

## EARLY WARNING REPORT

### **FILED PURSUANT TO NATIONAL INSTRUMENT 62-103 – THE EARLY WARNING SYSTEM AND RELATED TAKE-OVER BID AND INSIDER REPORTING ISSUES**

#### **1. Security and Reporting Issuer**

*1.1 Designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

This report relates to subordinate voting shares (the "**Subordinate Voting Shares**") and super voting shares (the "**Super Voting Shares**") of Cresco Labs Inc. (the "**Issuer**"). The Issuer's registered office is located at 1055 West Hastings Street, Suite 2200 Vancouver, British Columbia V6E 2E9 Canada and the head office of the Issuer is located at 520 W Erie St #220, Chicago, IL 60654, USA.

*1.2 Name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

In connection with the business combination (the "**Business Combination**") completed on November 30, 2018 among certain parties, including the Issuer and Cresco Labs, LLC (the "**LLC**"), Mr. McCormack (the "**Acquiror**") acquired ownership of certain securities of the Issuer. The acquisition of securities by the Acquiror upon the consummation of the Business Combination triggered the requirement to file this report.

#### **2. Identity of the Acquiror**

*2.1 State the name and address of the Acquiror.*

Mr. Brian McCormack  
c/o Cresco Labs Inc.  
520 W Erie St #220  
Chicago, IL 60654  
USA

*2.2 Date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence*

November 30, 2018.

Pursuant to the Business Combination, the security holders of the LLC completed a reverse takeover of the Issuer and, in connection with the exchange of securities of the LLC for securities of the Issuer, the Acquiror acquired ownership, control or direction over:

- 100,000 Super Voting Shares; and,
- 27,732,294 units of the LLC ("**Redeemable Units**"), which are convertible into 27,732,294 Subordinate Voting Shares;

*2.3 State the names of any joint actors.*

Not applicable.

### **3. Interest in Securities of the Reporting Issuer**

3.1 *Designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquirer's security holding percentage in the class of securities.*

After giving effect to the Business Combination, the Acquiror, now owns or controls, indirectly, (i) 100,000 Super Voting Shares, representing 20% of the issued and outstanding Super Voting Shares; and, (ii) 27,732,294 Redeemable Units, representing 19.30% of the issued and outstanding Redeemable Units.

The Redeemable Units represent, on an as-converted to Subordinate Voting Share-basis (assuming the conversion of only those convertible securities that the Acquiror owns or exercises control and direction over), ownership of an aggregate of approximately 55.91% of outstanding Subordinate Voting Shares. The Super Voting Shares are not convertible into Subordinate Voting Shares.

Mr. McCormack's Redeemable Units are held through McCormack Capital, LLC.

3.2 *State whether the Acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.*

See Items 2.2 above.

3.3 *If the transaction involved a securities lending arrangement, state that fact.*

Not applicable.

3.4 *State the designation and number or principal amount of securities and the Acquiror's security holding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report*

Immediately prior to the Business Combination, the Acquiror did not own any securities of the Issuer. The Acquiror, now owns or controls, directly or indirectly, (i) 100,000 Super Voting Shares, representing 20% of the issued and outstanding Super Voting Shares, and (ii) 27,732,294 Redeemable Units, representing 19.30% of the issued and outstanding Redeemable Units. The Redeemable Units represent, on an as-converted to Subordinate Voting Share-basis (assuming the conversion of only those convertible securities that the Acquiror owns or exercises control and direction over), ownership of an aggregate of approximately 55.91% of outstanding Subordinate Voting Shares. The Super Voting Shares are not convertible into Subordinate Voting Shares.

3.5 *Designation and number or principal amount of securities and the Acquiror's security holding percentage in the class of securities referred to in Item 3.4 over which*

(a) *the Acquiror, either alone or together with any joint actors, has ownership and control;*

See Item 3.1 above.

(b) *the Acquiror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the Acquiror, or any joint actor; and*

Not applicable.

(c) *the Acquiror, either alone or together with any joint actors, has exclusive or shared control*

*but does not have ownership.*

Not applicable.

- 3.6 *If the Acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the Acquiror's securityholdings.*

Not applicable.

- 3.7 *If the Acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement. State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.*

Not applicable.

- 3.8 *If the Acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquirer's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

Not applicable.

#### **4. Consideration Paid**

- 4.1 *The value, in Canadian dollars, or any consideration paid or received per security and in total.*

The consideration paid for the Super Voting Shares over which the Acquiror exercises control and direction consisted of units in the LLC valued at CDN\$259,998.00.

- 4.2 *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or required by the Acquiror.*

See Item 4.1 above.

- 4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

See Item 2.2 above.

#### **5. Purpose of the Transaction**

*State the purpose or purposes of the Acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer.*

The securities acquired by the Acquiror pursuant to the Business Combination are held for investment purposes and the Acquiror may increase or decrease his beneficial ownership or control over the shares of the Issuer or the Redeemable Units, which he may do, from time to time, depending on market or other conditions and to the extent deemed advisable in light of his general investment strategy. The Super Voting Shares held by Mr. McCormack and certain founders of the LLC are designed to ensure

that such individuals have voting control at meetings of shareholders of the Company. The Super Voting Shares are subject to the provisions of the investment agreement between the Company, Mr. McCormack, and certain of the founders of the Company, as described in the Company's listing statement dated November 30, 2018, which is posted and filed under the Company's profile on [www.sedar.com](http://www.sedar.com).

*Describe any plans or future intentions which the Acquiror and any joint actors may have which relate to or would result in any of the following:*

- (a) *The acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;*

The Acquiror may, subject to market conditions, seek to acquire additional securities of the Issuer in accordance with applicable securities laws, and may increase or decrease its investment, directly or indirectly in the Issuer through the market, privately or otherwise, depending on market conditions or any other relevant factors.

- (b) *a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;*

Not applicable.

- (c) *a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;*

Not applicable.

- (d) *a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;*

Not applicable.

- (e) *a material change in the present capitalization or dividend policy of the reporting issuer;*

Not applicable.

- (f) *a material change in the reporting issuer's business or corporate structure;*

Not applicable.

- (g) *a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;*

Not applicable.

- (h) *a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;*

Not applicable.

- (i) *the Issuer ceasing to be a reporting issuer in any jurisdiction of Canada;*

Not applicable.

- (j) *a solicitation of proxies from securityholders; and*

Not applicable.

(k) *an action similar to any of those enumerated above.*

Not applicable.

**6. Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

*Describe the material terms of any agreements, arrangements, commitments or understandings between the Acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.*

The Super Voting Shares held by Mr. McCormack and certain founders of the LLC are designed to ensure that such individuals have voting control at meetings of shareholders of the Company. The Super Voting Shares are subject to the provisions of the investment agreement between the Company, Mr. McCormack, and certain of the founders of the Company, as described in the Company's listing statement dated November 30, 2018, which is posted and filed under the Company's profile on [www.sedar.com](http://www.sedar.com).

**7. Change in Material Fact**

*Description of any change in a material fact set out in a previous report filed by the Acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.*

Not applicable.

**8. Exemption**

*If the Acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.*

Not applicable.

**9. Certification**

I, Brian McCormack, as the Acquiror, certify that the statements made in this report are true and complete in every respect.

**DATED** this 30<sup>th</sup> day of November, 2018.

"Brian McCormack"

Brian McCormack