



State of Rhode Island

Department of State - Business Services Division

RECEIVED
R.I. DEPT. OF STATE
BUS SVCS DIV

2021 DEC 21 A 11:49

STAMP

Application for Amended Certificate of Authority

FOREIGN Business Corporation

→ Filing Fee: \$75 00 (\$235 for an increase in authorized shares)

Pursuant to the provisions of RIGL 7-1.2-1411, the undersigned foreign corporation hereby applies for an Amended Certificate of Authority to transact business in the State of Rhode Island, and for that purpose submits the following statement:

1. Entity ID Number: 001683688	2. The name of the corporation is: Anaca Technologies Ltd.
3. It is incorporated under the laws of: Canada	4. List the date the Certificate of Authority was issued by the RI Department of State: 04/20/2018
5. If the entity's name has changed, state the new name: XELLO INC.	
Check box to indicate no change ☐	
6. The name, if different, which it elects to use in Rhode Island is:	
(a) If the name of the corporation in its jurisdiction of incorporation does not contain the word "corporation," "company," "incorporated," or "limited," or an abbreviation thereof, then list the name of the corporation with the addition of one of the above corporate endings for use in Rhode Island.	
(b) If the corporate name is not available in Rhode Island, then set forth below the fictitious name under which the corporation will transact business in Rhode Island as stated in the "Fictitious Business Name Statement" to be filed with this application:	
7. If the entity's purpose is changing complete the following section: <i>*The new purpose should include ALL activity to be transacted in the State of Rhode Island.</i>	
Check the box to indicate an attachment ☐	
Check box to indicate no change ☒	

MAIL TO:

Division of Business Services

148 W. River Street, Providence, Rhode Island 02904-2615

Phone: (401) 222-3040

Website: www.sos.ri.gov

FILED

DEC 21 2021

11:49

MZER9

If you have any questions, please call us at (401) 222-3040, Monday through Friday, between 8:30 a.m. and 4:30 p.m., or email corporations@sos.ri.gov.

8. If there has been an increase in the authorized shares of the corporation complete the following section:

***List ALL authorized shares as of this amendment.**

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE OR STATE NO PAR VALUE
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Check the box to indicate an attachment ☒

Check box to indicate no change ☐

8a. An estimate, **as a percentage**, of the proportion that the estimated value of the property of the corporation to be located within this state during the following year bears to the value of all property of the corporation to be owned during the following year, wherever located.
(Note: Percentage obtained from worksheet.)

0 %

8b. An estimate, **as a percentage**, of the proportion of the gross amount of business to be transacted by the corporation at or from places of business in Rhode Island during the following year compared to the gross amount thereof which will be transacted by the corporation during the following year. (Note: Percentage obtained from worksheet.)

0.5 %

9. If the entity's principal place of business is changing indicate the new principal address:

Check box to indicate no change ☒

10. As required by RIGL 7-1.2-105, the corporation has paid all fees and taxes.

11. Except as herein modified, the original Application for Certificate of Authority continues in full force and effect and is hereby confirmed, ratified and incorporated by reference into this Application for Amended Certificate of Authority.

11. Date when the Amended Certificate of Authority will be effective: **CHECK ONE BOX ONLY**

☒ Date received (Upon filing)

☐ Later effective date (Date must be no more than 90 days from the date of filing) _____

Under penalty of perjury, I declare and affirm that I have examined this Application for Amended Certificate of Authority, including any accompanying attachments, and that all statements contained herein are true and correct.

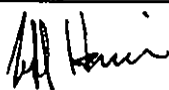
Name of Authorized Officer of the Corporation

Jeff Harris, President

Date

December 17, 2021

Signature of Authorized Officer



Xello Inc. dba Xello
Cap Table - Fully Diluted
As at November 30, 2021

Shareholder	Preferred Shares - Priority of Share		Voting Common Shares	Warrants		RSUs	Options	Total	Ownership %	Voting %
	Class A-1	Class A-2		Class A-1	Class A-2					
Matt McQuillen			4,694,154					4,694,154	40.87%	37.35%
Jeff Harris			1,898,513					1,898,513	16.51%	15.91%
Marc McQuillen			1,033,850					1,033,850	9.00%	8.66%
Kuan Wang			211,122					211,122	1.84%	1.77%
Robert McMurtry			246,745					246,745	2.15%	2.07%
Angus McMurtry			1,032,013					1,032,013	8.99%	8.66%
Kyle Lutes			25,308				25,000	50,308	0.44%	0.42%
Anthony Abbott			18,506				25,000	43,506	0.38%	0.37%
Cory Thomas			27,759					27,759	0.24%	0.23%
Edwin McAvoy			33,300					33,300	0.29%	0.28%
Meredith Beyer Allidridge			15,318				25,000	40,318	0.35%	0.34%
Fusion Investments Inc.			106,067					106,067	0.92%	0.89%
Jarrod Hane			5,053			15,200		20,253	0.18%	0.20%
Kyle Philip			27,787					27,787	0.24%	0.23%
Canadian Business Growth Fund	836,212	1,254,318						2,090,530	18.20%	17.54%
Erin Smith							25,000	25,000	0.00%	0.21%
Scott Thebeau							25,000	25,000	0.00%	0.21%
Asif Mohamed							10,000	10,000	0.00%	0.08%
Ben Pierce							10,000	10,000	0.00%	0.08%
Marco Bonfatti							10,000	10,000	0.00%	0.08%
Option Pool (Allocated)							155,000	155,000	0.00%	1.30%
Option Pool (Unallocated)							275,800	275,800	0.00%	2.31%
Total	836,212	1,254,318	8,975,495	15,200	4,000	410,800	11,916,825	100.00%	100.00%	190.00%

SCHEDULE TO
ARTICLES OF AMENDMENT
OF
ANACA TECHNOLOGIES LTD.
(the "Corporation")

The Articles of the Corporation be amended as follows:

A. Authorized and Issued Capital

- (a) to change the maximum number of Common Shares in the capital of the Corporation that the Corporation is authorized to issue from an unlimited number of Common Shares, issuable in series, of which an unlimited number are designated as Voting Common Shares and an unlimited number are designated as Non-Voting Common Shares to 12,641,975 Common Shares, issuable in series, of which 12,191,975 are designated as Voting Common Shares and 450,000 are designated as Non-Voting Common Shares
- (b) to create 836,212 Class A Preferred Shares;
- (c) to delete the rights, privileges, restrictions and conditions attaching to the Common Shares, issuable in series; and
- (d) to provide that the rights, privileges, restrictions and conditions attaching to the Common Shares, issuable in series, and the Class A Preferred Shares are as set out in the attached Schedule I;

with the result that upon the issuance of a Certificate of Amendment effecting the foregoing, the authorized capital of the Corporation shall consist of: (i) 12,641,975 Common Shares, issuable in series, of which (A) 12,191,975 are designated as Voting Common Shares; and (B) 450,000 are designated as Non-Voting Common Shares; and (ii) 836,212 Class A Preferred Shares.

B. Other Amendments

- (a) to change the name of the Corporation to Xello Inc.

SCHEDULE I
ARTICLES OF AMENDMENT
ANACA TECHNOLOGIES LTD.

Upon the issuance of the Certificate of Amendment effecting the amendments set forth above, the total number of shares of all classes of shares that Anaca Technologies Ltd. (the "**Corporation**") shall have authority to issue is (i) 12,641,975 Common Shares issuable in series, of which 12,191,975 are designated as Voting Common Shares (the "**Voting Common Shares**") and 450,000 are designated as Non-Voting Common Shares (the "**Non-Voting Common Shares**" and together with the Voting Common Shares, the "**Common Shares**"); and (ii) 836,212 Class A Preferred Shares (the "**Class A Preferred Shares**", and together with any other preferred shares authorized in the capital of the Corporation, the "**Preferred Shares**" and the Preferred Shares together with the Common Shares, the "**Shares**").

The following is a statement of the rights, privileges, restrictions and conditions of each class and series of shares in the capital of the Corporation.

A. COMMON SHARES

1. General. The voting, dividend and liquidation rights of the holders of the Common Shares are subject to and qualified by the rights, privileges, restrictions and conditions of any class of shares in the capital of the Corporation designated to be senior to the Common Shares, including the Preferred Shares.

2. One or More Series. The Common Shares may be issued at any time or from time to time in one or more series. The first series of Common Shares shall consist of the number set out above and shall be designated the "**Voting Common Shares**". The second series of Common Shares shall consist of the number set out above and shall be designated the "**Non-Voting Common Shares**".

3. Ranking. The Common Shares of each series shall rank (a) *pari passu* with the Common Shares of every other series and (b) junior to the Preferred Shares with respect to dividends and return of capital in the event of the liquidation, dissolution or winding-up of the Corporation.

4. Voting.

4.1 Each holder of Voting Common Shares is entitled to:

4.1.1 one vote for each Voting Common Share held at all meetings of shareholders;

4.1.2 receive notice of and to attend all meetings of shareholders of the Corporation, except meetings at which only the holders of a specified class of shares (other than the Common Shares) or a specified series of shares (other than the Voting Common Shares) are entitled to attend; and

4.1.3 vote on all matters submitted to a vote or consent of shareholders of the Corporation, except matters upon which only the holders of a specified class of shares (other than the Common Shares) or a specified series of shares (other than the Voting Common Shares) are entitled to vote.

4.2 Except as otherwise provided in the *Business Corporations Act* (Ontario), the holders of Non-Voting Common Shares shall not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of the Corporation.

4.3 The holders of Common Shares, and the holders of each series of Common Shares, shall not be entitled to vote separately as a class or series upon, and agree (to the extent permitted by law) that they are not entitled to dissent in respect of, any proposal to amend the Articles of the Corporation to:

4.3.1 increase or decrease any maximum number of authorized Common Shares, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Common Shares;

4.3.2 create a new class or series of shares equal or superior to the Common Shares; or

4.3.3 effect an exchange, reclassification or cancellation of all or part of the Common Shares.

4.4 Without limiting Section 4.3, the holders of Non-Voting Common Shares shall not be entitled to vote separately as a series upon, and are not entitled to dissent in respect of (to the extent permitted by law), any proposal to amend the articles of the Corporation to effect an exchange, reclassification or cancellation of the Non-Voting Common Shares.

5. Dividends. Subject to the rights of the holders of the Preferred Shares pursuant to Section B.2, the holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares in the capital of the Corporation (including those dividend rights of the Preferred Shares), to receive dividends if, as and when declared by the Board of Directors of the Corporation (the “**Board**”) on the Common Shares.

6. Liquidation, Dissolution or Winding-up. The holders of the Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares in the capital of the Corporation (including the rights of the Preferred Shares to receive a preference), to receive the remaining property of the Corporation on a liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs (“**Liquidation Event**”) or on a Deemed Liquidation Event (as defined below).

B. PREFERRED SHARES

Unless otherwise indicated, references to “Sections” in this Part B of this Schedule refer to the Sections of Part B of this Schedule.

1. Ranking. The Preferred Shares shall rank senior to the Common Shares with respect to dividends and return of capital in the event of a Liquidation Event or a Deemed Liquidation Event.

2. Dividends.

2.1 The Corporation shall not declare, pay or set aside any dividends on the Common Shares or any class or series of shares in the capital of the Corporation that is convertible into Common Shares (other than dividends on Common Shares payable in Common Shares in respect of which any adjustment to the Conversion Price (as defined below) of the applicable class or series of Preferred Shares required pursuant to Section 5.6 or 5.7 is made) unless (in addition to the obtaining of any consents required elsewhere in the Articles of the Corporation) the holders of the Preferred Shares then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding Preferred Share in an amount at least equal to the greater of (i) in the case of a dividend on Common Shares or any class or series that is convertible into Common Shares, that dividend per Preferred Share as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Shares and (B) the number of Common Shares issuable upon conversion of a Preferred Share, in each case, as calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into Common Shares, at a rate per Preferred Share determined by (A) dividing the amount of the dividend payable on each share of such class or series of shares in the capital of the Corporation by the original issuance price of such class or series of shares (subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the Original Issue Price of the applicable class or series of Preferred Shares; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of shares in the capital of the Corporation, such additional dividend payable to the holders of Preferred Shares pursuant to this Section 2.1 shall be calculated based upon the dividend on the class or series of shares in the capital of the Corporation that would result in the highest dividend per Preferred Share. The "**Original Issue Price**" shall mean with respect to the Class A Preferred Shares, C\$4.7834741, subject to appropriate adjustment in the event of any share dividend, share split, combination or other similar recapitalization with respect to the Class A Preferred Shares.

3. Liquidation, Dissolution or Winding Up; Certain Amalgamations, Arrangements, Mergers and Asset Sales.

3.1 Preferential Payments to Holders of Preferred Shares. In the event of any Liquidation Event or Deemed Liquidation Event, the holders of Class A Preferred Shares then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its shareholders before any payment shall be made to the holders of Common Shares and any other Shares ranking junior to the Class A Preferred Shares by reason of their ownership thereof, an amount per Class A Preferred Share equal to the greater of (i) the Original Issue Price of such Class A Preferred Share, plus (A) any dividends declared but unpaid thereon and (B) a rate of return equal to 8% per annum of the Original Issue Price of such Class A Preferred Share, compounded annually and accruing daily (collectively, the "**Class A Preferred Return Amount**") or (ii) (A) subject to Section 3.3, the Original Issue Price of such Class A Preferred Share, plus any dividends declared but unpaid thereon, plus (B) the amounts to which a holder of Class A

Preferred Shares would be entitled under Section 3.2(ii) (collectively, the “**Class A Participating Preferred Amount**”). If upon any such Liquidation Event or Deemed Liquidation Event, the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of Class A Preferred Shares the full amount of the Class A Preferred Return Amount under this Section 3.1, the holders of Class A Preferred Shares shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts that would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares on account of the Class A Preferred Return Amount were paid in full. For greater certainty, a holder of Class A Preferred Shares shall be entitled to either the Class A Preferred Return Amount or the Class A Participating Preferred Amount under this Section 3.1, but not both.

3.2 Distribution of Remaining Assets. Subject to Sections 3.1 and 3.3, (i) in the event of any Liquidation Event or Deemed Liquidation Event which results in the payment of the Class A Preferred Return Amount with respect to all outstanding Class A Preferred Shares pursuant to Section 3.1, the remaining assets of the Corporation available for distribution to its shareholders shall be distributed ratably among the holders of Common Shares and (ii) in the event of any Liquidation Event or Deemed Liquidation Event that results in the payment of the Class A Participating Preferred Amount, and after the payment of all amounts required to be paid to the holders of Class A Preferred Shares pursuant to Section 3.1(ii)(A), the remaining assets of the Corporation available for distribution to its shareholders shall be distributed among the holders of Class A Preferred Shares and Common Shares, *pro rata* based on the number of Common Shares held by each such holder, treating for this purpose all Class A Preferred Shares as if they had been converted to Common Shares under the Articles immediately before such Liquidation Event or Deemed Liquidation Event.

3.3 Limitations on Participation; Participating Preferred Amount.

3.3.1 Notwithstanding Sections 3.1 and 3.2, if the Class A Participating Preferred Amount for a Class A Preferred Share equals or exceeds 2.25 times the Original Issue Price of a Class A Preferred Share (the “**Class A Participation Threshold**”) but is less than the Class A Participation Cap (as defined in Section 3.3.2), then the Original Issue Price of a Class A Preferred Share payable in accordance with Section 3.1(ii)(A), as part of the Class A Participating Preferred Amount payable for each Class A Preferred Shares, shall be reduced on the following basis:

$$OIP_2 = (OIP_1 * ((1 - (TPR - PT)) / (PC - PT)))$$

whereas (i) “**OIP₂**” shall mean the Original Issue Price of a Class A Preferred Share, as adjusted pursuant to this Section 3.3; (ii) “**OIP₁**” shall mean the Original Issue Price of a Class A Preferred Share; (iii) “**TPR**” shall mean the total consideration received by a holder of a Class A Preferred Share at a Liquidation Event or Deemed Liquidation Event; (iv) “**PC**” shall mean the Class A Participation Cap; (iv) “**PT**” shall mean the Class A Participation Threshold. For illustrative purposes, a sample calculation of the above formula has been included as an exhibit to the Voting Agreement between the Corporation and its shareholders, which formula is to be applied on an iterative basis.

3.3.2 For greater certainty, if the Class A Participating Preferred Amount equals or exceeds 2.75 times the Original Issue Price of a Class A Preferred Shares (the “**Class A Participation Cap**”), then such holder of Class A Preferred Shares shall be entitled to receive upon such Liquidation Event or Deemed Liquidation Event, with respect to each Class A Preferred Share held, an amount equal to the total Class A Participating Preferred Amount, less the Original Issue Price of a Class A Preferred Share.

3.4 Deemed Liquidation Events.

3.4.1 Definition. Each of the following events shall be considered a “**Deemed Liquidation Event**” unless the holders of a majority of the votes attached to the Preferred Shares then outstanding (voting together as a single class on an as converted basis) (the “**Preferred Majority**”) elect otherwise by written notice sent to the Corporation at least 10 days prior to the effective date of any such event:

(a) an amalgamation, arrangement, merger, consolidation, recapitalization, reclassification, reorganization or similar transaction in which:

- (i) the Corporation is a constituent party; or
- (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares in its capital pursuant to such amalgamation, arrangement, merger, consolidation, recapitalization, reclassification, reorganization or similar transaction,

except any such amalgamation, arrangement, merger, consolidation, recapitalization, reclassification, reorganization or similar transaction involving the Corporation or a subsidiary in which the shares in the capital of the Corporation outstanding immediately prior to such amalgamation, arrangement, merger, consolidation, recapitalization, reclassification, reorganization or similar transaction continue to represent, or are converted into or exchanged for shares that represent, immediately following such amalgamation, arrangement, merger, consolidation, recapitalization, reclassification, reorganization or similar transaction, at least a majority, by voting power, of the shares in the capital of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such amalgamation, arrangement, merger, reorganization or similar transaction, the parent corporation of such surviving or resulting corporation;

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all of the assets and/or intellectual property of the Corporation and its subsidiaries, taken as a whole, or the sale or disposition (whether by amalgamation, arrangement, consolidation, merger, reorganization, recapitalization or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets and/or intellectual property of the Corporation and its subsidiaries, taken as a whole, are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation; or

(c) the completion of a sale transaction to which the Corporation is a party between the shareholders of the Corporation and a person that results in those who were holders of the voting securities in the capital of the Corporation before the sale transaction holding less than a majority of the votes attaching to the outstanding voting securities in the capital of the Corporation after the completion of the sale transaction.

3.4.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Section 3.4.1 unless the agreement or plan of arrangement or similar definitive document for such transaction (the "**Merger Agreement**") provides that the consideration payable to the shareholders of the Corporation shall be allocated among the holders of shares in the capital of the Corporation in accordance with Sections 3.1, 3.2 and 3.3.

(b) In the event of a Deemed Liquidation Event referred to in Section 3.4.1(a)(ii), 3.4.1(b) or 3.4.1(c), if the Corporation does not effect a dissolution of the Corporation within 90 days after the Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Shares no later than the 90th day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) under the following clause; (ii) to require the redemption of such Preferred Shares, and (iii) if the Preferred Majority so requests in a written instrument delivered to the Corporation not later than 120 days after the Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for the Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board), together with any other assets of the Corporation available for distribution to its shareholders, all to the extent permitted by law (the "**Available Proceeds**"), on the 150th day after the Deemed Liquidation Event, to redeem all outstanding Preferred Shares at a price per share equal to, subject to Section 3, the greater of the Class A Preferred Return Amount or the Class A Participating Preferred Amount. Notwithstanding the foregoing, in the event of such a redemption, if the Available Proceeds are not sufficient to redeem all outstanding Preferred Shares, the Corporation shall ratably redeem each holder's Preferred Shares to the fullest extent of the Available Proceeds, based on the respective amounts which would otherwise be payable in respect of the shares to be redeemed if the Available Proceeds were sufficient to redeem all such shares, and shall redeem the remaining shares as soon as it may lawfully do so.

3.4.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of shares in the capital of the Corporation upon any such amalgamation, arrangement, consolidation, merger, reorganization, sale, transfer, recapitalization, reclassification, exclusive license or other disposition referred to in this Section 3.4 shall be the cash or the fair market value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The fair market value of such property, rights or securities shall be determined in good faith by the Board.

3.4.4 Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Section 3.4.1, if any portion of the consideration payable to the shareholders of the Corporation is payable only upon satisfaction of contingencies (the "**Additional Consideration**"), the Merger Agreement shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "**Initial**

Consideration") shall be allocated among the holders of shares in the capital of the Corporation in accordance with Sections 3.1, 3.2, and 3.3 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event and (b) any Additional Consideration that becomes payable to the shareholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of shares in the capital of the Corporation in accordance with Sections 3.1, 3.2, and 3.3 after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Section 3.4.4, consideration placed into escrow or retained as a holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

4. Voting.

4.1 General. On any matter presented to the shareholders of the Corporation for their action or consideration at any meeting of shareholders of the Corporation (or by written consent of the shareholders in lieu of a meeting), each holder of outstanding Preferred Shares shall be entitled to cast the number of votes equal to the number of whole Voting Common Shares into which the Preferred Shares held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter. Except as provided in any unanimous shareholder agreement with respect to the Corporation then in force, Section 4.2, 4.3, or by applicable law, holders of Preferred Shares shall vote, together with the holders of Voting Common Shares, as a single class. Without limiting any unanimous shareholder agreement with respect to the Corporation then in force or Section 4.2 or 4.3 the holders of each class or series of Preferred Shares shall not be entitled to vote separately as a class or series upon, and shall waive dissent rights in respect of (to the extent permitted by law), any proposal to amend the Articles of the Corporation to: (i) increase or decrease any maximum number of authorized Preferred Shares of such class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to such class or series of Preferred Shares; (ii) create a new class or series of shares equal or superior to such class or series of Preferred Shares; or (iii) exchange, reclassify or cancel all or part of such class or series of Preferred Shares.

4.2 Election of Directors. For as long as any Preferred Shares remain outstanding, the Preferred Majority shall be entitled to elect one director of the Corporation (the "**Preferred Director**"). At any meeting held for the purpose of electing the Preferred Director, the presence in person or by proxy of the Preferred Majority shall constitute a quorum for the purpose of electing such Preferred Director. The holders of record of the Voting Common Shares and of every other class or series of voting shares (including the Preferred Shares), voting together as a single class on an as-converted basis, shall be entitled to elect the remaining number of directors of the Corporation (the "**Remaining Directors**"). A Preferred Director or Remaining Director elected as provided in this Section 4.2 may be removed by, and only by, the affirmative vote by the number of shareholders entitled to elect such director, given either at a special meeting of such shareholders duly called for that purpose or by written resolution in lieu of a meeting duly provided in accordance with the *Business Corporations Act* (Ontario). If the position of a Preferred Director or Remaining Director is or becomes vacant at any time, such position shall remain vacant until such time as the holders of a sufficient number of shares entitled to elect such person shall fill such directorship by vote at a meeting duly called for such purpose, or by written resolution in lieu of a meeting duly provided in accordance with the *Business Corporations Act* (Ontario), and the Corporation will, upon request of any such holder(s), call a meeting of the applicable class(es) of

holders of Shares for the purpose of filling the vacancy within 10 days of receiving such request. For greater certainty, the entirety of this Section 4.2 shall be subject to any unanimous shareholder agreement with respect to the Corporation then in force.

4.3 Preferred Share Protective Provisions. For as long as any Preferred Shares remain outstanding, neither the Corporation nor its subsidiaries shall, either directly or indirectly, by amendment, amalgamation, arrangement, merger or otherwise, do any of the following without (in addition to any other vote required by applicable law or the Articles of the Corporation) the written consent or affirmative vote of the Preferred Majority, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a single class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect:

4.3.1 effect any transaction that constitutes a Liquidation Event or a Deemed Liquidation Event (other than a Liquidation Event or a Deemed Liquidation Event that results in proceeds to holders of Class A Preferred Shares (as adjusted for any stock split, stock dividends, combination, or other similar recapitalization with respect to such Class A Preferred Shares) of at least 2.25 times the Original Issue Price of a Class A Preferred Share held by such holder, in cash and delivered to the holder thereof on the completion of such Liquidation Event or Deemed Liquidation Event);

4.3.2 amend, alter or repeal any provision of the Corporation's Articles or by-laws of the Corporation (the "**By-Laws**") in a manner that adversely affects holders of the Class A Preferred Shares;

4.3.3 any proposal to amend the Corporation's Articles to exchange, reclassify or cancel all or part of the Class A Preferred Shares;

4.3.4 create, or authorize the creation of, or issue or obligate itself to issue any other shares or equity security, or security convertible into or exercisable for any shares of equity security of the Corporation having rights, privileges, preferences, powers, restrictions and conditions senior to or *pari passu* to the Class A Preferred Shares, including with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption (or re-characterize, reclassify, alter or amend any existing security to have such rights, privileges, restrictions, preferences, powers, and conditions including with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption);

4.3.5 increase or decrease the authorized number of Preferred Shares or increase or decrease the authorized number of any other class or series of shares in the capital of the Corporation;

4.3.6 (i) reclassify, alter or amend any existing security in the capital of the Corporation that is of equal rank with the Class A Preferred Shares in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if the reclassification, alteration or amendment would render such other security senior to the Class A Preferred Shares in respect of any such right, preference, or privilege or (ii) reclassify, alter or amend any existing security of the Corporation that is junior to the Class A Preferred Shares in respect of the distribution of assets on the liquidation, dissolution

or winding up of the Corporation, the payment of dividends or rights of redemption, if the reclassification, alteration or amendment would render such other security senior to or of equal rank with the Class A Preferred Shares in respect of any such right, preference or privilege;

4.3.7 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares in the capital of the Corporation other than (i) redemptions of or dividends or distributions on the Class A Preferred Shares as expressly authorized in the Articles; (ii) dividends or other distributions on the Common Shares payable solely in the form of additional Common Shares in respect of which any adjustment to the Conversion Price of the applicable class or series of Preferred Shares required pursuant to Section 5.6 or 5.7 is made; and (iii) repurchases of shares from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof, or upon exercise of contractual rights of first refusal over such shares; or (iv) as approved by the Board, including the Preferred Director;

4.3.8 create, or authorize the creation of, or issue, or authorize the issuance of any debt, or permit any subsidiary to take any such action with respect to any debt, if the aggregate indebtedness of the Corporation and its subsidiaries for borrowed money following such action exceeds C\$5,000,000, other than (i) accounts payable generated through the ordinary course of business; (ii) any intercompany indebtedness among the Corporation and/or any wholly-owned subsidiaries of the Corporation; (iii) loans that are based on and secured by the Corporation's claim for Scientific Research and Experimental Development tax credits; and (iv) any indebtedness that has received the prior approval of the Board, including the approval of the Preferred Director;

4.3.9 create, or hold share capital in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by the Corporation, or sell, transfer or otherwise dispose of any share capital of any direct or indirect subsidiary of the Corporation, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose (in a single transaction or series of related transactions) of all or substantially all of the assets of such subsidiary;

4.3.10 increase or decrease the size of the Board;

4.3.11 sell any Common Shares to the public pursuant to an effective registration statement under the Securities Act of 1933, as amended, or a qualified prospectus filed with Canadian securities regulatory authorities, other than in connection with a Qualified IPO; or

4.3.12 commit or agree to do any of the foregoing or permit any subsidiary of the Corporation to commit or agree to do any of the foregoing.

5. Optional Conversion.

The holders of the Preferred Shares shall have conversion rights as follows (the "Conversion Rights"):

5.1 Right to Convert.

5.1.1 Conversion Ratio. Each Preferred Share shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable Voting Common Shares as is determined by dividing the Original Issue Price of the applicable class or series of Preferred Shares by the Conversion Price (as defined below) of such class or series of Preferred Shares in effect at the time of conversion. The “**Conversion Price**” of a class or series of Preferred Shares shall initially be equal to the Original Issue Price of such class or series of Preferred Shares. Such initial Conversion Price of a class or series of Preferred Shares, and the rate at which such class or series of Preferred Shares may be converted into Voting Common Shares, shall be subject to adjustment as provided below.

5.1.2 Termination of Conversion Rights. In the event of a Liquidation Event or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Shares.

5.2 Fractional Shares. No fractional Voting Common Shares shall be issued upon conversion of the Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a Voting Common Share as determined in good faith by the Board. Alternatively, at the option of the Corporation, the number of Voting Common Shares issued on conversion shall be rounded up to the nearest whole number. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of Preferred Shares the holder is holding at the time converting into Voting Common Shares and the aggregate number of Voting Common Shares issuable upon such conversion.

5.3 Mechanics of Conversion.

5.3.1 Notice of Conversion. In order for a holder of Preferred Shares to voluntarily convert Preferred Shares into Voting Common Shares, such holder shall surrender the certificate or certificates for such Preferred Shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Shares (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the Preferred Shares represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for Voting Common Shares to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the “**Conversion Time**”), and the Voting Common Shares issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record

as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Preferred Shares, or to his, her or its nominees, a certificate or certificates for the number of full Voting Common Shares issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the Preferred Shares represented by the surrendered certificate that were not converted into Voting Common Shares, (ii) pay in cash such amount as provided in Section 5.2 in lieu of any fraction of a Voting Common Share that is otherwise issuable upon such conversion (if applicable), and (iii) pay all declared but unpaid dividends on the Preferred Shares converted.

5.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Shares shall be outstanding, reserve and keep available out of its authorized but unissued capital, for the purpose of effecting the conversion of the Preferred Shares, such number of its duly authorized Voting Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares; and if at any time the number of authorized but unissued Voting Common Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued Voting Common Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to the Articles of the Corporation.

5.3.3 Effect of Conversion. All Preferred Shares that shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive Voting Common Shares in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Section 5.2 (if applicable) and to receive payment of any dividends declared but unpaid thereon. Any Preferred Shares so converted shall be retired and cancelled and may not be reissued, and the Corporation may thereafter take such appropriate action as may be necessary to reduce the authorized number of Preferred Shares accordingly.

5.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Conversion Price of a class or series of Preferred Shares shall be made for any declared but unpaid dividends on such Preferred Shares surrendered for conversion or on the Voting Common Shares delivered upon conversion.

5.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of Voting Common Shares upon conversion of any Preferred Shares pursuant to this Article 5. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of Voting Common Shares in a name other than that in which the Preferred Shares so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

5.4 Adjustments to Conversion Price for Diluting Issues.

5.4.1 Special Definitions. For purposes of this Part B, the following definitions shall apply:

(a) **“Additional Common Shares”** shall mean all Common Shares issued (or, pursuant to Section 5.4.3, deemed to be issued) by the Corporation after the Original Issue Date, other than (1) the following Common Shares and (2) Common Shares deemed issued pursuant to the following Options and Convertible Securities (clauses (1) and (2), collectively, **“Exempted Securities”**):

- (i) Common Shares, Options or Convertible Securities issued upon conversion of, or as a dividend or distribution on Preferred Shares;
- (ii) Common Shares, Options or Convertible Securities issued by reason of a dividend, share split or other distribution on Common Shares that is covered by Section 5.5, 5.6, 5.7 and 5.8, provided such issuance has been approved by the Board, including the approval of the Preferred Director;
- (iii) Common Shares or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board (including the approval of the Preferred Director);
- (iv) Common Shares or Convertible Securities actually issued upon the exercise of Options or Common Shares actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security (including Common Shares or Convertible Securities issued upon the conversion of the Preferred Shares);
- (v) Common Shares, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board (including the approval of the Preferred Director);

- (vi) Common Shares, Options or Convertible Securities issued to suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions, provided that such transactions are not primarily for equity financing purposes and the terms of such transactions are approved by the Board (including the approval of the Preferred Director);
- (vii) Common Shares, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Corporation by amalgamation, arrangement, purchase of all or substantially all of the assets or shares or other reorganization or to a joint venture agreement, provided that such issuances are approved by the Board (including the approval of the Preferred Director);
- (viii) Common Shares, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board (including the approval of the Preferred Director); or
- (ix) Common Shares, Options, or Convertible Securities issued in connection with any settlement approved by the Board (including the Preferred Director).

(b) **“Convertible Securities”** shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Shares, but excluding Options.

(c) **“Option”** shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Shares or Convertible Securities.

(d) **“Original Issue Date”** shall mean the date on which the first Preferred Share was issued.

5.4.2 No Adjustment of Conversion Price. No adjustment in the Conversion Price of a class or series of Preferred Shares shall be made as the result of the issuance or deemed issuance of Additional Common Shares if the Corporation receives written notice from the holders of at least a majority of the then outstanding Preferred Shares agreeing that no such

adjustment shall be made as the result of the issuance or deemed issuance of such Additional Common Shares.

5.4.3 Deemed Issue of Additional Common Shares.

(a) If the Corporation at any time or from time to time after the Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities that are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of Common Shares (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Common Shares issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Conversion Price of a class or series of Preferred Shares pursuant to the terms of Section 5.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of Common Shares issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Conversion Price of such class or series of Preferred Shares computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Conversion Price as would have been obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this Section 5.4.3(b) shall have the effect of increasing the Conversion Price of a class or series of Preferred Shares to an amount that exceeds the lower of (i) the Conversion Price of such class or series of Preferred Shares in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Conversion Price of such class or series of Preferred Shares that would have resulted from any issuances of Additional Common Shares (other than deemed issuances of Additional Common Shares as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities that are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Conversion Price of a class or series of Preferred Shares pursuant to the terms of Section 5.4.4 (either because the consideration per share (determined pursuant to Section 5.4.5) of the Additional Common Shares subject thereto was equal to or greater than the Conversion Price of such class or series of Preferred Shares then in effect, or because such Option or Convertible Security was issued before the Original Issue Date), are revised after the Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding

automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of Common Shares issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Common Shares subject thereto (determined in the manner provided in Section 5.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) that resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Conversion Price of a class or series of Preferred Shares pursuant to the terms of Section 5.4.4, the Conversion Price of such class or series of Preferred shares shall be readjusted to the Conversion Price of such class or series of Preferred Shares as would have been obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of Common Shares issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Conversion Price of a class or series of Preferred Shares provided for in this Section 5.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in Sections 5.4.3(b) and (c)). If the number of Common Shares issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Conversion Price of a class or series of Preferred Shares that would result under the terms of this Section 5.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Conversion Price of such class or series of Preferred Shares that such issuance or amendment took place at the time such calculation can first be made.

5.4.4 Adjustment of Conversion Price Upon Issuance of Additional Common Shares. In the event the Corporation shall at any time after the Original Issue Date issue Additional Common Shares (including Additional Common Shares deemed to be issued pursuant to Section 5.4.3), without consideration or for a consideration per share less than the Conversion Price of a class or series of Preferred Shares in effect immediately prior to such issue, then such Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-tenth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP₂" shall mean the Conversion Price of such class or series of Preferred Shares in effect immediately after such issue of Additional Common Shares

(b) "CP₁" shall mean the Conversion Price of such class or series of Preferred Shares in effect immediately prior to such issue of Additional Common Shares;

(c) "A" shall mean the number of Common Shares outstanding immediately prior to such issue or deemed issue of Additional Common Shares (treating for this purpose as outstanding all Common Shares issuable upon exercise of Options outstanding immediately prior to such issue or deemed issue or upon conversion or exchange of Convertible Securities (including the Preferred Shares) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) "B" shall mean the number of Common Shares that would have been issued if such Additional Common Shares had been issued at a price per share equal to CP₁ (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP₁); and

(e) "C" shall mean the number of such Additional Common Shares issued in such transaction.

5.4.5 Determination of Consideration. For purposes of this Section 5.4, the consideration received by the Corporation for the issue of any Additional Common Shares shall be computed as follows:

(a) Cash and Property: Such consideration shall:

- (i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;
- (ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board; and
- (iii) in the event Additional Common Shares are issued together with other shares or securities or other assets of the Corporation for consideration that covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Common Shares deemed to

have been issued pursuant to Section 5.4.3, relating to Options and Convertible Securities, shall be determined by dividing:

- (i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by
- (ii) the maximum number of Common Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

5.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Common Shares that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Conversion Price of a class or series of Preferred Shares pursuant to the terms of Section 5.4.4 then, upon the final such issuance, such Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

5.5 Adjustment for Share Splits and Share Consolidations. If the Corporation shall at any time or from time to time after the Original Issue Date effect a subdivision of the outstanding Common Shares, the Conversion Price of a class or series of Preferred Shares in effect immediately before that subdivision shall be proportionately decreased so that the number of Common Shares issuable on conversion of each such Preferred Share shall be increased in proportion to such increase in the aggregate number of Common Shares outstanding. If the Corporation shall at any time or from time to time after the Original Issue Date combine the outstanding Common Shares, the Conversion Price of a class or series of Preferred Shares in effect immediately before the combination shall be proportionately increased so that the number of

Common Shares issuable on conversion of each such Preferred Share shall be decreased in proportion to such decrease in the aggregate number of Common Shares outstanding. Any adjustment under this Section 5.5 shall become effective at the close of business on the date the subdivision or combination becomes effective.

5.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Shares entitled to receive, a dividend or other distribution payable on the Common Shares in additional Common Shares, then, and in each such event, the Conversion Price of a class or series of Preferred Shares in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Conversion Price of such class or series of Preferred Shares then in effect by a fraction:

(1) the numerator of which shall be the total number of Common Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of Common Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Common Shares issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price of a class or series of Preferred Shares shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price of such class or series of Preferred Shares shall be adjusted pursuant to this Section 5.6 as of the time of actual payment of such dividends or distributions; and (b) no such adjustment shall be made if the holders of a class or series of Preferred Shares simultaneously receive a dividend or other distribution of Common Shares in a number equal to the number of Common Shares as they would have received if all outstanding such Preferred Shares had been converted into Common Shares immediately prior to such event.

5.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Shares entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of Common Shares in respect of outstanding Common Shares) or in other property and the provisions of Sections 2 and 5.6 do not apply to such dividend or distribution, then and in each such event the holders of a class or series of Preferred Shares shall receive, simultaneously with the distribution to the holders of Common Shares, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding such Preferred Shares had been converted into Voting Common Shares immediately prior to such event.

5.8 Adjustment for Amalgamation, Arrangement, Merger or Reorganization, etc. Subject to the provisions of Section 3.4, if there shall occur any amalgamation, arrangement, consolidation, merger, recapitalization, reclassification or

reorganization involving the Corporation in which the Voting Common Shares (but not the Preferred Shares) are converted into or exchanged for securities, cash or other property (other than a transaction covered by Sections 5.4, 5.6 or 5.7), then, following any such amalgamation, arrangement, consolidation, merger, recapitalization, reclassification or reorganization, each Preferred Share of a class or series shall thereafter be convertible in lieu of the Voting Common Shares into which it was convertible prior to such event into the kind and amount of securities, cash or other property that a holder of the number of Voting Common Shares issuable upon conversion of one such Preferred Share immediately prior to such amalgamation, arrangement, consolidation, merger, recapitalization, reclassification or reorganization would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board) shall be made in the application of the provisions in this Section 5.8 with respect to the rights and interests thereafter of the holders of such Preferred Shares, to the end that the provisions set forth in this Section 5.8 (including provisions with respect to changes in and other adjustments of the Conversion Price of such applicable class or series of Preferred Shares) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Shares.

5.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price of a class or series of Preferred Shares pursuant to this Section 5.9, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 10 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of such Preferred Shares a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which such Preferred Shares are convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Preferred Shares (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Conversion Price of such Preferred Shares then in effect, and (ii) the number of Voting Common Shares and the amount, if any, of other securities, cash or property that then would be received upon the conversion of such Preferred Shares.

