



**TRULIEVE CANNABIS CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2020**

*This management discussion and analysis of the financial condition and results of operations (“**MD&A**”) of Trulieve Cannabis Corp. and its subsidiaries (“**Trulieve**” or, the “**Corporation**”) is for the three and six months ended June 30, 2020. It is supplemental to, and should be read in conjunction with, the Corporation’s unaudited condensed consolidated interim financial statements and the accompanying notes for the three and six months ended June 30, 2020. The Corporation’s unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All dollar amounts presented in this MD&A are presented in United States dollars (“\$” or “**US\$**”), unless otherwise indicated.*

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

Further information about the Corporation, its operations and other continuous disclosure documents, including the Corporation’s Annual Information Form, is available through filings with the securities regulatory authorities in Canada under the Corporation’s profile at www.sedar.com.

This MD&A was prepared as of August 11th, 2020.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain “forward-looking statements” and certain “forward-looking information” as defined under applicable United States securities laws and Canadian securities laws. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the performance of the Corporation’s business and operations; the receipt and/or maintenance by the Corporation of required licenses and permits in a timely manner or at all; the intention to grow the business and operations of the Corporation; the expected growth in the number of the people using medical and/or adult use cannabis products; expectations of market size and growth in the United States; the competitive conditions and increasing competition of the cannabis industry; applicable laws, regulations and any amendments thereof; the competitive and business strategies of the Corporation; the Corporation’s operations in the United States, the characterization and consequences of those operations under federal United States law, and the framework for the enforcement of medical and adult use cannabis and cannabis-related offenses in the United States; the completion of additional cultivation and production facilities; the general economic, financial market, regulatory and political conditions in which the Corporation operates; the United States regulatory landscape and enforcement related to cannabis, including political risks; anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; United States border entry; heightened scrutiny of cannabis companies in Canada and the United States; the enforceability of contracts; reliance on the expertise and judgment of senior management of the Corporation; proprietary intellectual property and potential infringement by third parties; the concentrated voting control of the Corporation by certain shareholders of

the Corporation and the unpredictability caused by the capital structure; the management of growth; risks inherent in an agricultural business; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; security risks; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; the medical benefits, viability, safety, efficacy and social acceptance of cannabis; the availability of financing opportunities, the ability to make payments on existing indebtedness; risks associated with economic, political and social conditions; risks related to contagious disease, particularly COVID-19 (Coronavirus); dependence on management; and other risks described in this MD&A and described from time to time in documents filed by the Corporation with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt and/or maintenance of required licenses and third party consents; and (ii) the success of the operations of the Corporation, are based on estimates prepared by the Corporation using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the current marijuana industry involves risks and uncertainties and are subject to change based on various factors. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks described above and other factors beyond the Corporation's control, as more particularly described under the heading "Risk Factors" in this MD&A. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Corporation. The cautionary statements contained or referred to in this MD&A should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation and/or persons acting on its behalf may issue. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

OVERVIEW OF THE CORPORATION

Business of Trulieve

Trulieve is a multi-state cannabis operator which currently operates under licenses in four states. Headquartered in Quincy, Florida, the Corporation is focused on being the brand leader for quality medical and recreational cannabis products and service in all markets it serves. As of June 30, 2020, Trulieve employed over 3,350 people and is committed to providing patients a consistent and welcoming retail experience across Trulieve branded stores.

Trulieve has five material subsidiaries, being Trulieve, Inc. ("**Trulieve US**"), Leef Industries, Inc. ("**Leaf Industries**"), Life Essence, Inc. ("**Life Essence**"), Trulieve Holdings, Inc. ("**Trulieve Holdings**"), and Trulieve Bristol, Inc. (formerly The Healing Corner, Inc. and referred to herein as "**Healing Corner**"). Trulieve US, Life Essence, Trulieve Holdings and Healing Corner are wholly owned (directly or indirectly) by Trulieve. Trulieve currently holds 99% of the issued and outstanding membership interests in Leef Industries and is proposing to acquire the balance of the issued and outstanding membership interests upon receipt of final regulatory approval from the State of California.

Florida

Trulieve US is a vertically integrated “seed to sale” cannabis company and is the first and largest fully licensed medical marijuana company in the State of Florida. Trulieve US cultivates and produces all its products in-house and distributes those products to patients through Trulieve branded stores (dispensaries) throughout the State of Florida, as well as directly to patients via home delivery. Trulieve’s experience in the vertically integrated market of Florida has given the Corporation the ability to scale and penetrate in all necessary business segments (cultivation, production, sales and distribution). The Corporation has leveraged this capacity to secure and maintain the position of market leader in Florida and to inject that expertise effectively into other regulated market opportunities.

As of June 30, 2020, Trulieve US operated over 1,780,408 square feet of cultivation facilities across five sites. In accordance with Florida law, Trulieve US grows in secure enclosed indoor facilities and greenhouse structures.

Trulieve US operates a Good Manufacturing Practices (“**GMP**”) certified processing facility encompassing approximately 55,000 square feet. In line with its patient-first mantra, Trulieve has developed a suite of Trulieve-branded products with over 450 stock keeping units (“**SKUs**”) including smokable flower, vaporizer cartridges, concentrates, topicals, capsules, tinctures, dissolvable powders, and nasal sprays. This wide variety of products gives patients the ability to select from numerous effective products in their preferred form or route of administration. Trulieve distributes its products to patients in Trulieve-branded retail stores and by home delivery. As of June 30, 2020, Trulieve US operated 50 stores, encompassing 152,771 square feet of retail space, throughout the State of Florida.

Massachusetts

Life Essence is currently in the permitting and development phase for multiple adult-use and medical cannabis retail locations in Massachusetts, as well as a cultivation and product manufacturing facility. Life Essence has been awarded Provisional Certificates of Registration from the Massachusetts Department of Public Health (now under authority of Cannabis Control Commission) to operate medical Marijuana Treatment Centers in Cambridge, Holyoke, and Northampton and a medical marijuana cultivation and processing facility in Holyoke. Following completion of construction, receipt of Final Certificates of Registration and local permitting, Life Essence will engage in medical cannabis cultivation, processing and retailing in Massachusetts. Life Essence also has provisional adult-use license licenses and has entered Host Community Agreements with the City of Holyoke and the City of Northampton that, subject to other state and local approvals, authorize Life Essence to cultivate and process adult-use cannabis in Holyoke and conduct adult-use sales in the City of Northampton.

California

Leef Industries operates a licensed medical and adult-use cannabis dispensary located in Palm Springs, California. Trulieve believes Leef Industries has demonstrated encouraging growth in the market, offering in-store and online shopping, along with product home delivery. Trulieve currently holds 99% of the issued and outstanding membership interests in Leef Industries and is proposing to acquire the balance of the issued and outstanding membership interests upon receipt of final regulatory approval from the State of California.

Connecticut

Healing Corner is a licensed medical cannabis dispensary located in Connecticut. Healing Corner was founded in 2014 and provides a range of medical marijuana products from its dispensary in Bristol, Connecticut. Patients may also reserve their medical marijuana order through Healing Corner’s Canna-Fill online system. Healing Corner scored the highest of all applicants on the first Request for Application for licensing and serves approximately 11% of Connecticut’s medical marijuana patient population.

DESCRIPTION OF THE UNITED STATES LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities (“**Staff Notice 51-352**”), below is a discussion of the federal and state-level United States regulatory regimes in those jurisdictions where the Corporation is currently directly involved, through its subsidiaries, in the cannabis industry. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Regulation of Cannabis in the United States Federally

The United States federal government regulates drugs in large part through the Controlled Substances Act (the “**CSA**”). Marijuana, which is a form of cannabis, is classified as a Schedule I controlled substance. As a Schedule I controlled substance, the federal Drug Enforcement Agency (“**DEA**”) considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision. According to the U.S. federal government, cannabis having a concentration of tetrahydrocannabinol (“**THC**”) greater than 0.3% is marijuana. Cannabis with a THC content below 0.3% is classified as hemp. The scheduling of marijuana as a Schedule I controlled substance is inconsistent with what the Corporation believes to be widely accepted medical uses for marijuana by physicians, researchers, patients, and others. Moreover, despite the clear conflict with U.S. federal law, 33 states and the District of Columbia have legalized marijuana for medical use, while 11 of those states and the District of Columbia have legalized the adult use of cannabis for recreational purposes. As further evidence of the growing conflict between the U.S. federal treatment of cannabis and the societal acceptance of cannabis, the federal Food and Drug Administration (“**FDA**”) on June 25, 2018 approved Epidiolex. Epidiolex is an oral solution with an active ingredient derived from the cannabis plant for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first FDA-approved drug that contains a purified substance derived from the cannabis plant. In this case, the substance is cannabidiol (“**CBD**”), a chemical component of marijuana that does not contain the psychoactive properties of THC.

Unlike in Canada, which uniformly regulates the cultivation, distribution, sale and possession of marijuana at the federal level under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the United States. State laws regulating marijuana are in conflict with the CSA, which makes marijuana use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use marijuana production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of marijuana and any related drug paraphernalia is illegal. Although the Corporation’s activities are compliant with the applicable state and local laws in those states it maintains such licenses (Florida, California, Massachusetts and Connecticut), strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law nor provide a defense to any federal criminal action that may be brought against the Corporation.

In 2013, as more and more states began to legalize medical and/or adult-use marijuana, the federal government attempted to provide clarity on the incongruity between federal law and these state-legal regulatory frameworks. Until 2018, the federal government provided guidance to federal agencies and banking institutions through a series of United States Department of Justice (“**DOJ**”) memoranda. The most notable of this guidance came in the form of a memorandum issued by former U.S. Deputy Attorney General James Cole on August 29, 2013 (the “**Cole Memorandum**”).

The Cole Memorandum offered guidance to federal agencies on how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states and quickly set a standard for marijuana-related businesses to comply with. The Cole Memorandum put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
4. Preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.

On January 4, 2018, former United States Attorney General Sessions rescinded the Cole Memorandum by issuing a new memorandum to all United States Attorneys (the “**Sessions Memo**”). Rather than establishing national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under state law, the Sessions Memo simply rescinded the Cole Memorandum and instructed that “[i]n deciding which marijuana activities to prosecute... with the [DOJ’s] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions.” Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

In the absence of uniform federal guidance, as had been established by the Cole Memorandum, numerous United States Attorneys with state-legal marijuana programs within their jurisdictions announced enforcement priorities for their respective offices. For instance, Andrew Lelling, United States Attorney for the District of Massachusetts, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office’s marijuana enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds. Other United States Attorneys provided less assurance, promising to enforce federal law, including the CSA in appropriate circumstances.

Attorney General William Barr, who succeeded Attorney General Sessions has not provided a clear policy directive for the United States as it pertains to state-legal marijuana-related activities. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated, “I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum.” Attorney General Barr’s statements are not official declarations of DOJ policy and are not binding on the DOJ, on any U.S. Attorney or on the federal courts.

Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to marijuana (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

As an industry best practice, despite the rescission of the Cole Memorandum, the Corporation abides by the following standard operating policies and procedures to ensure compliance with the guidance provided by the Cole Memorandum:

1. Ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
2. Ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);
3. Implement policies and procedures to ensure that cannabis products are not distributed to minors;
4. Implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;
5. Implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
6. Ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and
7. Ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Corporation frequently conducts background checks to ensure that the principals and management of its operating subsidiaries are of good character and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or the use of firearms in the cultivation, manufacturing or distribution of cannabis. The Corporation will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to the possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See “*Risk Factors*.”

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has passed a so-called “rider” provision in the FY 2015, 2016, 2017, 2018 and 2019 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against state regulated medical marijuana actors operating in compliance with state and local law. The rider is known as the “Rohrabacher-Farr” Amendment after its original lead sponsors (it is also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce-Leahy” Amendment, but it is referred to in this MD&A as “**Rohrabacher-Farr**”). In signing the 2019 Consolidated Appropriations Act, President Trump issued a signing statement noting that the Act “provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories,” and further stating “[he] will treat this provision consistent with the President’s constitutional responsibility to faithfully execute the laws of the United States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of marijuana, the President did issue a similar signing statement in 2017 and no major federal enforcement actions followed. The Consolidated Appropriations Act of 2019 expired on September 30, 2019. On September 27, 2019, the President signed into law the Continuing Appropriations Act, 2020, and Health Extenders Act of 2019, which provided continuing appropriations to federal agencies through November 21, 2019. The Continuing Appropriations Act is known as a continuing resolution and prevented a government shutdown that would have otherwise occurred when FY2020 began on October 1, 2019 because the 12 regular appropriations bills that fund the federal government for FY2020 had not been enacted. The continuing resolution funds most projects and activities at the FY2019 levels with several exceptions that provide funding flexibility and additional appropriations to various programs. Notably, Rohrabacher-Farr has applied only to medical marijuana

programs and has not provided the same protections to enforcement against adult-use activities. See *“Regulatory Overview - Regulation of Cannabis in the United States Federally”* in the Prospectus.

United States Border Entry

The United States Customs and Border Protection (“**CBP**”) enforces the laws of the United States as they pertain to lawful travel and trade into and out of the U.S. Crossing the border while in violation of the CSA and other related United States federal laws may result in denied admission, seizures, fines, and apprehension. CBP officers administer determine the admissibility of travelers who are non-U.S. citizens into the United States pursuant to the United States Immigration and Nationality Act. An investment in the Corporation, if it became known to CBP, could have an impact on a non-U.S. citizen’s admissibility into the United States and could lead to a lifetime ban on admission. See *“Risk Factors - U.S. border officials could deny entry of non-US citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.”*

Because marijuana remains illegal under United States federal law, those investing in Canadian companies with operations in the United States cannabis industry could face detention, denial of entry, or lifetime bans from the United States for their business associations with United States marijuana businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers that previous use of marijuana, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the marijuana industry in the United States could also be reason enough for CBP to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada’s legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because marijuana continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to marijuana in the United States (such as the Corporation), who are not United States citizens, face the risk of being barred from entry into the United States.

Anti-Money Laundering Laws and Access to Banking

The Corporation is subject to a variety of laws and regulations in the United States that involve anti-money laundering, financial recordkeeping and the proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the “**Bank Secrecy Act**”), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

Additionally, under United States federal law, it may potentially be a violation of federal anti-money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Banks and other financial institutions could potentially be prosecuted and convicted of money laundering under the Bank Secrecy Act for providing services to cannabis businesses. Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other financial service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states that have legalized medical or adult-use marijuana, the Department of the Treasury Financial Crimes Enforcement Network (“**FinCEN**”), in 2014, issued guidance to prosecutors of money laundering and other financial crimes (the “**FinCEN Guidance**”). The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that marijuana-related business activities are legal in their state and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such

as keeping marijuana out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps typically include:

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. Requesting available information about the business and related parties from state licensing and enforcement authorities;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult-use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in the FinCEN Guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

While the FinCEN Guidance decreased some risk for banks and financial institutions considering servicing the cannabis industry, in practice it has not increased banks' willingness to provide services to marijuana-related businesses. This is because current U.S. federal law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana-related business they accept as a customer.

Those state-chartered banks and/or credit unions that have agreed to work with marijuana businesses are typically limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana-related businesses at any time and without notice, these banks and credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana-related businesses in a single day, while also keeping sufficient liquid capital on hand to service their other customers. Those state-chartered banks and credit unions that do have customers in the marijuana industry can charge marijuana businesses high fees to cover the added cost of ensuring compliance with the FinCEN Guidance.

Unlike the Cole Memorandum, however, the FinCEN Guidance has not been rescinded. The Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, has publicly stated that the Department was not informed of any plans to rescind the Cole Memorandum and that he does not have a desire to rescind the FinCEN Guidance.

As an industry best practice and consistent with its standard operating procedures, the Corporation adheres to all customer due diligence steps in the FinCEN Guidance and any additional requirements imposed by those financial institutions it utilizes. However, in the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of anti-money laundering legislation or otherwise, such transactions could be viewed as proceeds of crime under one or more of the statutes noted

above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends or effect other distributions.

In the United States, a bill (the “**SAFE Banking Act**”) has been put forth which would grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. The SAFE Banking Act has been adopted by the House of Representatives and is awaiting consideration by the U.S. Senate. While there is strong support in the public and within Congress for its passage, there can be no assurance that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

Ability to Access Public and Private Capital

Given the current laws regarding cannabis at the federal level in the United States, traditional bank financing is typically not available to United States marijuana companies. Specifically, since financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under anti-money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the United States must do so in compliance with the FinCEN Guidance.

Trulieve has banking relationships with Florida, Massachusetts and Connecticut state-chartered banks for deposits and payroll, however Trulieve does not have access to traditional bank financing. Trulieve has been successful at raising capital privately. The Corporation expects to generate adequate cash to fund its continuing operations. The Corporation’s business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Accordingly, the Corporation expects to raise additional capital. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable.

Tax Concerns

An additional challenge for marijuana-related businesses is that the provisions of the Internal Revenue Code Section 280E are being applied by the IRS to businesses operating in the medical and adult-use marijuana industry. Section 280E prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be. Furthermore, although the IRS issued a clarification allowing the deduction of cost of goods sold, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted.

The 2018 Farm Bill

Cannabidiol or CBD is a nonintoxicating chemical found in cannabis and is often derived from hemp, which contains, at most, only trace amounts of THC. On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018 (popularly known as the “**2018 Farm Bill**”) into law. Until the 2018 Farm Bill became law, hemp fell within the definition of “marijuana” under the CSA and the DEA classified hemp as a Schedule I controlled substance because hemp is part of the cannabis plant.

The 2018 Farm Bill defines hemp as the plant *Cannabis sativa* L. and any part of the plant with a delta-9 THC concentration of not more than 0.3% by dry weight and removes hemp from the CSA. The 2018 Farm Bill requires the U.S. Department of Agriculture (“**USDA**”) to, among other things: (1) evaluate and approve regulatory plans approved by individual states for the cultivation and production of industrial hemp, and (2) promulgate regulations and guidelines to establish and administer a program for the cultivation and

production of hemp in the U.S. The regulations promulgated by the USDA will be in lieu of those states not adopting state-specific hemp regulations. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the USDA and otherwise meets the definition of hemp. The 2018 Farm Bill also explicitly preserved the authority of the FDA to regulate hemp-derived products under the U.S. Food, Drug and Cosmetic Act. The Company expects that the FDA will promulgate its own rules for the regulation of hemp-derived products in the coming year. Notwithstanding the pending FDA rules, on October 29, 2019, the USDA published its proposed rules for the regulation of hemp, as discussed above (“**USDA Rule**”). The USDA Rule will go into effect immediately upon the conclusion of the public comment period and publication in the federal register by the USDA. The USDA Rule, among other things, sets minimum standards for the cultivation and production of hemp, as well as requirements for laboratory testing of hemp.

Compliance with Applicable State Law in the United States

The Corporation is classified as having a “direct” involvement in the United States cannabis industry and is in compliance with applicable United States state law, as well as related licensing requirements and the regulatory framework enacted by the States of Florida, California, and Connecticut, and the Commonwealth of Massachusetts. The Corporation is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have an impact on its licenses, business activities or operations. The Corporation uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by Florida, California, Connecticut and Massachusetts through the advice of its Director of Compliance, who monitors and reviews its business practices and changes to applicable state laws and regulations, as well as United States Federal enforcement priorities. The Corporation’s General Counsel works with external legal advisors in Florida, Massachusetts, California and Connecticut to ensure that the Corporation is in on-going compliance with applicable state laws.

In the United States, cannabis is largely regulated at the state level. Although each state in which the Corporation operates (and anticipates operating) authorizes, as applicable, medical and/or adult-use marijuana production and distribution by licensed or registered entities, and numerous other states have legalized marijuana in some form, under U.S. federal law, the possession, use, cultivation, and transfer of marijuana and any related drug paraphernalia remains illegal, and any such acts are criminal acts under U.S. federal law. Although the Corporation believes that its business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to marijuana may neither absolve the Corporation of liability under U.S. federal law, nor provide a defense to any federal proceeding which may be brought against the Corporation. Any such proceedings brought against the Corporation may result in a material adverse effect on the Corporation.

Regulation of the Medical Cannabis Market in Florida

In 2014, the Florida Legislature passed the Compassionate Use Act (the “**CUA**”) which was a low-THC (CBD) law, allowing cannabis containing not more than 0.8%THC to be sold to patients diagnosed with severe seizures or muscle spasms and cancer. The CUA created a competitive licensing structure and originally allowed for one vertically integrated license to be awarded in each of five regions. The CUA set forth the criteria for applicants as well as the minimum qualifying criteria which included the requirement to hold a nursery certificate evidencing the capacity to cultivate a minimum of 400,000 plants, to be operated by a nurseryman and to be a registered nursery for at least 30 continuous years. The CUA also created a state registry to track dispensations. In 2016, the Florida Legislature passed the Right to Try Act (the “**RTA**”), which expanded the State’s medical cannabis program to allow for full potency THC products to be sold as “medical marijuana” to qualified patients.

In November of 2016, the Florida Medical Marijuana Legalization ballot initiative (the “**Initiative**”) to expand the medical cannabis program under the RTA was approved by 71.3% of voters, thereby amending the Florida constitution. The Initiative is now codified as Article X, Section 29 of the Florida Constitution. The Initiative expanded the list of qualifying medical conditions include cancer, epilepsy, glaucoma, HIV and

AIDS, ALS, Crohn’s disease, Parkinson’s disease, multiple sclerosis, or other debilitating medical conditions of the same kind or class or comparable to those other qualifying conditions and for which a physician believes the benefits outweigh the risks to the patient. The Initiative also provided for the implementation of state-issued medical cannabis identification cards. In 2017, the Florida Legislature passed legislation implementing the constitutional amendment and further codifying the changes set forth in the constitution into law. The 2017 law provides for the issuance of 10 licenses to specific entities and another four licenses to be issued for every 100,000 active qualified patients added to the registry. The 2017 law also initially limited license holders to a maximum of 25 dispensary locations with the ability to purchase additional dispensary locations from one another, and for an additional five locations to be allowed by the State for every 100,000 active qualified patients added to the registry. The 2017 legislation’s cap on dispensing facilities expired in April 2020.

Trulieve US License (the “Florida License”)

Holding Entity	Permit/ License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Trulieve, Inc.	Medical Marijuana Treatment Center	Statewide	07/24/22	Cultivation, Processing/ Manufacturing, Dispensary, Transport

Under Florida law, a licensee is required to cultivate, process and dispense medical cannabis. Licenses are issued by the Florida Department of Health, Office of Medical Marijuana Use (the “**OMMU**”) and may be renewed biennially. Trulieve, Inc. received its most recent license renewal on July 24, 2020 and is classified as a Medical Marijuana Treatment Center (“**MMTC**”) under Florida law.

In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown.

Under its license, the Corporation is permitted to sell cannabis to those patients who are entered into the State’s electronic medical marijuana use registry by a qualified physician and possess a state-issued medical marijuana identification card and a valid certification from the qualified physician. The physician determines patient eligibility as well as the routes of administration (e.g. topical, oral, inhalation) and the number of milligrams per day a patient is able to obtain under the program. The physician may order a certification for up to three 70-day supply limits of marijuana, following which the certification expires and a new certification must be issued by a physician. The number of milligrams dispensed, the category of cannabis (either low-THC or medical marijuana) and whether a delivery device such as a vaporizer has been authorized is all recorded in the registry for each patient transaction. In addition, smokable flower was approved by the legislature and signed into law in March 2019. Patients must obtain a specific recommendation from their physician to purchase smokable flower. The maximum amount a patient may obtain is 2.5 ounces (measured by weight) of smokable flower per 35-day supply.

The Corporation is authorized to sell a variety of products and, as of June 30, 2020, offers over 450 SKUs in various product categories for sale. Edible products were authorized by the Florida Legislature in 2017 pending rulemaking by the OMMU. The OMMU has held workshops regarding edibles but has not yet drafted the contemplated regulations. The use of hydrocarbon solvents for the extraction of products was also contemplated in the 2017 law and is also awaiting rulemaking by the OMMU.

Dispensaries may be located in any location zoned as appropriate for a pharmacy throughout the State of Florida as long as the local government has not expressly prohibited MMTC dispensaries in their respective municipality. Additionally, dispensaries must be located more than 500 feet from a public or private elementary, middle, or secondary school. Following the adoption of the cap on total dispensaries by each MMTC, as discussed above, the Corporation’s Florida licensee filed a claim in the Court for the Second Judicial Circuit in Leon County (the “**Court**”) challenging the dispensary cap and asking the Court to disregard the dispensary locations the Corporation had open and/or applied for prior to the limitation

becoming effective. On February 4, 2019, Trulieve announced that it had won its lawsuit in the trial court, with the Court ruling that Trulieve may open an additional 14 dispensary locations based on these locations having previously vested. Moreover, the Court ruled that in the alternative, the statutory caps placed on the number of dispensaries allowed across the state were not only unconstitutionally added after Amendment 2 had been approved by voters but were also adversely impacting patient access. The Corporation has since settled its challenge with the Florida Department of Health. Trulieve's 14 dispensaries that were established before the statewide cap was enacted are now excluded from the statutory cap. The statutory cap expired in April 2020, thus neither Trulieve US nor its competitors in Florida are subject to restrictions on the number of dispensaries that may be opened. As of June 30, 2020, Corporation had 50 approved dispensaries in the State of Florida. In addition, the Corporation's license allows it to deliver products directly to patients.

Florida Reporting Requirements

Florida law called for the OMMU to establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the OMMU to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when marijuana seeds are planted, when marijuana plants are harvested and destroyed and when cannabis is transported, sold, stolen, diverted, or lost. Each medical marijuana treatment center shall use the seed-to-sale tracking system established by the OMMU or integrate its own seed-to-sale tracking system with the seed-to-sale tracking system established by the OMMU. At this time the OMMU has not implemented a statewide seed-to-sale tracking system and the Corporation utilizes its own system. Additionally, the OMMU also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to the provision of required data or proof of key events to said system in order to retain its license. Florida requires all MMTCs to abide by representations made in their original application to the State of Florida or any subsequent variances to same. Any changes or expansions of previous representations and disclosures to the OMMU must be approved by the OMMU via an amendment or variance process.

Florida Licensing Requirements

Licenses issued by the OMMU may be renewed biennially so long as the licensee continues to meet the requirements of the Florida Statute 381.986 and pays a renewal fee. License holders can only own one license within the State of Florida. Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture & Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the OMMU, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the OMMU, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, (ix) they ensure that a medical director is employed to supervise the activities of the MMTC, and (x) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the OMMU, the applicant must post a performance bond of up to US \$5 million, which may be reduced to US \$2 million once the licensee has served 1,000 patients (which Trulieve has accomplished).

Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities in Florida

Adequate outdoor lighting is required from dusk to dawn for all MMTC facilities. 24-hour per day video surveillance is required and all MMTCs must maintain at least a rolling 45-day period that is made available to law enforcement and the OMMU upon demand. Alarm systems must be active at all items for all entry points and windows. Interior spaces must also have motion detectors and all cameras must have an

unobstructed view of key areas. Panic alarms must also be available for employees to be able to signal authorities when needed.

In dispensaries, the MMTC must provide a waiting area with a sufficient seating area. There must also be a minimum of one private consultation/education room for the privacy of the patient(s) and their caregiver (if applicable). The MMTC may only dispense products between 7:00 am and 9:00 pm. All active products must be kept in a secure location within the dispensary and only empty packaging may be kept in the general area of the dispensary which is readily accessible to customers and visitors. No product or delivery devices may be on display in the waiting area.

An MMTC must at all times provide secure and logged access for all cannabis materials. This includes approved vaults or locked rooms. There must be at least two employees of the MMTC or an approved security provider on site at all times. All employees must wear proper identification badges and visitors must be logged in and wear a visitor badge while on the premises. The MMTC must report any suspected activity of loss, diversion or theft of cannabis materials within 24 hours of becoming aware of such an occurrence.

Florida Transportation Requirements

When transporting cannabis to dispensaries or to patients for delivery, a manifest must be prepared and transportation must be done using an approved vehicle. The cannabis must be stored in a separate, locked area of the vehicle and at all times while in transit there must be two people in a delivery vehicle. During deliveries, one person must remain with the vehicle. The delivery employees must at all times have identification badges. The manifest must include the following information: (i) departure date and time; (ii) name, address and license number of the originating MMTC; (iii) name and address of the receiving entity; (iv) the quantity, form and delivery device of the cannabis; (v) arrival date and time; (vi) the make, model and license plate of the delivery vehicle; and (vii) the name and signatures of the MMTC delivery employees. These manifests must be kept by the MMTC for inspection for up to three years. During the delivery, a copy of the manifest is also provided to the recipient.

OMMU Inspections in Florida

The OMMU may conduct announced or unannounced inspections of MMTC's to determine compliance with applicable laws and regulations. The OMMU is to inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The OMMU is to conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

Regulation of the Medical Cannabis Market in Massachusetts

The Commonwealth of Massachusetts has authorized the cultivation, possession and distribution of marijuana for medical purposes by certain licensed Massachusetts marijuana businesses. The Medical Use of Marijuana Program (the "**MUMP**") registers qualifying patients, personal caregivers, Medical Marijuana Treatment Centers ("**MTCs**"), and MTC agents. MTCs were formerly known as Registered Marijuana Dispensaries ("**RMDs**"). The MUMP was established by Chapter 369 of the Acts of 2012, "An Act for the Humanitarian Medical Use of Marijuana", following the passage of the Massachusetts Medical Marijuana Initiative, Ballot Question 3, in the 2012 general election. Additional statutory requirements governing the MUMP were enacted by the Legislature in 2017 and codified at G.L. c. 94I, et. seq. (the "**Massachusetts Medical Act**"). MTC Certificates of Registration are vertically integrated licenses in that each MTC Certificate of Registration entitles a license holder to one cultivation facility, one processing facility and one dispensary location. There is a limit of three MTC licenses per person/entity.

The Commonwealth of Massachusetts Cannabis Control Commission (the "**CCC**") regulations, 935 CMR 501.000 et seq. (the "**Massachusetts Medical Regulations**"), provide a regulatory framework that requires MTCs to cultivate, process, transport and dispense medical cannabis in a vertically integrated marketplace. Patients with debilitating medical conditions qualify to participate in the program, including conditions such

as cancer, glaucoma, positive status for human immunodeficiency virus (HIV), acquired immune deficiency virus (AIDS), hepatitis C, amyotrophic lateral sclerosis (ALS), Crohn’s disease, Parkinson’s disease, and multiple sclerosis (MS) when such diseases are debilitating, and other debilitating conditions as determined in writing by a qualifying patient’s healthcare provider.

The CCC assumed control of the MUMP from the Department of Public Health on December 23, 2018. The CCC approved revised regulations for the MUMP effective November 1, 2019. Additionally, the CCC has proposed amendments to the current Massachusetts Medical Regulations, for which a public hearing will be held on August 3, 2020 and public comment will be accepted through August 14, 2020.

Massachusetts Licensing Requirements (Medical)

The Massachusetts Medical Regulations delineate the licensing requirements for MTCs in Massachusetts. Licensed entities must demonstrate the following: (i) they are licensed and in good standing with the Secretary of the Commonwealth of Massachusetts; (ii) no executive, member or any entity owned or controlled by such executive or member directly or indirectly controls more than three MTC licenses; (iii) an MTC may not cultivate medical cannabis from more than two locations statewide; (iv) MTC agents must be registered with the Massachusetts Cannabis Control Commission; (v) an MTC must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vi) one executive of an MTC must register with the Massachusetts Department of Criminal Justice Information Services on behalf of the entity as an organization user of the Criminal Offender Record Information (CORI) system; (vii) the MTC applicant has at least \$500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (viii) payment of the required application fee.

In an MTC application, an applicant must also demonstrate or include: (i) the name, address, date of birth and resumes of each executive of the applicant and of the members of the entity; (ii) a plan to obtain liability insurance coverage in compliance with statutes; (iii) detailed summary of the business plan for the MTC; (iv) an operational plan for the cultivation of marijuana including a detailed summary of policies and procedures; and (v) a detailed summary of the operating policies and procedures for the MTC including security, prevention of diversion, storage of marijuana, transportation of marijuana, inventory procedures, procedures for quality control and testing of product for potential contaminants, procedures for maintaining confidentiality as required by law, personnel policies, dispensing procedures, record keeping procedures, plans for patient education and any plans for patient or personal caregiver home delivery. An MTC applicant must also demonstrate that it has (i) a successful track record of running a business; (ii) a history of providing healthcare services or services providing marijuana for medical purposes in or outside of Massachusetts; (iii) proof of compliance with the laws of the Commonwealth of Massachusetts; (iv) compliance with the laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background. Finally, an MTC applicant must specify a cultivation tier for their license, which establishes the minimum and maximum square footage of canopy for their cultivation operation.

Upon the determination by the CCC that an MTC applicant has responded to the application requirements in a satisfactory fashion, the MTC applicant is required to pay the applicable registration fee and shall be issued a provisional certificate of registration (“PCR”). Trulieve’s wholly owned subsidiary, Life Essence, Inc. (“**Life Essence**”), holds the following PCRs.

Massachusetts Licenses (Medical) (the “Massachusetts Licenses”)

Holding Entity	Permit/ License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Life Essence	Provisional RMD Certificate of Registration	Holyoke, MA	12/6/20	Dispensary Cultivation/ Product Manufacturing Dispensary

Holding Entity	Permit/ License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Life Essence	Provisional RMD Certificate of Registration	Northampton, MA Holyoke, MA	12/6/20	Dispensary Cultivation/ Product Manufacturing Dispensary
Life Essence	Provisional RMD Certificate of Registration	Cambridge, MA Holyoke, MA	12/6/20	Dispensary Cultivation/ Product Manufacturing Dispensary

Thereafter, the CCC shall review architectural plans for the building of the MTC’s cultivation facility and/or dispensing facilities, and shall either approve, modify or deny the same. Once approved, the MTC provisional license holder shall construct its facilities in conformance with the requirements of the Massachusetts Medical Regulations. Once the CCC completes its inspections and issues approval for an MTC of its facilities, the CCC shall issue a final certificate of registration (“FCR”) to the MTC applicant. FCRs are valid for one year, and shall be renewed by filing the required renewal application no later than sixty days prior to the expiration of the certificate of registration. A licensee may not begin cultivating marijuana until it has been issued an FCR by the CCC.

PCRs and FCRs in Massachusetts are renewed annually. Before expiry, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, Life Essence, Inc. would expect to receive the applicable renewed license in the ordinary course of business.

Massachusetts Dispensary Requirements (Medical)

An MTC shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage and waste disposal protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; (xi) policies and procedures for the handling of cash on MTC premises including storage, collection frequency and transport to financial institutions, (x) emergency procedures, (xi) plans for security of confidential information, (xii) standards for determination of prices charged, (xiii) procedures for energy efficiency, (xiv) procedures for workplace safety, and (xv) patient education. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that a MTC must comply with. More specifically, an MTC is to comply with all local requirements regarding siting, provided however that if no local requirements exist, an MTC shall not be sited within a radius of 500 feet of a school or daycare center. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed MTC. The Massachusetts Regulations require that MTCs limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. An MTC may only dispense to a registered qualifying patient or caregiver who has a current valid certification.

Massachusetts Security and Storage Requirements (Medical)

An MTC is to implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the MTC. These measures must include: (i) allowing only registered qualifying patients, caregivers, dispensary agents, authorized persons, or approved outside contractors access to the MTC facility; (ii) preventing individuals from remaining on the premises of an MTC if they are not engaging in activities that are permitted; (iii) disposing of marijuana or by-products in compliance with law; (iv) establishing secure entrances and limited access areas accessible only to authorized personnel; (v) storing finished marijuana in a secure locked safe or vault; (vi) keeping equipment, safes, vaults or secured areas securely locked and in good working order; (vii) ensuring that the outside perimeter of the MTC is sufficiently lit to facilitate surveillance; (viii) ensuring that landscaping or foliage outside of the RMD does not allow a person to conceal themselves; (ix) prohibiting accessibility of security measures to unauthorized personnel, (x) ensuring marijuana products are kept out of plain sight and are not visible from public spaces, (xi) ensuring security of marijuana products following diversion, theft, or loss, (xii) ensuring safe cash handling, and (xiii) sharing floorplans and security plans with local law enforcement. An MTC shall also utilize a security/alarm system that: (i) monitors entry and exit points and windows and doors, (ii) includes a panic/duress alarm, (iii) includes system failure notifications, (iv) includes 24-hour video surveillance of safes, vaults, sales areas, areas where marijuana is cultivated, processed or dispensed, and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The MTC must also maintain a backup alarm system with the capabilities of the primary system, and both systems are to be maintained in good working order and are to be inspected and tested on regular intervals.

Massachusetts Transportation Requirements (Medical)

Marijuana or marijuana-infused products (“MIPs”) may be transported between licensed MTCs by MTC agents on behalf of an MTC. MTCs or delivery-only retailers may, with CCC approval, transport marijuana or MIPS directly to registered qualifying patients and Caregivers as part of a home delivery program. An MTC shall staff transport vehicles with a minimum of two dispensary agents. At least one agent shall remain with the vehicle when the vehicle contains marijuana or MIPS. Prior to leaving the origination location, an MTC must weigh, inventory, and account for, on video, the marijuana to be transported.

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. An MTC shall ensure that delivery times and routes are randomized and remain within Massachusetts. Each MTC agent shall carry his or her CCC-issued MUMP ID Card when transporting marijuana or MIPS and shall produce it to CCC representatives or law enforcement officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. An MTC must document and report any unusual discrepancy in weight or inventory to the CCC and local law enforcement within 24 hours. An MTC shall report to the CCC and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. An MTC shall retain transportation manifests for no less than one year and make them available to the CCC upon request. Any cash received from a qualifying patient or personal caregiver must be transported to an MTC immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the MTC, be properly registered, and contain a GPS system that is monitored by the MTC during transport of marijuana and said vehicle must be inspected and approved by the CCC prior to use. In addition, such vehicles must contain a CCC-approved alarm system, an appropriate cooling/heating system for marijuana products.

During transit, an MTC is to ensure that: (i) marijuana or MIPS are transported in a secure, locked storage compartment that is part of the vehicle transporting the marijuana or MIPS; (ii) the storage compartment cannot be easily removed (for example, bolts, fittings, straps or other types of fasteners may not be easily accessible and not capable of being manipulated with commonly available tools); (iii) marijuana or MIPS are not visible from outside the vehicle; and (iv) product is transported in a vehicle that bears no markings

indicating that the vehicle is being used to transport marijuana or MIPs and does not indicate the name of the MTC. Each MTC agent transporting marijuana or MIPs shall have access to a secure form of communication with personnel at the origination location when the vehicle contains marijuana or MIPs.

CCC Inspections (Medical)

The CCC or its agents may inspect an MTC and affiliated vehicles at any time without prior notice. An MTC shall immediately upon request make available to the CCC information that may be relevant to a CCC inspection, and the CCC may direct an MTC to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the MTC, and the MTC shall thereafter submit a Plan of Correction to the CCC outlining with particularity each deficiency and the timetable and steps to remediate the same. The CCC shall have the authority to suspend or revoke a certificate of registration in accordance with the applicable regulations.

Regulation of the Adult-Use Cannabis Market in Massachusetts

Adult-use (recreational) marijuana has been legal in Massachusetts since December 15, 2016, following a ballot initiative in November of that year. The CCC licenses adult use cultivation, processing and dispensary facilities (collectively, “**Marijuana Establishments**”) pursuant to 935 CMR 500.000 et seq. The first adult-use marijuana facilities in Massachusetts began operating in November 2018. The CCC approved revised regulations for the adult-use program effective November 1, 2019. Additionally, the CCC has proposed amendments to the current adult-use regulations, for which a public hearing will be held on August 3, 2020 and public comment will be accepted through August 14, 2020

Massachusetts Licensing Requirements (Adult-Use)

Many of the same application requirements exist for an adult-use Marijuana Establishment license application as to those for a medical MTC application, and each owner, officer or member must undergo background checks and fingerprinting with the CCC. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and its owners, officers, principals or members. The application must include, amongst other information, the proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing the Marijuana Establishment’s proposed operating policies including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records, diversity plans, and employee training protocols.

Massachusetts Dispensary Requirements (Adult-Use)

Marijuana retailers are subject to certain operational requirements in addition to those imposed on Marijuana Establishments generally. Dispensaries must immediately inspect patrons’ identification to ensure that everyone who enters the premises is at least 21 years of age, which check must be repeated at the point of sale. Dispensaries may not dispense more than one ounce of marijuana or five grams of marijuana concentrate per transaction, nor marijuana products of potency levels exceeding regulatory limits. Point-of-sale systems must be approved by the CCC, and retailers must record sales data. Records must be retained and available for auditing by the CCC and Department of Revenue. Retailers are required to conduct monthly analyses of equipment and sales data to determine that such systems have not been altered or interfered with to manipulate sales data, and to report any such discrepancies to the CCC.

Dispensaries must also make consumer education materials available to patrons in languages designated by the CCC, with analogous materials for visually- and hearing-impaired persons. Such materials must include:

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited, and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;
- A discussion of tolerance, dependence, and withdrawal;
- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;
- A statement that consumers may not sell marijuana to any other individual;
- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and
- Any other information required by the CCC.

Massachusetts Security and Storage Requirements (Adult-Use)

Each Marijuana Establishment must implement sufficient safety measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the establishment. Security measures taken by the establishments to protect the premises, employees, consumers and general public shall include, but not be limited to, the following:

- Positively identifying and limiting access to individuals 21 years of age or older who are seeking access to the Marijuana Establishment or to whom marijuana products are being transported;
- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication are allowed to remain on the premises;
- Proper disposal of marijuana in accordance with applicable regulations;
- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;
- Establishing limited access areas which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;
- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft or loss;
- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage, including prior to disposal, of marijuana or marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keeping all locks and security equipment in good working order;
- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;
- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;
- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;
- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place, outside of the marijuana establishment, without the use of binoculars, optical aids or aircraft;

- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;
- Establishing procedures for safe cash handling and cash transportation to financial institutions to prevent theft, loss and associated risks to the safety of employees, customers and the general public;
- Sharing the Marijuana Establishment's floor plan or layout of the facility with law enforcement authorities, and in a manner and scope as required by the municipality and identifying when the use of flammable or combustible solvents, chemicals or other materials are in use at the Marijuana Establishment;
- Sharing the Marijuana Establishment's security plan and procedures with law enforcement authorities, including police and fire services departments, in the municipality where the Marijuana Establishment is located and periodically updating law enforcement authorities, police and fire services departments, if the plans or procedures are modified in a material way; and
- Marijuana must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including the ability to record footage to be retained for at least 90 days.

Massachusetts Transportation Requirements (Adult-Use)

Marijuana products may only be transported between licensed Marijuana Establishments by registered Marijuana Establishment agents. A licensed marijuana transporter may contract with a Marijuana Establishment to transport that licensee's marijuana products to other licensed establishments. All transported marijuana products are linked to the seed-to-sale tracking program. Any marijuana product that is undeliverable or is refused by the destination Marijuana Establishment shall be transported back to the originating establishment. All vehicles transporting marijuana products shall be staffed with a minimum of two Marijuana Establishment agents. At least one agent shall remain with the vehicle at all times that the vehicle contains marijuana or marijuana products. Prior to the products leaving a Marijuana Establishment, the originating Marijuana Establishment must weigh, inventory, and account for, on video, all marijuana products to be transported. Within eight hours after arrival at the receiving Marijuana Establishment, the receiving establishment must re-weigh, re-inventory, and account for, on video, all marijuana products transported. Marijuana products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of marijuana products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A Marijuana Establishment or a marijuana transporter transporting marijuana products is required to ensure that all transportation times and routes are randomized and remain within Massachusetts.

Vehicles must additionally be equipped with a video system that includes one or more cameras in the storage area of the vehicle and one or more cameras in the driver area of the vehicle. The video cameras must remain operational at all times during the transportation process and have the ability to produce a clear color still photo whether live or recorded, with a date and time stamp embedded and that do not significantly obscure the picture.

Vehicles used for transport must be owned or leased by the Marijuana Establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts. Marijuana may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment, with proper temperature control for marijuana products. Each vehicle must have a global positioning system, and any agent transporting marijuana must have access to a secure form of communication with the originating location.

Massachusetts Licenses (Adult Use)

Trulieve's wholly owned subsidiary, Life Essence, Inc., holds the following licenses:

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable)	Description
Life Essence	Provisional License	Northampton, MA	6/19/21	Dispensary
Life Essence	Provisional License	Holyoke, MA	6/19/21	Cultivation
Life Essence	Provisional License	Holyoke, MA	6/19/21	Product Manufacturing

CCC Inspections

The CCC or its agents may inspect a Marijuana Establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a Marijuana Establishment, all Marijuana Establishment agents and activities, and all records are subject to such inspection. During an inspection, the CCC may direct a marijuana establishment to test marijuana for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant-growth regulators, and the presence of pesticides not approved for use on marijuana by the Massachusetts Department of Agricultural Resources. Moreover, the CCC is authorized to conduct a secret shopper program to ensure compliance with all applicable laws and regulations.

Regulation of the Marijuana Market in California

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 (“**CUA**”). This provided an affirmative defense for defendants charged with the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law, decriminalizing the use, possession, and collective cultivation of medical marijuana, and establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the “Medical Marijuana Regulation and Safety Act” (“**MCRSA**”). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created testing laboratories, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the “Adult Use of Marijuana Act” (“**AUMA**”) creating an adult-use marijuana program for adult-use 21 years of age or older. In June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Marijuana Regulation and Safety Act (“**MAUCRSA**”), which amalgamated MCRSA and AUMA to provide a set of regulations to govern the medical and adult-use licensing regime for marijuana businesses in the State of California. MAUCRSA went into effect on January 1, 2018. The three primary licensing agencies that regulate marijuana at the state level are the Bureau of Cannabis Control (“**BCC**”), California Department of Food and Agriculture (“**CDFA**”), and the California Department of Public Health (“**CDPH**”).

One of the central features of MAUCRSA is known as “local control.” In order to legally operate a medical or adult-use marijuana business in California, an operator must have both a local and state license. This requires license-holders to operate in cities or counties with marijuana licensing programs. Cities and counties in California are allowed to determine the number of licenses they will issue to marijuana operators, or, alternatively, can choose to ban marijuana licenses.

California License Categories/ Types (the “California License”)

Holding Entity	Permit/ License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Leef Industries, LLC	Adult-Use Retailer	Palm Springs, CA	11/08/20	Dispensary

Once an operator obtains local approval, the operator must obtain state licenses before conducting any commercial marijuana activity. There are multiple license categories that cover all commercial activity. Categories include: (1) cultivation/nurseries, (2) testing laboratories, (3) distributors/transporters, (4) retailers, (5) microbusinesses, (6) event organizers, and (7) manufacturers. Categories of licenses are further broken down into subtypes. For example, there are multiple types of cultivation licenses available depending upon the size of the cultivation operation and whether the operation is indoors/outdoors or uses mixed lighting. Different manufacturing licenses are available depending upon whether volatile or non-volatile solvents are used. Retail licenses are available depending upon whether the retailer operates from a store-front or a non-store front.

California Agencies Regulating the Commercial Cannabis Industry

The CDFA oversees nurseries and cultivators; the CDPH oversees manufacturers, and the BCC oversees distributors, retailers, delivery services, and testing laboratories. Operators must apply to one or more of these agencies for their licenses, and each agency has released regulations specific to the operation of the types of businesses they oversee. The BCC has a number of regulations that apply to all licensees, but the CDFA and CDPH regulations only apply to the licensees in their charge.

The Marijuana Supply Chain in California

In California, depending on a local government’s own marijuana ordinances, plants may be cultivated outdoors, using mixed-light methods, or fully indoors. Cultivators must initially acquire seeds, clones, teens, or other immature plants from nurseries.

The cultivation, processing, and movement of marijuana within the state is tracked by the METRC system, into which all licensees are required to input their track and trace data (either manually or using another software that automatically uploads to METRC). Immature plants are assigned a Unique Identifier number (“UID”), and this number follows the flowers and biomass resulting from that plant through the supply chain, all the way to the consumer. Each licensee in the supply chain is required to meticulously log any processing, packaging, and sales associated with that UID.

When marijuana plants mature and complete their life cycle, they are harvested cured, and trimmed, in preparation of being sold to distributors or manufacturers. Cultivators have two main products: flowers, or “buds,” and the biomass, or “trim,” which is typically removed from the mature flowers. Trim is commonly sold to Manufacturers for further processing into cannabis extracts. Buds may also be sold to Manufacturers, or to Distributors for sale to Retailers. The Cultivator may package and label its marijuana flowers or may sell flower in bulk and the Distributor may package and label the flower.

Manufactured marijuana goods may be sold from a manufacturer to a Distributor but must be provided to Distributors in their final packaging. Distributors may not package manufactured marijuana goods. Certain tax rates apply to the marijuana flower and biomass, which are assessed per ounce of product sold. The California State excise tax is paid by the Cultivator to the Distributor, or alternatively the Manufacturer, and it is the Distributor that has the responsibility of tendering the excise taxes to the State of California.

Marijuana in California may only be transported by licensed distributors. Some cultivators and manufacturers have their own distribution licenses, and others contract with third party distributors. Distributors may or may not take possession of the marijuana and marijuana products. This has evolved in

such a way that, similar to the alcohol distribution model, retailers are choosing from a portfolio of products carried by the Distributors they work with. Brands are doing some direct marketing to Retailers, but many Brands target their marketing to Distributors.

Distributors are the point in the supply chain where final quality assurance testing is performed on products before they go to a retailer. Retailers may not accept product without an accompanying certificate of analysis (“COA”). Distributors must hold product to be tested on their premises in “quarantine” and arrange for an employee of a licensed testing laboratory to come to their premises and obtain samples from any and all goods proposed to be shipped to a retailer. Marijuana and marijuana products are issued either a “pass” or “fail” by the testing laboratory. Under some circumstances, the BCC’s regulations allow for failing product to be “remediated” or to be re-labeled to more accurately reflect the COA.

Retail Compliance in California

California requires that certain warnings, images, and content information be printed on all marijuana packaging. BCC regulations also include certain requirements about tamper-evident and child-resistant packaging. Distributors and retailers are responsible for confirming that products are properly labeled and packaged before they are sold to a customer.

Consumers aged 21 and up may purchase marijuana in California from a dispensary with an “adult-use” license. Some localities still only allow medicinal dispensaries. Consumers aged 18 and up with a valid physician’s recommendation may purchase marijuana from a medicinal-only dispensary or an adult-use dispensary. Consumers without valid physician’s recommendations may not purchase marijuana from a medicinal-only dispensary. All marijuana businesses are prohibited from hiring employees under the age of 21.

Security Requirements

Each local government in California has its own security requirements for cannabis businesses, which usually include comprehensive video surveillance, intrusion detection and alarms, and limited access areas in the dispensary. The State also has similar security requirements, including that there be limited-access areas where only employees and other authorized individuals may enter. All Licensee employees must wear employee badges. The limited access areas must be locked with “commercial-grade, nonresidential door locks on all points of entry and exit to the licensed premises.”

