

**SUBSCRIPTION FOR PREFERRED SHARES**

**TO: SHM CONTROLS INC. (the "Company")**

The undersigned (the "**Subscriber**") irrevocably subscribes for and agrees to purchase from the Company \_\_\_\_\_ preferred shares in the capital of the Company (the "**Subscribed Shares**") for an aggregate consideration of USD \$\_\_\_\_\_ (the "**Subscription Price**"), representing a subscription price of USD \$0.325 per share, on and subject to the terms and conditions of this agreement (the "**Subscription Agreement**").

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Name of Subscriber (please print)

\_\_\_\_\_  
Subscriber's Address

by: \_\_\_\_\_  
Authorized Signatory/Signature of  
Subscriber

\_\_\_\_\_  
Subscriber's Telephone Number  
Fax Number

\_\_\_\_\_  
(Please print name of individual whose  
signature appears above if different than  
the name of the Subscriber printed above.)

\_\_\_\_\_  
Subscriber's email address

\_\_\_\_\_  
Official Capacity or Title, if Authorized  
Signatory (please print)

\_\_\_\_\_  
\_\_\_\_\_

**Details of Beneficial Purchaser if Not Same as Subscriber**

\_\_\_\_\_  
Name (Please print)

\_\_\_\_\_  
Beneficial Purchaser's Address

\_\_\_\_\_  
Telephone Number      Fax Number

\_\_\_\_\_

\_\_\_\_\_  
email address

**Registration Instructions:**

**Delivery Instructions:**

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Account reference, if applicable

\_\_\_\_\_  
Account reference, if applicable

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone Number      Fax Number

\_\_\_\_\_  
Telephone Number      Fax Number

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Name

**1. Issuance of Subscribed Shares.**

1.1 By executing this Subscription Agreement, the Subscriber irrevocably offers to purchase from the Company that number of the Subscribed Shares set forth on the first page hereof at the Subscription Price, subject to the terms and conditions set out herein. The Subscriber acknowledges that such offer is subject to: (a) the acceptance of this subscription by the Company, (b) the payment of the Subscription Price by the Subscriber, (c) receipt of all necessary regulatory approvals and (d) certain other terms and conditions set out herein.

1.2 Provided the subscription is accepted by the Company, the Company will thereupon issue to the Subscriber the Subscribed Shares being subscribed for hereunder registered in the Subscriber's name (or in such other name or names as are set forth under "Registration Instructions" on the first page of this Subscription Agreement) and cause to be issued and delivered to the Subscriber or such other person (including the Company) designated by the Subscriber for delivery, in accordance with the Subscriber's "Delivery Instructions" on the first page of this Subscription Agreement, definitive copy of a share certificate representing the Subscribed Shares within ten business days of the date (the "**Acceptance Date**") the Company accepts this subscription.

**2. Subscriber's Representations, Warranties, Acknowledgment and Covenants.**

2.1 The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of those (including each beneficial purchaser, if any) for whom the Subscriber is contracting hereunder) that:

- (a) the Company is offering (the "**Offering**") up to 6,153,846 preferred shares of the Company at a price of USD \$0.325 per share for aggregate gross proceeds of USD \$2,000,000;
- (b) The Company may increase the size of the Offering at its sole discretion; and
- (c) The Offering is not subject to any minimum aggregate offering and there can be no guarantees that the Company will raise sufficient funds, through the Offering or future financing, to meet its present or future objectives.

2.2 The Subscriber represents, warrants, acknowledges and covenants (on its own behalf and, if applicable, on behalf of those (including each beneficial purchaser, if any) for whom the Subscriber is contracting hereunder) to and with the Company (and acknowledges that the Company is relying thereon) that:

(a) **in respect of all Subscribers**, it is:

- (i) eligible to purchase the Subscribed Shares under Section 2.4 of NI45-106 by being (A) a director, officer, employee, founder or control person of the Company; (B) a director, officer, or employee of an affiliate of the Company; (C) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, founder or control person of the Company; (D) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, founder or control person of the Company; (E) a close personal friend of a director, executive officer, founder or control person of the

Company; (F) a close business associate of a director, executive officer, founder or control person of the Company; (G) a spouse, parent, grandparent, brother, sister, child or grandchild of a selling security holder or of the selling security holder's spouse; (H) a security holder of the Company; (I) an accredited investor; (J) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs 2.2(a)(i)(A) to (I); or (K) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs 2.2(a)(i)(A) to (I); **and the Subscriber has certified this by completing, signing and returning Schedule A;**

(b) **in respect of all Subscribers who are resident in or otherwise subject to the securities laws of any jurisdiction outside of Canada and the United States:**

- (i) it is knowledgeable of, or has been independently advised as to, the applicable securities laws of the regulatory authorities (the "**Authorities**") having application to the Offering and the Company in the jurisdiction (the "**International Jurisdiction**") in which the Subscriber is resident;
- (ii) it is purchasing Subscribed Shares pursuant to an applicable exemption from any prospectus, registration or similar requirements under the applicable securities laws of the International Jurisdiction, or the Subscriber is permitted to purchase the Subscribed Shares under the applicable securities laws of the International Jurisdiction without the need to rely on such exemptions;
- (iii) the applicable securities laws of the International Jurisdiction do not require the Company to make any filings or seek any approvals of any nature whatsoever with or from any of the Authorities in connection with the Offering or the Subscribed Shares, including any resale thereof;
- (iv) the Offering and the completion of the offer and sale of the Subscribed Shares to the Subscriber as contemplated under this Agreement complies in all respects with the applicable securities laws of the International Jurisdiction, and do not trigger:
  - (A) any obligation to prepare and file a prospectus or similar or other offering document, or any other report with respect to such purchase in the International Jurisdiction; or
  - (B) any continuous disclosure reporting obligation of the Company in the International Jurisdiction; and
- (v) it will, if requested by the Company, deliver to the Company a certificate or opinion of local counsel from the International Jurisdiction which will confirm the matters referred to in subparagraphs (ii), (iii) and (iv) above to the satisfaction of the Company, acting reasonably.

(c) **in respect of all Subscribers in the United States or who are residents of the United States,**

- (i) the Subscriber has properly completed, executed and delivered to the Company the U.S. Purchaser's Certificate attached hereto as Schedule B and the information contained therein is true and correct as of the date hereof and will be true and correct as of the Closing Date.
- (ii) the Subscriber understands and acknowledges that the Subscribed Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state and that the Subscribed Shares may not be offered or sold, directly or indirectly, in the United States unless such Subscribed Shares are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or an exemption from such registration requirement is available.
- (iii) unless the Subscriber has properly completed, executed and delivered to the Company the U.S. Purchaser's Certificate attached hereto as Schedule B:
  - (A) the Subscriber is not a U.S. Person and is not acquiring the Subscribed Shares for the account or benefit of a U.S. Person or a person in the United States;
  - (B) the Subscribed Shares have not been offered to the Subscriber in the United States, and the individuals making the order to purchase the Subscribed Shares and executing and delivering this Subscription Agreement on behalf of the Subscriber were not in the United States when the order was placed and this Subscription Agreement was executed and delivered; and
  - (C) the Subscriber undertakes and agrees that it will not offer or sell any of the Subscribed Shares in the United States or to a person in the United States unless such Subscribed Shares are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or an exemption from such registration requirement is available.
- (iv) the Subscriber certifies that it is a U.S. accredited investor and is acquiring the Subscribed Shares for investment purposes, and not with a view to resale or otherwise distribute the Subscribed Shares in violation of applicable securities laws;
- (v) the Subscriber understands that the Subscribed Shares are being offered for sale only on a "private placement" basis and that in addition to all other terms and conditions set forth in this Subscription Agreement, the sale and delivery of the Subscribed Shares are conditional upon such sale being exempt from the registration requirements of the U.S. Securities Act, under the exemption therefrom contained in Rule 506 of Regulation D or under another exemption from such registration requirements, and all applicable state securities laws;

- (vi) the Subscriber understands and acknowledges that the Subscribed Shares will be "restricted securities" within the meaning of Rule 144 ("**Rule 144**") under the U.S. Securities Act;
  - (vii) the Subscriber understands and acknowledges that there may be material tax consequences to the Subscriber of, among other things, an acquisition or disposition of the Subscribed Shares. The Company gives no opinion and makes no representation with respect to the tax consequences to the Subscriber under United States, state, local or foreign tax law of the undersigned's acquisition or disposition of any of the Subscribed Shares, or as to any other tax consequences related to the Subscribed Shares. No determination has been made whether the Company will be a "passive foreign investment company" within the meaning of Section 1291 of the United States Internal Revenue Code;
  - (viii) if the Subscriber decides to offer, sell, pledge or otherwise transfer any of the Subscribed Shares, such Subscribed Shares may be offered, sold, pledged or otherwise transferred only (A) to the Company; (B) outside the United States in accordance with Rule 904 of Regulation S ("**Regulation S**") under the U.S. Securities Act in compliance with applicable local securities laws and regulations; (C) within the United States in accordance with the exemption from registration under the U.S. Securities Act provided by Rule 144, if available; or (D) with the prior written consent of the Company pursuant to another exemption from registration under the U.S. Securities Act and applicable state securities laws after first providing to the Company an opinion of U.S. counsel of recognized standing in form and substance satisfactory to the Company that the offer, sale, pledge or other transfer does not require registration under the U.S. Securities Act or applicable state securities laws, or after first providing to the Company such other evidence of compliance with applicable securities laws as the Company shall reasonably request and the U.S. Securities and Exchange Commission has declared effective, a registration statement in respect of such Subscribed Shares; and
  - (ix) the Subscriber understands and acknowledges that the Company is not obligated to remain a "foreign issuer" within the meaning of Regulation S.
- (d) **in respect of all Subscribers who are outside the United States or not residents of the United States**
- (i) it is not, and is not purchasing Subscribed Shares for the account or benefit of, a U.S. Person (as that term is defined in Regulation S) or for resale in the United States;
  - (ii) it was not offered the Subscribed Shares in the United States;
  - (iii) at the time the purchase order originated was outside the United States, and did not execute or deliver this Subscription Agreement or related documents in the United States; and

- (iv) acknowledges that the Subscribed Shares have not been, nor will they be, registered under the U.S. Securities Act or the securities laws of any state in the United States, and may not be offered or sold in the United States or to a U.S. Person, without registration or an exemption from registration under the U.S. Securities Act and applicable state securities laws and agrees not to offer or sell the Subscribed Shares in the United States or to a U.S. Person, without registration or an exemption from registration under the U.S. Securities Act and applicable state securities laws.

2.3 The Subscriber represents, warrants, acknowledges and covenants (on its own behalf and, if applicable, on behalf of those (including each beneficial purchaser, if any) for whom the Subscriber is contracting hereunder) to and with the Company (and acknowledges that the Company is relying thereon) that:

- (a) it is resident in the jurisdiction set out on the first page of this Subscription Agreement as the "Subscriber's Address" or the "Beneficial Purchaser's Address;"
- (b) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Subscribed Shares, and no governmental agency or authority, stock exchange or other regulatory body or any other entity has made any finding or determination as to the merit for investment of, nor have any such agencies, authorities, exchanges, bodies or other entities made any recommendation or endorsement with respect to, the Subscribed Shares;
- (c) it is purchasing the Subscribed Shares for investment only and not with a view to resale or distribution of all or any of the Subscribed Shares;
- (d) it is acting as trustee or agent has not been created solely or used solely to purchase Subscribed Shares without the use of a prospectus by the Company in reliance on a prospectus exemption, including the accredited investor exemption under the applicable securities laws, it pre-existed the Offering and has a bona fide purpose other than investment in the Subscribed Shares;
- (e) this subscription has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of, the Subscriber and each beneficial purchaser for whom the Subscriber is acting as trustee or agent, except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor rights generally and by the effect of general principles of equity (regardless of whether enforcement is considered in proceedings in equity or at law);
- (f) if the Subscriber is a company, the Subscriber is a valid and subsisting company, has the necessary corporate capacity and authority to execute and deliver this subscription and to observe and perform its covenants and obligations hereunder and has taken all necessary corporate action in respect thereof, or, if the Subscriber is a partnership, syndicate, trust or other form of unincorporated organization or an individual, the Subscriber has the necessary legal capacity and authority to execute and deliver this subscription and to observe and perform its covenants and obligations hereunder and has obtained all necessary approvals in respect thereof;

- (g) if the Subscriber is an individual, the Subscriber has attained the age of majority and is legally competent to execute this subscription and to take all actions required pursuant hereto;
- (h) if the Subscriber is acting as trustee or agent on behalf of a beneficial purchaser, the Subscriber is the duly authorized trustee or agent of such beneficial purchaser with due and proper power and authority to execute and deliver, on behalf of each such beneficial purchaser, this Subscription Agreement and all other documentation in connection with the purchase of the Subscribed Shares hereunder, to agree to the terms and conditions herein and therein set out and to make the representations, warranties, acknowledgements and covenants herein and therein contained, all as if each such beneficial purchaser were the Subscriber and the Subscriber's actions as trustee or agent are in compliance with applicable law and the Subscriber acknowledges that the Company is required by law to disclose to certain regulatory authorities the identity of each beneficial purchaser of Subscribed Shares for whom it may be acting;
- (i) if the Subscriber is purchasing as an agent or trustee for accounts that are fully managed by it, the Subscriber acknowledges that since it is deemed to be purchasing Subscribed Shares as principal under applicable securities laws it is bound by the provisions of such legislation as though it were the sole beneficial owner of the said Subscribed Shares, and the Subscriber undertakes to comply with all provisions of the applicable securities laws relating to ownership of, and trading in, Subscribed Shares;
- (j) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in a violation of any of the terms and provisions of any law applicable to the Subscriber or any beneficial purchaser for whom the Subscriber is acting as trustee or agent, or any of its constating documents, or of any agreement to which it is a party or by which it is bound;
- (k) in connection with the purchase hereunder it has received no advice as to tax or legal ramifications of this Subscription Agreement from the Company and has been advised to seek independent advice from its legal, accounting and tax advisors prior to entering into this Subscription Agreement;
- (l) it has not received, nor has it requested, nor does it have any need to receive, any offering memorandum or any other document describing the business and affairs of the Company that constitutes an offering memorandum as such term is defined in the applicable securities Shares laws, nor has any such document been prepared for delivery to, or review by, prospective purchasers in order to assist them in making an investment decision in respect of the Subscribed Shares;
- (m) it is capable by reason of knowledge and experience in financial and business matters in general, and investments in particular, of evaluating the merits and risks of an investment in the Subscribed Shares, and the Subscriber and each beneficial purchaser, if any, for whom the Subscriber is acting as trustee or agent, is and will be able to bear the economic risk of losing its entire investment in any of the Subscribed Shares and can otherwise be reasonably assumed to have the capacity to protect its own interest in connection with the investment;

- (n) it is aware that the business of the Company is in a start-up phase, and acknowledges there is no assurance that the Company will raise sufficient funds to adequately capitalize the business or that the business will be profitable in the future and that the investment is speculative;
- (o) amendments to the terms of any of the Subscribed Shares to be issued pursuant to this Subscription Agreement may be required in order to comply with the rules, policies and regulations of any regulatory authority which has, or will have, jurisdiction over the affairs of the Company;
- (p) it is acting as trustee or agent is familiar with the aims and objectives of the Company and the proposed use of the proceeds received by the Company from the sale of the Subscribed Shares and is aware of the risk and other characteristics of the investment in the Subscribed Shares including the risk that the Subscribed Shares may never be able to be sold;
- (q) there is no market for any Subscribed Shares that may be issued hereunder and that no market for such Subscribed Shares may ever exist;
- (r) it has been independently advised as to the applicable resale restrictions, including hold periods imposed in respect of the Subscribed Shares and confirms that no representation has been made respecting the applicable resale restrictions for the Subscribed Shares;
- (s) it has not relied upon any verbal or other written representation as to fact or otherwise made by or on behalf of the Company or any employees, agents or affiliates thereof, other than those contained in this Subscription Agreement;
- (t) the offering and sale of the Subscribed Shares to the Subscriber and each beneficial purchaser, if any, for whom the Subscriber is acting as trustee or agent, was not made or solicited through, and the Subscriber and each such beneficial purchaser is not aware of, an advertisement of the Subscribed Shares in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications, including electronic display (such as the Internet), or any other form of advertisement or general solicitation and, except for this Subscription Agreement, which document it acknowledges does not, constitute an offering memorandum or similar document;
- (u) no verbal or written representations has been made:
  - (i) that any person will resell or repurchase the Subscribed Shares or refund all or any of the purchase price of the Subscribed Shares other than in accordance with their terms;
  - (ii) that the Subscribed Shares will be listed and posted for trading on a stock exchange or that application has been made for such a listing;
  - (iii) that the Company will ever become a reporting issuer; or
  - (iv) as to the future price or value of the Subscribed Shares made by or on behalf of the Company or any other person;



- (v) because this subscription is being made under registration and prospectus exemptions available under applicable securities laws:
  - (i) it is restricted from using certain of the civil remedies available under the applicable securities laws;
  - (ii) it may not receive information that might otherwise be required to be provided to it under the applicable securities laws if the exemptions were not being used; and
  - (iii) the Company is relieved from certain obligations that would otherwise apply under the applicable securities laws if the exemptions were not being used;
- (w) the Company is not a "reporting issuer" (or equivalent thereof) in any jurisdiction, that the Subscribed Shares are subject to an indefinite restriction on resale (i.e., a "hold period") under applicable securities laws and that it will not be able to resell any of the Subscribed Shares until expiration of the applicable hold period (which hold period will not commence to run until the Company has become a "reporting issuer" in a jurisdiction of Canada (which the Company has no obligation to become)) other than in accordance with limited exemptions under applicable securities laws and regulatory policy;
- (x) a legend may be placed on the certificates representing the Subscribed Shares to the effect that the Subscribed Shares represented by the certificates are subject to a hold period that may be indefinite and may not be traded until the expiry of such hold period except as permitted by applicable securities laws;
- (y) it has been advised by the Company that it should consult its own legal adviser before disposing of all or any part of any Subscribed Shares that may be issued to the Subscriber under this Subscription Agreement to avoid breach of relevant securities laws; and
- (z) it will not resell the Subscribed Shares, except in accordance with the provisions of the applicable securities laws;
- (aa) there is no government or other insurance covering the Subscribed Shares;
- (bb) it has been advised by the Company that the Company is relying on an exemption from the requirements to provide it with a prospectus and to sell Subscribed Shares through a person registered to sell Subscribed Shares under applicable securities laws (including the securities laws of British Columbia) and, as a consequence of acquiring the Subscribed Shares under this exemption, certain protections, rights and remedies provided by the applicable securities laws (including the securities laws of British Columbia), including statutory rights of rescission or damages, will not be available to it;
- (cc) it will execute, deliver, file and otherwise assist the Company in filing, such reports, undertakings and other documents required by the applicable securities laws, policy or order or by any securities commission or other regulatory authority with respect to the issue of the Subscribed Shares.

2.4 The Subscriber, on its own behalf or on behalf of each beneficial purchaser, if any, for whom the Subscriber is contracting hereunder agrees that the above representations, warranties and covenants will be true and correct both as of the execution of this Subscription Agreement by the Subscriber and as of the Closing Date, and will survive the purchase of the Subscribed Shares hereunder.

**3. Subscriber's Acknowledgements.** The foregoing representations, warranties and covenants (including those made in any Schedules attached hereto) are made by the Subscriber on its behalf and on behalf of each beneficial purchaser, if any, for whom it is acting as trustee or agent, with the intent that they be relied upon by the Company in determining the eligibility of the Subscriber and each such beneficial purchaser as a purchaser of Subscribed Shares. The Subscriber will notify the Company immediately of any change in any representation, warranty or other information relating to the Subscriber or such beneficial purchaser set forth herein (including those made in any Schedules attached hereto) which takes place before the Closing Date.

**4. Company's Representations, Warranties and Covenants.** The Company represents, warrants and covenants to and with the Subscriber that, as of the date of this Subscription and at Closing hereunder:

- (a) the Company is a valid and subsisting Company duly incorporated and in good standing under the laws of the Province of British Columbia;
- (b) the Company has complied, or will comply, with all applicable corporate and securities laws and regulations in connection with the offer, sale and issuance of the Subscribed Shares;
- (c) no offering memorandum has been or will be provided to the Subscriber;
- (d) the Company is the beneficial owner of the business and assets referred to in its corporate minute book, all agreements by which the Company holds an interest in a business or asset are in good standing according to their terms and the assets are in good standing under the applicable laws of the jurisdictions in which they are situated;
- (e) the Company is duly registered and licensed to carry on business in the jurisdiction in which it carries on business or owns property where required under the laws of the jurisdiction;
- (f) the financial statements of the Company accurately reflect the financial position of the Company as at the date thereof and have been prepared in accordance with Canadian Generally Accepted Accounting Principles;
- (g) the Subscribed Shares will, at the time of issue, be duly allotted, validly issued, fully paid and non-assessable and will be free of all liens, charges and encumbrances and the Company will reserve sufficient shares in the treasury of the Company to enable it to issue the Subscribed Shares;
- (h) the creation, issuance and sale of the Subscribed Shares by the Company does not and will not conflict with and does not and will not result in a breach of any of the terms, conditions or provisions of its constating documents or any agreement or instrument to which the Company is a party;

- (i) this subscription has been duly authorized by all necessary corporate action on the part of the Company and, subject to acceptance by the Company, constitutes a valid obligation of the Company legally binding upon it and enforceable by the Subscriber in accordance with its terms, except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor rights generally and by the effect of general principles of equity (regardless of whether enforcement is considered in proceedings in equity or at law);
- (j) the Company is not a party to any actions, suits or proceedings which could materially adversely affect its business or financial condition, and to the best of the Company's knowledge, no such actions, suits or proceedings have been threatened as at the date hereof;
- (k) no order prohibiting sale of such Subscribed Shares has been issued against the Company and to the best of the Company's knowledge no investigations or proceedings for such purposes are pending or threatened; and
- (l) the Company has the full corporate right, power and authority to execute this Subscription Agreement, and to issue the Subscribed Shares to the Subscriber pursuant to the terms of this Subscription Agreement.

The Company agrees that the above representations, warranties and covenants will be true and correct both as of the execution of this Subscription Agreement by the Company and as of the Closing Date and will survive the purchase of the Subscribed Shares hereunder, and notwithstanding the subsequent disposition of the Subscribed Shares, shall continue in full force and effect for one year from the Closing Date.

**5. Delivery of Subscription Agreement and Payment.** The Subscriber agrees to deliver to the Company as soon as possible and, in any event, no later than 9:00 a.m. (Vancouver time) on the day which is two business days before the Closing Date the following:

- (a) this completed and duly executed Subscription Agreement;
- (b) completed and duly executed Schedule A;
- (c) if applicable, completed and duly executed Schedule B;
- (d) unless other arrangements acceptable to the Company are made, a wire transfer, a certified cheque or bank draft in Canadian funds using the currency exchange rate at the date wire transfer was sent or the bank draft was issued, made payable to the Company on or before the Closing Date (or such other date as the Company may advise) representing the Subscription Price payable by the Subscriber for the Subscribed Shares; and
- (e) such other documents as may be required as contemplated herein or required under applicable securities laws.

The Subscriber and each beneficial purchaser, if any, for whom it is acting as trustee or agent, acknowledges and agrees that such other documents, when executed and delivered by the Subscriber or the beneficial purchaser, as the case may be, will form part of and will

be incorporated into this Subscription Agreement with the same effect as if each constituted a representation and warranty or covenant of the Subscriber hereunder in favour of the Company and agrees that such representations, warranties and covenants will be true and correct both as of the execution of this subscription and as of the Closing Date and will survive the purchase of the Subscribed Shares hereunder and shall continue in full force and effect notwithstanding any subsequent disposition of the Subscribed Shares. The Subscriber and each such beneficial purchaser consent to the filing of any such documents as may be required to be filed with any Subscribed Shares regulatory authority in connection with the transactions contemplated hereby.

**6. Authority of Company.** The Subscriber and each beneficial purchaser, if any, for whom it is acting as trustee or agent, irrevocably authorizes the Company to, in the Company's sole discretion, correct manifest errors or omissions in the information provided by the Subscriber on its own behalf or on behalf of any beneficial purchaser for whom the Subscriber is acting as trustee or agent in this Subscription Agreement and accompanying documents.

**7. Closing.** Subject to the terms and conditions herein the sale of the Subscribed Shares will be completed on January 31, 2019 (the "**Closing Date**") or such other date or time as the Company may determine.

**8. Costs.** All costs and expenses incurred by the Subscriber and any beneficial purchaser for whom it is acting as trustee or agent (including any fees and disbursements of any special counsel obtained by it) relating to the sale of the Subscribed Shares hereunder shall be borne by the Subscriber.

**9. Acceptance of Subscription.** This subscription may be accepted in whole or in part by the Company and the Company may allot to any Subscriber less than the amount of Subscribed Shares subscribed for. The sale and delivery of the Subscribed Shares to the Subscriber or (if applicable) to any beneficial purchaser for whom it is acting, are conditional upon such sale being exempt from the requirement to file a prospectus under any applicable Subscribed Shares laws relating to the sale of the Subscribed Shares. The Company will deliver to the Subscriber confirmation of acceptance or rejection of this subscription promptly after the acceptance or rejection of the subscription.

**10. Confidentiality and Privacy.** By accepting the Subscription Agreement, the Company agrees that it will not collect any information about the Subscriber except that which is provided by the Subscriber in the Subscription Agreement (the "**Subscriber Information**"). The Company also agrees that it will keep all Subscriber Information confidential, and will use and disclose the Subscriber Information only for the purposes described below, unless:

- (a) the Company informs the Subscriber of a proposed use or disclosure of the Subscriber Information, and the Subscriber consents; or
- (b) the use or disclosure is permitted by law to be made without the consent of the Subscriber, or is required by law, or by the by-laws, rules, regulations or policies or any regulatory organization governing the Company.

By signing the Subscription Agreement, the Subscriber agrees that the Company may collect and use the Subscriber Information for the following purposes:

- (a) to provide the Subscriber with ongoing information about the Company;

- (b) to deliver to regulatory authorities any personal information provided by the Subscriber respecting itself (and any beneficial purchaser) including such Subscriber's (or beneficial purchaser's) full name, residential address and telephone number, the amount of Subscribed Shares purchased, the Subscription Price, the exemption relied on by the Subscriber and the date of distribution, such information being collected indirectly by regulatory authorities under the authority granted to in applicable securities laws for the purposes of the administration and enforcement of applicable securities laws and pursuant to the indirect collection of such information by regulatory authorities; and
- (c) to otherwise administer the Subscriber's investment in the Company in accordance with the terms of this Subscription Agreement.

The Subscriber (on its own behalf and on behalf of each beneficial purchaser, if any, for whom the Subscriber is acting as trustee or agent) acknowledges and consents to the Company retaining the personal information for as long as permitted or required by applicable law or business practices. The Subscriber represents and warrants that it has the authority to provide the consents and acknowledgements set out in this paragraph on behalf of all beneficial purchasers for whom the Subscriber is acting as trustee or agent.

**11. Execution of Subscription Agreement.** The Company may rely on delivery by email or facsimile machine of an executed copy of this subscription, and acceptance by the Company of such email or facsimile copy is equally effective to create a valid and binding agreement between the Subscriber (and any person on whose behalf the Subscriber is contracting) and the Company in accordance with the terms hereof.

**12. Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which when delivered, either in original or facsimile form, is deemed to be an original and all of which together constitute one and the same document.

**13. Governing Law.** The contract arising out of this Subscription Agreement is governed by and construed in accordance with the laws of British Columbia and the laws of Canada applicable in British Columbia without regard to principles of conflicts of law. The Subscriber on its own behalf and, if applicable, on behalf of others for whom it is contracting hereunder irrevocably attorns to the jurisdiction of the courts of British Columbia, with respect to matters arising out of this Subscription Agreement.

**14. Successors and Assigns.** The terms and conditions of this Subscription Agreement are binding upon and enure to the benefit of the Subscriber and the Company and their respective heirs, executors, administrators, successors and assigns. Except as otherwise provided in this Subscription Agreement, this Subscription Agreement is not assignable by any party without the written consent of the other party hereto.

**15. Entire Agreement and Headings.** This Subscription Agreement (including the schedules hereto) contains the entire agreement of the parties relating to the subject matter of the Subscription Agreement and there are no representations, covenants or other agreements relating to the subject matter of the Subscription Agreement except as stated or referred to herein. This Subscription Agreement may be amended or modified in any respect by written instrument only executed by all the parties herein. The headings contained herein are for convenience only and do not affect the meanings or interpretation hereof.

**16. Survival.** This Subscription Agreement, including the representations, warranties and covenants contained herein, survives and is effective notwithstanding the completion of the purchase of the Subscribed Shares by the Subscriber pursuant hereto, the completion of the Offering and any subsequent disposition by the Subscriber of the Subscribed Shares.

**17. Statutory References.** Any reference to a statute or enactment herein is a reference to a statute or enactment as amended.

**18. Time of Essence.** Time is of the essence in this Subscription Agreement.

**19. Notices.** Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally or by courier or transmitted by facsimile or other form of electronic communication during the transmission of which no indication of failure of receipt is communicated to the sender and for which evidence of delivery is obtained, as follows:

in the case of the Company to:

**SHM Controls Inc.**

103-750 West 16th Ave.,  
Vancouver, BC V5Z 1S7, Canada

Attention: President and CEO  
Facsimile: 604-637-7025 Ext. 801  
Email: oded@SHMcontrols.com

or to such other address, facsimile number, email address or person that the party designates by notice given in accordance with the foregoing provisions. Any such notice: (i) if delivered personally or by courier, shall be deemed to have been given and received on the date of such delivery provided that if such day is not a business day then it shall be deemed to have been given and received on the first business day following such day; and (ii) if transmitted by facsimile or other form of electronic communication, shall be deemed to have been given on the date of transmission if sent before 5:00 p.m. on a business day or, if not before 5:00 p.m., on the first business day following the date of transmission provided that the sender has evidence of a successful transmission such as a fax confirmation or electronic delivery receipt.

**20. Effective Date.** This Subscription Agreement is intended to and shall take effect on the date the Subscription Agreement was accepted by the Company below, notwithstanding the actual date of execution by the Subscriber.

**ACCEPTANCE**

The foregoing is acknowledged, accepted and agreed to in Vancouver, British Columbia, this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

**SHM CONTROLS INC.**

Per \_\_\_\_\_  
Authorized Signatory

## SCHEDULE A

### CERTIFICATE FOR EXEMPTION

**Each Subscriber is required to complete and execute this Certificate. All subscribers must qualify under at least one of categories 1 to 2.**

In connection with the purchase of the Subscribe Shares of the Company by the Subscriber, the Subscriber represents, warrants and covenants (on its own behalf and, if applicable, on behalf of those for whom the Subscriber is contracting under the Subscription Agreement) and certifies to the Company and acknowledges that the Company is relying thereon that:

#### **General**

one of the following clauses (i), (ii) or (iii) applies:

- (i) the Subscriber is resident in or otherwise subject to the laws of the jurisdiction set out as the "Subscriber's Residential Address" on the face page of the Subscription Agreement and is purchasing as principal for its own account and not for the benefit of any other person;
- (ii) the Subscriber is contracting hereunder on behalf of a beneficial owner and such beneficial owner is resident in or otherwise subject to the laws of the jurisdiction set out as the "Beneficial Purchaser's Address" on the face page of the Subscription Agreement and is purchasing as principal for its own account and not for the benefit of any other person; or
- (iii) the Subscriber is deemed to be purchasing as principal under NI 45-106 with respect to a purchase of the Subscribed Shares, by virtue of the fact that it is a trust company or trust Company described in clause (p) of the definition of "accredited investor" in Category 2 below and is not a trust company or trust Company registered under the laws of Prince Edward Island that is not registered or authorized under the Trust and Loan Companies Act (Canada) or under comparable legislation in another jurisdiction of Canada, or by virtue of the fact that it is a person or company described in clause (q) of the definition of "accredited investor" in Category B; and

one of the private issuer exemptions in Category 1 below applies.

Terms not otherwise defined herein have the meanings attributed to them in the Subscription Agreement and in National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45-106") promulgated under applicable Canadian securities laws. All monetary references in this Certificate are in Canadian dollars.

#### **Category 1: Private Issuer**

The Subscriber or, if applicable, the person on behalf of whom the Subscriber is contracting under the Subscription Agreement is [circle appropriate letter and complete related blanks]

- (a) a director, officer, employee, founder or control person of the Company;
- (b) a director, officer or employee of an affiliate of the Company;



- (c) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, founder or control person of the Company, namely \_\_\_\_\_;
- (d) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, founder or control person of the Company, namely \_\_\_\_\_;
- (e) a close personal friend of a director, executive officer, founder or control person of the Company, namely \_\_\_\_\_;
- (f) a close business associate of a director, executive officer, founder or control person of the Company, namely \_\_\_\_\_;
- (g) a spouse, parent, grandparent, brother, sister, child or grandchild of the selling security holder or of the selling security holder's spouse, namely \_\_\_\_\_;
- (h) a security holder of the Company;
- (i) an accredited investor [please complete Category 2 below],
- (j) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (i);
- (k) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (i); or
- (l) a person that is not the public [provide explanation or copy of exemption order]

**Category 2: Accredited Investor**

The Subscriber or, if applicable, the person on behalf of whom the Subscriber is contracting under the Subscription Agreement is [circle appropriate letters]

- (a) a Canadian financial institution, or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);
- (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;
- (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer,
- (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);
- (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the Securities Act (Ontario) or the Securities Act (Newfoundland and Labrador),

- (f) the Government of Canada or a jurisdiction of Canada, or any crown Company, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,
- (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
- (i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), or a pension commission or similar regulatory authority of a jurisdiction of Canada;
- (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;
- (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000,
- (k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;
- (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000;
- (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements;
- (n) an investment fund that distributes or has distributed its securities only to (i) a person that is or was an accredited investor at the time of the distribution, (ii) a person that acquires or acquired securities pursuant to the Minimum Amount Investment exemption or the Additional Investment in Investment Funds exemption, or (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities pursuant to the Investment Fund Reinvestment exemption;
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;
- (p) a trust company or trust Company registered or authorized to carry on business under the Trust and Loan Companies Act (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust Company, as the case may be;
- (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction,

- (r) a registered charity under the Income Tax Act (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;
- (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) and paragraph (i) in form and function;
- (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;
- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or
- (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor;
- (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.

The foregoing representations contained in this certificate are true and accurate as of the date of this certificate and will be true and accurate as of the Closing Date of this private placement. If any such representations shall not be true and accurate prior to the Closing Date of this private placement, the undersigned shall give immediate written notice of such fact to the Company prior to the Closing Date.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

\_\_\_\_\_  
Print Name of Subscriber

\_\_\_\_\_  
If Subscriber is a Company,  
Print Name and Title of  
Authorized Signing Officer

For the purposes of this certificate, the following definitions apply:

**“Additional Investment in Investment Funds exemption”** refers to the following exemption:

- (a) The dealer registration requirement does not apply in respect of a trade by an investment fund, or the investment fund manager of the fund, in a security of the investment fund’s own issue with a security holder of the investment fund if:
  - (i) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than \$150,000 paid in cash at the time of the trade,
  - (ii) the trade is in respect of a security of the same class or series as the securities initially acquired, as described in paragraph (i), and
  - (iii) the security holder, as at the date of the trade, holds securities of the investment fund that have an acquisition cost of not less than \$150,000, or a net asset value of not less than \$150,000.

**“bank”** means a bank named in Schedule I or II of the Bank Act (Canada);

**“Canadian financial institution”** means

- (a) an association governed by the Cooperative Credit Associations Act (Canada) or a central credit society for which an order has been made under section 473(1) of that Act, or
- (b) a bank, loan Company, trust company, trust Company, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

**“control person”** has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Quebec where control person means any person that holds or is one of a combination of persons that holds

- (a) a sufficient number of any of the securities of an issuer so as to affect materially the control of the Company, or
- (b) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;

**“director”** means

- (a) a member of the board of directors of a company or an individual who performs similar functions for a company, and
- (b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

**“eligibility adviser”** means

- (a) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed, and
- (b) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified

management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not

- (i) have a professional, business or personal relationship with the Company, or any of its directors, executive officers, founders, or control persons, and
- (ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the Company or any of its directors, executive officers, founders or control persons within the previous 12 months;

**“executive officer”** means, for an issuer, an individual who is

- (a) a chair, vice-chair or president,
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
- (c) performing a policy-making function in respect of the issuer;

**“financial assets”** means cash, securities or a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

**“foreign jurisdiction”** means a country other than Canada or a political subdivision of a country other than Canada;

**“founder”** means, in respect of an Company, a person who,

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the Company, and
- (b) at the time of the trade is actively involved in the business of the Company;

**“fully managed account”** means an account of a client for which a person makes the investment decision if that person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction;

**“investment fund”** means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an

- (a) an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the Employee Investment Act, R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments, and
- (b) a venture capital corporation registered under Part 1 of the Small Business Venture Capital Act, R.S.B.C. 1996 c. 429, whose business objective is making multiple investments;

**“Investment Fund Reinvestment exemption”** refers to the following exemption:

- (a) Subject to subsections (c), (d), (e) and (f) of this definition, the dealer registration requirement does not apply in respect of the following trades by an investment fund, and the investment fund manager of the fund, to a security holder of the investment fund if the trades are permitted by a plan of the investment fund:
  - (i) a trade in a security of the investment fund’s own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the investment fund’s securities is applied to the purchase of the security that is of the same class or series as the

- securities to which the dividend or distribution out of earnings, surplus, capital or other sources is attributable, and
- (ii) subject to subsection (b), a trade in a security of the investment fund's own issue if the security holder makes an optional cash payment to purchase the security of the investment fund that is of the same class or series of securities described in paragraph (i) that trade on a marketplace.
- (b) The aggregate number of securities issued under the optional cash payment referred to in subsection (a)(ii) must not exceed, in any financial year of the investment fund during which the trade takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.
  - (c) A plan that permits the trades described in subsection (a) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.
  - (d) A person must not charge a fee for a trade described in subsection (a).
  - (e) An investment fund that is a reporting issuer and in continuous distribution must set out in its current prospectus:
    - (i) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security,
    - (ii) any right that the security holder has to make an election to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund, and
    - (iii) instructions on how the right referred to in paragraph (ii) can be exercised.
  - (f) An investment fund that is a reporting issuer and is not in continuous distribution must provide the information required by subsection (e) in its prospectus, annual information form or a material change report.

**"jurisdiction"** or **"jurisdiction of Canada"** means a province or territory of Canada except when used in the term foreign jurisdiction;

**"local jurisdiction"** means, in a national instrument or multilateral instrument adopted or made by a Canadian securities regulatory authority, the jurisdiction in which the Canadian securities regulatory authority is situate;

**"Minimum Amount Investment exemption"** refers to the following exemption:

- (a) The prospectus requirement does not apply in respect of a distribution in a security to a person if
  - (i) that person purchases as principal;
  - (ii) the security has an acquisition cost to the purchaser of not less than \$150,000 paid in cash at the time of the distribution; and
  - (iii) the distribution is in a security of a single Company.
- (b) Subsection (a) does not apply to a distribution of a security to a person if the person was created or is used solely to purchase or hold securities in reliance on this exemption from the prospectus requirement set out in subsection (a);

**"mutual fund"** includes an Company of a security that entitles the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets, including a separate fund or trust account, of the Company of the security;

**“non-redeemable investment fund”** means an Company,

- (a) whose primary purpose is to invest money provided by its security holders,
- (b) that does not invest,
  - (i) for the purpose of exercising or seeking to exercise control of an Company, other than an Company that is a mutual fund or a non-redeemable investment fund, or
  - (ii) for the purpose of being actively involved in the management of any Company in which it invests, other than an corporation that is a mutual fund or a non-redeemable investment fund, and
- (c) that is not a mutual fund;

**“person”** includes

- (a) an individual,
- (b) a corporation,
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (d) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;

**“regulator”** means, for the local jurisdiction, the person referred to in Appendix D of National Instrument 14-101, opposite the name of the local jurisdiction;

**“related liabilities”** means

- (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- (b) liabilities that are secured by financial assets;

**“Schedule III bank”** means an authorized foreign bank named in Schedule III of the Bank Act (Canada); and

**“securities legislation”** means the applicable securities legislation of a jurisdiction of Canada.

**“spouse”** means, an individual who,

- (a) is married to another individual and is not living separate and apart within the meaning of the Divorce Act (Canada), from the other individual,
- (b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
- (c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the Adult Interdependent Relationships Act (Alberta);

**“subsidiary”** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

For the purpose hereof, an Company is an **affiliate** of another issuer if

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

For the purpose hereof, a person (first person) is considered **to control** another person (second person) if

- (a) the first person beneficially owns or directly or indirectly exercises control or direction over securities of the second person carrying votes which, if

exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation,

- (b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or
- (c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

For the purpose hereof, for residents of Manitoba, "**distribution**" means a primary distribution to the public.

For the purpose hereof, for residents of Québec, "**trade**" includes any of the following activities:

- (a) the activities described in the definition of "dealer" in section 5 of the *Securities Act* (R.S.Q., c. V-1.1), including the following activities:
  - (i) the sale or disposition of a security by onerous title, whether the terms of payment be on margin, instalment or otherwise, but does not include a transfer or the giving in guarantee of securities in connection with a debt or the purchase of a security, except as provided in paragraph (b);
  - (ii) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;
  - (iii) the receipt by a registrant of an order to buy or sell a security;
- (b) a transfer or the giving in guarantee of securities of an issuer from the holdings of a control person in connection with a debt.



## SCHEDULE B

### U.S. PURCHASER'S CERTIFICATE (Persons in or Resident in the United States)

**TO: SHM Controls Inc. (the "Company")**

In connection with the purchase by the undersigned Subscriber of the Subscribed Shares, the Subscriber or, if applicable, the person on behalf of whom the Subscriber is contracting under the Subscription Agreement hereby represents, warrants, covenants and certifies to the Company (and acknowledges that the Company and its counsel are relying thereon) that:

- (a) it is purchasing the Subscribed Shares as principal (as defined in applicable securities laws) for its own account and not for the account or benefit of any other person;
- (b) it is an "accredited investor", as defined under Rule 501(a) of Regulation D under the U.S. Securities Act, on the basis that the undersigned satisfies one or more of the categories of "accredited investor" reproduced below; and
- (c) upon execution of this Schedule B by the Subscriber, this Schedule B is incorporated into and forms a part of the Subscription Agreement.

Please note that the Company may request additional information from the Subscriber to confirm that the Subscriber falls within the definition of "accredited investor" as outlined below. Capitalized terms used herein and not otherwise defined herein have the meanings given to them in the Subscription Agreement to which this certificate is attached.

**(Please check the box of each applicable category of "accredited investor")**

- Category 1. Any bank as defined in Section 3(a)(2) of the U.S. Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the United States *Securities Exchange Act of 1934*, as amended; any insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; any investment company registered under the United States *Investment Company Act of 1940*, as amended, or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the United States *Small Business Investment Act of 1958*, as amended; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of U.S.\$5,000,000; any employee benefit plan within the meaning of the United States *Employee Retirement Income Security Act of 1974*, as amended, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of U.S.\$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are "accredited investors", as defined under Rule 501(a) of Regulation D under the U.S. Securities Act; or

- Category 2. Any private business development company as defined in Section 202(a)(22) of the United States *Investment Advisers Act of 1940*, as amended; or
- Category 3. Any organization described in Section 501(c)(3) of the United States *Internal Revenue Code of 1986*, as amended, Company, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of U.S.\$5,000,000; or
- Category 4. Any director or executive officer of the Company; or
- Category 5. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds U.S.\$1,000,000, calculated by: excluding the value of the person's primary residence as an asset; excluding the indebtedness secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the securities, as a liability (except that if the amount of such indebtedness outstanding at the time of purchase exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and, including the indebtedness secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of purchase, as a liability; or
- Category 6. Any natural person who had an individual income in excess of U.S.\$200,000 in each of the two most recent years or joint income with that person's spouse in excess of U.S.\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- Category 7. Any trust, with total assets in excess of U.S.\$5,000,000, not formed for the specific purpose of acquiring the securities, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the U.S. Securities Act which, without restricting the generality of the foregoing, but for clarity in this Schedule C, means a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or
- Category 8. Any entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories.

The foregoing representations contained in this certificate are true and accurate as of the date of this certificate and will be true and accurate as of the Closing Date of this private placement. If any such representations shall not be true and accurate prior to the Closing Date of this private placement, the undersigned shall give immediate written notice of such fact to the Company prior to the Closing Date.

Dated at \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_, 2018

\_\_\_\_\_  
Name of Subscriber

\_\_\_\_\_  
Signature

\_\_\_\_\_  
If the Subscriber is a Company, office or title of signatory