held or which may hereafter be held by the Agent and the Lender in respect of the Obligations.

3.9 Successors and Assigns

This security agreement is binding upon the Obligors and their successors and assigns, and enures to the benefit of the Agent, the Lender and their respective successors and assigns. This security agreement and all rights of the Agent and the Lender are assignable without the consent of the Obligors, and in any action brought by an assignee to enforce this security agreement or any right or remedy of the Agent or any of the Lender, the Obligors shall not assert against the assignee any claim or defence which the Obligors now have or hereafter may have against the Agent or any of the Lender. The Obligors may not assign, transfer or delegate any of their rights, duties or obligations under this security agreement.

3.10 Headings, etc.

The provision of a table of contents, the division of this security agreement into articles and sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this security agreement.

3.11 Gender and Number

Any reference in this security agreement to gender includes all genders and words importing the singular include the plural and *vice versa*.

3.12 Entire Agreement

The provisions set forth in this security agreement together with the Credit Agreement, the Guarantee and the other Credit Documents constitute the entire enforceable agreement between the parties and supercede all prior oral or written agreements, understandings, representations and warranties and course of conduct and dealing between the parties with respect to the matters referred to in this security agreement.

3.13 Severability

If any provision of this security agreement is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision shall be severed from this security agreement and the remaining provisions will continue in full force and effect, without amendment or limitation.

3.14 Conflict

In the event of any conflict or inconsistency between the provisions of this security agreement and the provisions of the Credit Agreement which cannot be resolved by both provisions being complied with, the provisions contained in the Credit Agreement will prevail to the extent of such conflict or inconsistency.

3.15 Governing Law and Submission to Jurisdiction

This security agreement is governed by and is to be interpreted and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

3.16 Acknowledgement and Waiver

The Obligors:

(a) acknowledge receiving a copy of this security agreement; and

(b) to the fullest extent permitted by law, waive all rights to receive from the Agent or any other Lender a copy of any financing statement, financing change statement or verification statement filed or issued, as the case may be, at any time in respect of this security agreement or any amendments to it.

3.17 Counterparts and Electronic Delivery

This security agreement may be executed in any number of separate counterparts and all such signed counterparts will together constitute one and the same instrument. To evidence its execution of an original counterpart of this security agreement, a party may send a copy of its signature on the execution page hereof to the other party by facsimile or other means of recorded electronic transmission (including in PDF form) and such transmission shall constitute valid delivery of an executed copy of this security agreement to the receiving party.

3.18 US Pledge and Security Agreement

Notwithstanding anything to the contrary in this Agreement, to the extent there is any conflict between this Agreement and the pledge and security agreement entered into as of the date hereof between the Agent, Tilray, Inc. and Manitoba Harvest USA, LLC (the **US Pledge and Security Agreement**), the Parties hereto expressly acknowledge that matters of creation, attachment, perfection and delivery of a security interest in the Collateral of the US Guarantors shall be governed by the terms of the US Pledge and Security Agreement and the terms of the US Pledge and Security Agreement shall prevail.

[Remainder of page left intentionally blank. Signature page follow.]

IN WITNESS WHEREOF the Obligors have executed and delivered this security agreement.

High Park Holdings Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

GUARANTORS

Tilray, Inc.

By: "*Brendan Kennedy*"

Chief Executive Officer

Tilray Canada Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

High Park Farms Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

1197879 B.C. Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

LEGAL*49798257.2

LEGAL*49798257.2

FHF Holdings Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasruer

Fresh Hemp Foods Ltd.

By: "*Mark Castaneda*"

Treasurer

Manitoba Harvest USA, LLC

By: "*Brendan Kennedy*"

Manager

High Park Gardens Inc.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

Natura Naturals Holdings Inc.

By: "*Mark Castaneda*"

Secretary

Natura Naturals Inc.

By: "*Mark Castaneda*"

Secretary

Dorada Ventures, Ltd.

By: "*Mark Castaneda*"

Chief Financial Officer and Treasurer

IN WITNESS WHEREOF the Agent has executed and delivered this security agreement.

Bridging Finance Inc.

By: "*Graham Marr*"

Senior Managing Director
Portfolio Manager

Schedule A

Financial Assets (Negotiable Collateral and Securities)

Negotiable Collateral

[***]

Securities

[***]

Schedule B

Securities Accounts

[***]

Schedule C

CAN_DMS: \132141408\5

Intellectual Property

Patents

[***]

Trademarks

[***]

Copyrights

None.

Industrial Designs

None.

Exhibit 21.1

SUBSIDIARIES OF TILRAY, INC.

Name of entity	Place of incorporation
Natura Naturals Inc.	Canada
Tilray, Inc.	Delaware, United States
Manitoba Harvest USA LLC	Delaware, United States
Tilray Canada, Ltd.	Canada
Dorada Ventures, Ltd.	Canada
Smith & Sinclair Ltd.	United Kingdom
FHF Holdings Ltd.	Canada
High Park Farms Ltd.	Canada
Tilray Deutschland GmbH	Germany
Pardal Holdings, Lda.	Portugal
Tilray Portugal Unipessoal, Lda.	Portugal
Tilray Australia New Zealand Pty. Ltd.	Australia
Tilray Ventures Ltd.	Ireland
Manitoba Harvest Japan K.K.	Japan
High Park Holdings, Ltd.	Canada
Fresh Hemp Foods Ltd.	Canada
Natura Naturals Holdings Inc.	Canada
National Cannabinoid Clinics Pty Ltd.	Australia
Tilray Latin America SpA	Chile
Tilray Portugal II, Lda.	Portugal
High Park Gardens Inc.	Canada
High Park Shops Inc.	Canada
Privateer Evolution, LLC	Delaware, United States

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333- 233703 on Form S-3 and Registration Statement Nos. 333-226267, 333-235581 and 333-231539 on Form S-8 of our reports dated March 2, 2020 relating to the financial statements of Tilray Inc. (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2019.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 2, 2020

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brendan Kennedy, certify that:

1. I have reviewed this Annual Report on Form 10-K of Tilray, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

By: /s/ Brendan Kennedy

Brendan Kennedy
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Castaneda, certify that:

1. I have reviewed this Annual Report on Form 10-K of Tilray, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

By: /s/ Mark Castaneda

Mark Castaneda
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Brendan Kennedy, President and Chief Executive Officer of Tilray, Inc. (the "Company"), and Mark Castaneda, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, to which this Certification is attached as Exhibit 32.1 (the "Annual Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 2nd day of March 2020.

/s/ Brendan Kennedy
Brendan Kennedy
President and Chief Executive Officer

/s/ Mark Castaneda
Mark Castaneda
Chief Financial Officer

"This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Tilray, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing."