



August 28, 2015

To the Shareholders of
Bedrocan Cannabis Corp.
electing to make a Section 85 Election

This Tax Instruction Letter is issued in connection with a proposed arrangement (the “**Arrangement**”) involving, among others, Bedrocan Cannabis Corp. (“**Bedrocan**”), its securityholders and Tweed Marijuana Inc. (“**Tweed**”), as described in the management information circular (the “**Circular**”) of Bedrocan dated July 20, 2015, which is to be considered at an annual and special meeting (the “**Meeting**”) of holders of securities of Bedrocan scheduled to be held on August 24, 2015. Capitalized terms used but not otherwise defined herein have the respective meanings ascribed thereto in the Glossary of Defined Terms in the Circular or in the plan of arrangement giving effect to the Arrangement as appended thereto.

Pursuant to a letter of transmittal (the “**Letter of Transmittal**”) delivered by you to the Depository, you have indicated your intention to make a Section 85 Election with respect to the Share Consideration you have received as part of the Arrangement. This Tax Instruction Letter and the required federal tax forms which are included with this Tax Instruction Letter will provide you with instructions on how to complete the Section 85 Election.

Eligible Holders are eligible to make a Section 85 Election jointly with Tweed. Eligible Holders who intend to make a Section 85 Election should carefully read the section “Certain Canadian Federal Income Tax Considerations” in the Circular and consult with their own tax advisors with respect to the Section 85 Election. Each Eligible Holder who intends to make a Section 85 Election must follow the procedures set out in this Tax Instruction Letter and must provide all required information in accordance with the procedures and deadlines set out in this Tax Instruction Letter and must send the required information to Tweed within 90 days after the Effective Date. Eligible Holders who do not deliver the required information to Tweed in accordance with the procedures set out in this Tax Instruction Letter on or before 90 days after the Effective Date may not be able to make a Section 85 Election. Accordingly, all Eligible Holders who intend to make a Section 85 Election with Tweed should give their immediate attention to this matter.

Rollover Transaction.

An Eligible Holder who validly exchanges Bedrocan Shares for Tweed Shares may make a joint election with Tweed pursuant to subsection 85(1) of the Tax Act (or, in the case of a Shareholder that is a partnership, pursuant to subsection 85(2) of the Tax Act). Such election may result in

the full or partial deferral of capital gains otherwise arising on the exchange of such Bedrocan Shares. The amount elected for purposes of such joint election (the “**Elected Amount**”) will be determined by each Eligible Holder who makes such a joint election, subject to the limitations under the Tax Act described under “*Section 85 Election*”, below.

Section 85 Election

Subject to the limitations and conditions described below, Tweed will make a joint election under subsection 85(1) or subsection 85(2), as applicable, of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) with an Eligible Holder who validly receives Tweed Shares at the amount selected by the Eligible Holder subject to the limitations under the Tax Act. The joint election allows the Eligible Holder to elect an amount which, subject to the limitations under the Tax Act described generally below, will be treated for the purposes of the Tax Act as the holder’s proceeds of disposition of such Bedrocan Shares.

The requirements for a valid Section 85 Election are complex. Meeting these requirements will be the sole responsibility of each Eligible Holder. Tweed will not be responsible for the validity, proper completion or timely filing of any Section 85 Election, or for any taxes, interest, penalties or other consequences under the Tax Act in respect thereof. Eligible Holders wishing to make a Section 85 Election should consult their own tax advisors without delay.

In order to make an election under subsection 85(1) or subsection 85(2), as applicable, of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation), an Eligible Holder must provide two signed copies of the necessary prescribed election forms to Tweed within 90 days following the Effective Date, duly completed with the details of the number of Bedrocan Shares transferred and the applicable Elected Amounts, in Canadian dollars, for the purposes of such elections. It is the responsibility of each Eligible Holder who wishes to make such an election to obtain and complete the necessary forms, including any necessary provincial election forms, and submit the forms to Tweed for execution by Tweed. Thereafter, subject to the election forms being correct and complete and complying with the provisions of the Tax Act (and applicable provincial income tax law), the forms will be signed by Tweed and returned to such Eligible Holder within 90 days after the receipt thereof by Tweed for filing with the Canada Revenue Agency (“**CRA**”) (or the applicable provincial taxing authority) by such Eligible Holder. Tweed will not be responsible for the proper completion of any election form and, except for Tweed’s obligation to return (within 90 days after the receipt thereof) duly signed election forms which are received by Tweed within 90 days of the Effective Date, Tweed will not be responsible for any taxes, interest or penalties resulting from the failure by an Eligible Holder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation).

The relevant federal tax election form is CRA Form T2057 (or, in the event that the Bedrocan Shares are held as partnership property, CRA Form T2058). Copies of each of these forms is included with this letter. Eligible Holders should consult their own tax advisors to determine whether separate election forms must be filed with any provincial or territorial taxing authority.

Where the Bedrocan Shares are held as partnership property, a partner designated by the partnership must file one copy of the CRA Form T2058 on behalf of all members of the partnership (and where applicable, the corresponding form in duplicate with the relevant provincial authorities). Such CRA Form T2058 must be accompanied by a list containing the name, address, social insurance number or tax account number of each partner as well as a letter signed by each partner authorizing the designated partner to complete and file the form.

In general, where an election is made, the Elected Amount is subject to the following limitations in respect of those Bedrocan Shares that are the subject of the election:

- (a) the Elected Amount may not be less than the aggregate of the amount of cash received by the Eligible Holder (if any, in lieu of a fractional Tweed Share) as a result of the disposition;
- (b) the Elected Amount may not be less than the lesser of the adjusted cost base to the Eligible Holder of the Bedrocan Shares disposed of, determined at the time of the disposition, and the fair market value of the Bedrocan Shares at that time; and
- (c) the Elected Amount may not exceed the fair market value of the Bedrocan Shares at the time of the disposition.

Elected amounts which do not comply with the foregoing limitations will be automatically adjusted pursuant to the provisions of the Tax Act.

Where an Eligible Holder and Tweed make an election, the tax treatment to the Eligible Holder generally will be as follows:

- (a) the Bedrocan Shares will be deemed to have been disposed of by the Eligible Holder for proceeds of disposition equal to the Elected Amount;
- (b) to the extent that the Elected Amount exceeds (or is less than) the aggregate of the adjusted cost base of the Bedrocan Shares to the Eligible Holder and any reasonable costs of disposition, the Eligible Holder will in general realize a capital gain (or capital loss); and
- (c) the aggregate cost to the Eligible Holder of Tweed Shares acquired as a result of the disposition will equal the amount, if any, by which the Elected Amount exceeds the aggregate of the amount of cash received by the Eligible Holder (if any, in lieu of a fractional Tweed Share) as a result of the disposition, and such cost will be averaged with the adjusted cost base of all other Tweed Shares held by the Eligible Holder immediately prior to the Arrangement Effective Time that are identical properties, as defined in the Tax Act for the purpose of determining thereafter the adjusted cost base of each Tweed Share held by such Eligible Holder.

In order for the CRA to accept a tax election without a late filing penalty being paid by an electing Eligible Holder, the required election forms must be received by the CRA on or before the day that is the earliest of the days on or before which either Tweed or the electing Eligible

Holder is required to file a tax return for the taxation year in which the exchange of the Bedrocan Shares occurs. Electing Eligible Holders are urged to consult their own advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. However, regardless of such deadline, the tax election forms must be received by Tweed no later than the 90th day after the Effective Date.

Any Eligible Holder who does not ensure that Tweed has received two duly completed copies of the necessary election forms on or before the 90th day after the Effective Date may not be able to make a Section 85 Election. Eligible Holders are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 (archived), issued by the CRA, for further information respecting the election. Eligible Holders wishing to make the election are urged to consult their own tax advisors. The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements.



Election on disposition of property by a taxpayer to a taxable Canadian corporation

• For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.

Do not use this area

• Mail this election and related schedules (if any), separately from other tax returns, to the tax centre serving the area where the transferor is located. where two or more co-owners or members of a partnership elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee as follows:

- 1 – One copy by the transferor, or two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests. In these situations, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or business number of each transferor;
- 2 – On or before the earliest date on which any party to the election has to file an income tax return for the tax year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);

Find your tax centre's address by going to www.cra.gc.ca/tso.

• All legislative references on this form are to the Income Tax Act.

Taxpayer's name (transferor)			Social insurance number or Business number
Address			Postal code
Tax year of the taxpayer from	Year Month Day From	Year Month Day to	Tax services office

Name of co-owner(s), if any (if more than one, attach schedule giving similar details)		Social insurance number (SIN)
Address		Postal code Tax services office

Name of corporation (transferee)			Business number
Address			Postal code
Tax year of the corporation from	Year Month Day From	Year Month Day to	Tax services office
Name of person to contact for additional information			Area code Telephone number

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be paid when this election is filed.

Calculation of late-filing penalty:

Fair market value of property transferred. _____

Less: agreed amount _____

Difference _____ **A**

Amount A _____ × 1/4 × 1% × N* = _____ **B**

\$100 × N* = _____ **C**

Do not use this area

* N represents the sum of each month or each part of a month in the period from the due date to the actual filing date. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above _____ Amount enclosed _____

Make a cheque or money order payable to the Receiver General. **Specify** "T2057" on the remittance and, to ensure proper credit, indicate the name and Social insurance number of the taxpayer, or Business number if a corporation.