5.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Shares (or other shares or securities at the time issuable upon conversion of the Preferred Shares) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares in the capital of the Corporation of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Shares; or

(c) of any Liquidation Event or Deemed Liquidation Event,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Shares a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, Liquidation Event or Deemed

Liquidation Event is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Shares (or such other shares in the capital of the Corporation or securities at the time issuable upon the conversion of the Preferred Shares) shall be entitled to exchange their Common Shares (or such other shares in the capital of the Corporation or securities) for securities or other property deliverable upon such reorganization, reclassification, Liquidation Event or Deemed Liquidation Event, and the amount per share and character of such exchange applicable to the Preferred Shares and the Common Shares. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

5.11 Additional Adjustments. The initial Conversion Price for the Class A Preferred Shares was established based on the Corporation's representations, warranties and covenants (the "**Representations and Warranties**") set forth in that certain Subscription Agreement (the "**Subscription Agreement**") dated May 1, 2020 (the "**Class A Original Issuance Date**"), by and between, the Corporation and the Investors (as defined therein). If either (a) the Board and the holders of a majority of the votes attached to the Class A Preferred Shares then outstanding (the "**Class A Preferred Majority**"), in each case acting reasonably, agree or (b) a final, non-appealable judgment of a court of competent jurisdiction confirms, in the case of each of the foregoing clauses (a) and (b), that such Representations and Warranties were inaccurate, breached or unfulfilled (either, an "**Adjustment Event**"), then the Conversion Price for the Class A Preferred Shares then in effect shall be adjusted by an amount such that the Voting Common Shares issuable upon the conversion of all of the Class A Preferred Shares eligible to be sold under the Subscription Agreement would be equal to the number of Class A Preferred Shares that would have been issued under the Subscription Agreement, had the total amount of Losses (as defined in the Subscription Agreement), applicable to such Adjustment Event been treated as a downward adjustment to (i) the C\$50,000,000 pre-money valuation of the Corporation and (ii) as a result of the adjustment in the foregoing clause (i) the Original Issue Price of the Class A Preferred Shares. For greater certainty, the Original Issue Price will not change as a result of this Section 5.11. Any adjustment of the Conversion Price of the Class A Preferred Shares pursuant to this Section 5.11 shall be in addition to any other adjustments which may be required pursuant to this Section 5 and shall be subject to the limitations contemplated by Section 7.2 of the Subscription Agreement. After making the foregoing adjustment, the Conversion Price of the Class A Preferred Shares shall be further adjusted in accordance with Section 5.4 to give effect to any and all adjustments to such Conversion Price made after the Class A Original Issuance Date (as if the initial such Conversion Price on the Class A Original Issuance Date was equal to the Conversion Price, as adjusted pursuant to this Section 5.11). All adjustments made pursuant to this Section 5.11 shall require the consent of the Class A Preferred Majority.

6. Mandatory Conversion.

6.1 Trigger Events. Upon either (a) the closing of the sale of Common Shares to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or a qualified prospectus filed with Canadian securities regulatory authorities, in either case, resulting in gross proceeds to the Corporation before the underwriting discount and commissions of at least C\$50,000,000, and a listing of such Common Shares on the TSX, NASDAQ or NYSE (a "**Qualified IPO**"), or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the Preferred Majority (the time immediately prior to such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the "**Mandatory**

Conversion Time”), (i) all outstanding Preferred Shares shall automatically be converted into Voting Common Shares, at the then effective conversion rate; and (ii) such shares may not be reissued by the Corporation.

6.2 **Procedural Requirements.** All holders of record of Preferred Shares shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such Preferred Shares pursuant to this Section 6 at least 10 business days prior to the proposed Mandatory Conversion Time. Upon receipt of such notice, each holder of Preferred Shares shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Shares converted pursuant to Section 6.1, including the rights, if any, to receive notices and vote (other than as a holder of Voting Common Shares), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Section 6.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Shares, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full Voting Common Shares issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Section 5.2 in lieu of any fraction of a Voting Common Share otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the Preferred Shares converted. Such converted Preferred Shares shall be retired and cancelled and may not be reissued, and the Corporation may thereafter take such appropriate action as may be necessary to reduce the authorized number of Preferred Shares accordingly.

7. **Waiver.** Any of the rights, powers, preferences and other terms of the Preferred Shares set forth herein may be waived on behalf of all holders of Preferred Shares by the affirmative written consent or vote of the Preferred Majority. Notwithstanding the foregoing, in connection with a waiver of Section 5.4.2 or a circumstance where the rights, powers, preferences and other terms of the Preferred Shares set forth herein are to be waived only as it relates to a particular class or series of Preferred Shares, such rights, powers, preferences or other terms may only be waived by the affirmative written consent or vote of such class or series of Preferred Shares.

8. **Notices.** Any notice required or permitted by the provisions of this Schedule to be given to a holder of Preferred Shares shall be given in the manner set out in the By-Laws.

6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2020/04/30

(Year, Month, Day)
(année, mois, jour)

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

ANACA TECHNOLOGIES LTD.

(Print name of corporation from Article 1 on page 1)
(Veuillez écrire le nom de la société de l'article un à la page une).

By/ Par: **MATT MCQUILLEN**

(Signature)
(Signature)

Director

(Description of Office)
(Fonction)



State of Rhode Island

Department of State | Office of the Secretary of State

Nellie M. Gorbea, *Secretary of State*

I, NELLIE M. GORBEA, Secretary of State of the State of Rhode Island,

hereby certify that this document, duly executed in accordance with the provisions

of Title 7 of the General Laws of Rhode Island, as amended, has been filed in this

office on this day:

December 21, 2021 11:49 AM

A handwritten signature in blue ink, appearing to read "Nellie M. Gorbea", is written in a cursive style.

Nellie M. Gorbea
Secretary of State