Unpaid amounts including late-filing penalties are subject to daily compound interest, at a prescribed rate.

Information required

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file the following materials: schedules supporting this designation, documentation relating to the responses to the questions below, and a brief summary of the method of evaluating the fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency may ask to see them at a later date.

- 1 – Is there a written agreement relating to this transfer? Yes No
- 2 – Does a price adjustment clause apply to any of the properties? (See the Income Tax Folio S4-F3-C1 for details.) Yes No
- 3 – Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? Yes No
- 4 – Does a non-arm's length rollover exist between 2 or more corporations? Yes No
 - a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? Yes No
- 5 – Is the taxpayer a non-resident of Canada? Yes No
- 6 – Are any of the properties transferred capital properties? Yes No
 - If **yes**,
 - a) have they been owned continuously since Valuation Day? Yes No
 - b) have they been acquired after Valuation Day in a transaction considered not to be at arm's length? Yes No
 - c) since Valuation Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If **yes**, provide details of amounts and dates received, and attach a schedule.) Yes No
- 7 – Is the agreed amount of any of the transferred properties based on an estimate of fair market value on Valuation Day? Yes No
 - a) If **yes**, does a formal documented Valuation Day value report exist? Yes No
- 8 – Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer? Yes No

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Name of corporation	Business number	Paid-up capital of shares transferred under the ITA
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Description of shares received

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital under the ITA	Voting or non-voting	Are shares retractable? *
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No
					<input type="checkbox"/> Yes <input type="checkbox"/> No

* Retractable means redeemable at the option of the holder.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-291 and IT-378, and Income tax Folio S4-F3-C1.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

Particulars of eligible property disposed of and consideration received

Date of sale or transfer of all properties listed below:	Year	Month	Day	Property disposed of		Agreed amount (cannot be zero) B	Amount to be reported B – A (if greater than 0, see note 4)	Consideration received		Fair market value of total consideration
				Description	Elected amount limits*			Non-share Description	Share Number and class	
				(Brief legal)	(see note 1)					
				(Description and prescribed class)	(see note 2)					
				(KInd)	(see note 3)					
				(KInd)	(cost amount)					
				(Brief legal)	nil					
				(Description)	nil					
				(Description)	nil					
				(Description)	(cost amount)					
				(Description)	(cost amount)					
				(Description)	(cost amount)					
				(Description)	(cost amount)					

Note 1: Adjusted cost base (which is subject to adjustment per section 53).

Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property.

Note 4: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion of the amount may have to be reported as income.

Note 5: Contributions made in a tax year ending after 2007, and amounts earned on those contributions, are only eligible if that property is owned by an individual.

* Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

Election and Certification

Protected B when completed

The taxpayer **and** corporation hereby jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is to the best of their knowledge, correct and complete.

and

Signature of Transferor, of **Authorized Officer** or Authorized Person*

Signature of **Authorized Officer** of Transferee

Date

* Attach a copy of the authorizing agreement

Privacy Act, Personal Information Bank number CRA PPU 047



Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation

- For use by a taxable Canadian corporation and all the members of a partnership, to jointly elect under subsection 85(2) where the partnership has disposed of property to the corporation and has received as consideration shares of any class of the capital stock of the corporation.
 - Mail one copy of the election and related schedules (if any), completed by the partner designated by the partnership, as follows:
 - to the tax centre serving the area where the transferee is located;
 - on or before the earlier date on which any party to the election has to file an income tax return for the tax year in which the transaction occurred (due date);
 - separately from any other return,
- Find your tax centre's address by going to www.cra.gc.ca/tso.
- Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

Do not use this area

Name of partnership (transferor)					Partnership account number					R	Z						
Address											Postal code						
Tax year of partnership	from	Year	Month	Day	to	Year	Month	Day	Tax services office								

Corporation's name (transferee)					Business Number					R	C						
Address											Postal code						
Tax year of corporation	from	Year	Month	Day	to	Year	Month	Day	Tax services office								
Name of person to contact for more information											Telephone number						

Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. Form T2058 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2058 can also be amended or filed after the 3-year period, but in these situations, a written explanation of the reason the election is amended or late-filed must be attached for consideration by the Minister and an estimate of the applicable penalty must be paid at the time of filing.

Calculation of late-filing penalty:

Fair market value of property transferred _____

Deduct: agreed amount _____

A

Amount A _____ × 1/4 × 1% × N* = _____

B

\$100 × N* = _____

C

Amount C cannot exceed \$8,000

Late-filing penalty (the lesser of amount B and amount C) _____

Amount enclosed _____

Do not use this area

* N represents the sum of each month or each part of a month in the period from the due date to the actual filing date.

Make cheque or money order payable to the Receiver General. **Specify** "T2058" on the remittance and, to ensure proper credit, indicate the name of the partnership (transferor), the partnership number, or Business Number if a corporation.

Unpaid amounts, including late-filing penalties, are subject to daily compound interest at a prescribed rate.

Information required

On the following page, list, describe, and state the fair market value of properties transferred. The description and fair market value of the consideration received has to be shown opposite the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election, you do not have to file the following materials: schedules supporting this designation; documentation relating to the responses to the questions below; and a brief summary of the method of evaluating the fair market value of each property transferred. However, you have to keep them as Canada Revenue Agency may ask to see them at a later date.

1. Is there a written agreement relating to this transfer? Yes No
2. Does a price adjustment clause apply to any of the properties? (See Folio S4-F3-C1 for details). Yes No
3. Do any persons other than the members of the partnership own or control, directly or indirectly, any shares of any class of the transferee? Yes No
4. Does a non-arm's length rollover exist between the partnership(s) and the transferee corporation? Yes No
 - a) Have all or substantially all (90% or more) of all properties of the partnership been transferred to the corporation? Yes No
5. Are any partners non-residents of Canada? Yes No
6. Are any of the properties transferred capital properties? Yes No
 - If yes,
 - a) have they been owned continuously since Valuation Day (V-Day)? Yes No
 - b) have they been acquired after V-Day in a transaction considered not to be at arm's length? Yes No
 - c) since V-Day, has the partnership or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If **yes**, provide details of amounts and dates received, and attach a schedule). Yes No
7. Is the agreed amount of any of the transferred properties based on an estimate of fair market value on V-Day? Yes No
 - a) If **yes**, does a formal documented V-Day value report exist? Yes No
8. Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the transferor? Yes No

Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:

Corporation's name	
Business Number	Paid-up capital of shares transferred (under the <i>Income Tax Act</i>)

Description of shares received

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital (under the <i>Income Tax Act</i>)	Voting or non-voting	Are shares retractable?*
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>

* Retractable means redeemable at the option of the holder.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular 76-19, Folio S4-F3-C1, Interpretation Bulletins IT-291 and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency may consider the election invalid, and subsequent submissions may be subject to a late-filing penalty.
- If the agreed amount exceeds the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

Particulars of property disposed of and consideration received

	Date of sale or transfer of all properties listed below:			Year	Month	Day	Note: For properties sold or transferred on different dates, use separate Form T2058.				
	Property disposed of						Agreed amount (cannot be zero) B	Amount to be reported B – A (if greater than 0, see note 5)	Consideration received		
	Description	Elected amount limits (see note 1)		Fair market value	A	Non-share			Share	Fair market value	
		Description	Number and class								
Capital property excluding depreciable property	(Brief legal)		(see note 2)								
Depreciable property	(Description and prescribed class)		(see note 3)								
Eligible capital property	(Kind)		(see note 4)								
Inventory excluding real property	(Kind)		(cost amount)								
Resource property	(Brief legal)		nil								
Security or debt obligation property	(Description)		(cost amount)								
Specified Debt Obligation (For financial institutions only)			(cost amount)								

Note 1. Current Interpretation Bulletin IT-291 for an explanation of the limits.

Note 2. Adjusted cost base (subject to adjustment per section 53.)

Note 3. The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 4. The lesser of 4/3 x cumulative eligible capital and the cost of the property.

Note 5. This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion of the amount may have to be reported as income.

Election and certification

The corporation and all members of the partnership hereby jointly elect under subsection 85(2) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is true, correct and complete to the best of their knowledge.

	Date	Signature of authorized officer of corporation	Position or office
1	Social insurance number or business number	Name of partner, authorized person or authorized officer	Partner's tax services office
	Signature of partner, authorized person or authorized officer	Position of office of authorized person or authorized officer	Date
2	Social insurance number or business number	Name of partner	Partner's tax services office
	Signature of partner, authorized person, or authorized officer		Date
3	Social insurance number or business number	Name of partner	Partner's tax services office
	Signature of partner, authorized person, or authorized officer		Date

The election form must be signed by all partners, or by a person authorized in writing by all partners to sign for them, and by an authorized officer of the transferee. A person who is authorized to sign for all the partners should complete area 1 above, and attach a copy of the authorizing agreement. If space is insufficient, attach "Election and Certification" giving similar details. Attach a list containing the name, Social insurance number, or Business Number of each partner. If a member of the partnership is in itself a partnership, attach a list showing the name, Social insurance number, or Business Number of each member of that partnership. Also, indicate the fiscal period of the partnership.