Each licensed premises must have a digital video surveillance system that can “effectively and clearly” record images of the area under surveillance. Cameras must be in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises. The regulations list specific areas which must be under surveillance, including places where cannabis goods are weighed, packed, stored, loaded, and unloaded, security rooms, and entrances and exits to the premises. Retailers must record point of sale areas on the video surveillance system.

Licensed retailers must hire security personnel to provide on-site security services for the licensed retail premises during hours of operation. All security personnel must be licensed by the Bureau of Security and Investigative Services.

California also has extensive record-keeping and track and trace requirements for all licensees.

Inspections

All licensees are subject to annual and random inspections of their premises. Cultivators may be inspected by the California Department of Fish and Wildlife, the California Regional Water Quality Control Boards, and the California Department of Food and Agriculture. Manufacturers are subject to inspection by the California Department of Public Health, and Retailers, Distributors, Testing Laboratories, and Delivery services are subject to inspection by the Bureau of Cannabis Control. Inspections can result in notices to correct, or notices of violation, fines, or other disciplinary action by the inspecting agency.

Retail taxes in California

Retailers generally must pay the excise tax to final distributors when they make wholesale purchases. These distributors then remit the retail excise taxes to the California Department of Tax Fee Administration (“**CDTFA**”), which administers State cannabis taxes. Retailers must make these payments before they sell the products to consumers, so the tax is based directly on the wholesale price (the price that retailers pay to distributors) rather than the retail price (the price that consumers pay to retailers). The CDTFA sets the tax based on its estimate of the average ratio of the average ratio of retail prices to wholesale prices—commonly known as a ‘markup’. CDTFA’s current markup estimate (as of January 1, 2020) is 80%. Due to the 15% statutory tax rate and the 80% markup estimate, the current effective tax rate on wholesale gross receipts is 27%.

In addition, the State taxes, cities and counties throughout California apply their own approaches to taxing cannabis. These approaches fall into three broad categories. First, many local governments impose the same tax rate on all cannabis businesses regardless of type. Second, many local governments impose higher tax rates on retailers than other types of cannabis businesses. Third, a few local governments license cannabis businesses but do not levy taxes specifically on cannabis. The California Legislative Analyst’s Office estimates that the average cumulative local tax rate over the whole supply chain is roughly equivalent to a 14% tax on retail sales.

The Corporation currently owns a large majority of the issued and outstanding membership interests of Leef Industries, a licensed dispensary in the City of Palm Springs. Upon final regulatory approval by the State of California, the Corporation will take ownership of 100% of the issued and outstanding membership interests of Leef. The Corporation has and will only engage in transactions with other licensed California marijuana businesses and has a compliance officer to oversee dispensary operations in the State. The Corporation is developing standard operating procedures for this and future California holdings to ensure consistency and compliance across its California holdings. The Corporation and, to the best of the knowledge of the Corporation, Leef Industries, are in compliance with California’s marijuana regulatory program.

Regulation of the Medical Cannabis Market in Connecticut

The State of Connecticut has authorized cultivation, possession, and distribution of marijuana for medical purposes by certain licensed Connecticut marijuana businesses. The Medical Marijuana Program (the “**MMP**”) registers qualifying patients, primary caregivers, Dispensary Facilities (“**DFs**”), and Dispensary Facility Employees (“**DFEs**”). The MMP was established by Connecticut General Statutes §§ 21a-408–21a-429. DFs and production facilities are separately licensed.

The MMP is administered by the Department of Consumer Protection (the “**DCP**”). Patients with qualifying debilitating medical conditions qualify to participate in the program, including patients with such conditions include but are not limited to cancer, glaucoma, positive status for human immunodeficiency virus (HIV) or acquired immune deficiency syndrome (AIDS), Parkinson’s disease, or multiple sclerosis (MS). A physician or advanced practice registered nurse must issue a written certification for an MMP patient, and the qualifying patient or caregiver must choose one designated DF where the patient’s marijuana will be obtained.

Connecticut Licensing Requirements

In Connecticut, marijuana may not be produced or dispensed without the appropriate license. The DCP determines how many facility licenses to issue based on the size and location of the DFs in operation, the number of qualifying patients registered with the DCP, and the convenience and economic benefits to qualifying patients.

When the DCP determines that additional licenses for DFs should be granted, it publishes a notice of open applications for DF licenses. This notice must include the maximum number of licenses to be granted, the

deadline for receipt of applications, and the criteria that will be considered when awarding the licenses. Such criteria must include character and fitness of any person who may have control or influence over the operation of the proposed DF; the location for the proposed DF; the applicant’s ability to maintain adequate controls against the diversion, theft, or loss of marijuana; the applicant’s ability to maintain the knowledge, understanding, judgment, procedures, security controls and ethics to ensure optimal safety and accuracy in the dispensing and sale of marijuana; and the extent to which the applicant or any of the applicant’s DF backers have a financial interest in another licensee, registrant, or applicant.

Applicants for DF licenses must identify, among other things, the proposed DF location, financial statements, criminal background check applications for the applicant and applicant’s backers, a plan to prevent theft and diversion, and a blueprint of the proposed DF. An application for a DF license also requires the payment of a \$5,000 fee. If approved, the licensee must pay an additional \$5,000 before receiving its license. The decision of the DCP’s Commissioner (the “**Commissioner**”) not to award a DF license to an applicant is final.

*Connecticut Licenses (the “**Connecticut License**”)*

Holding Entity	Permit/ License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Trulieve Bristol Inc.	Medical Marijuana Dispensary Facility License	Bristol	04/15/21	Dispensary

Connecticut Dispensary Facility Requirements

A DF may not dispense marijuana from, obtain marijuana from, or transfer marijuana to, a location outside of the state of Connecticut. DFs are limited to the following modes of obtaining, delivering, transferring, transporting, and selling marijuana:

- A DF may acquire marijuana from a producer;
- A DF may dispense and sell marijuana to a qualifying patient or primary caregiver registered to their facility and who is registered with the DCP;
- A DF may dispense or sell to a research program subject pursuant to the protocols of a research program approved by the Commissioner;
- A DF may transfer, distribute, deliver, transport, or sell to a research program employee pursuant to the protocols of a research program approved by the Commissioner;
- A DF may transfer, distribute, deliver or transport to a hospice or other inpatient care facility licensed by the Department of Public Health that has a protocol for handling and distributing marijuana that has been approved by the DCP; and
- A DF may transfer, distribute, deliver or transport marijuana to an approved laboratory.

Only a pharmacist licensed as a dispensary may dispense marijuana, and only a dispensary or dispensary technician may sell marijuana to qualifying patients, primary caregivers, or research program subjects who are registered with the DCP. A DF may not engage in marijuana compounding, except that a dispensary may dilute a medical marijuana product with a USP grade substance with no active ingredient for the purposes of dose titration, tapering, for the addition of a flavoring agent, or to create a maintenance dose that is not available from any producer at the time of purchase. No person associated with a DF may enter into any agreement with a certifying health care provider or health care facility concerning the provision of services or equipment that may adversely affect any person’s freedom to choose the DF at which the qualifying patient or primary caregiver will purchase marijuana, except in the case of an approved research program.

All DFEs must, at all times while at the DF, have their current dispensary license, dispensary technician registration or DFE registration available for inspection by the Commissioner or the DCP. The DF shall establish, implement and adhere to a written alcohol-free, drug-free and smoke-free workplace policy, which must be available to the DCP upon request. Marijuana may not be applied, ingested, or consumed inside a DF.

Each DF must make publicly available the price of all its marijuana products to prospective qualifying patients and primary caregivers. All marijuana must be sold in child-resistant, sealed containers except upon a written request from the qualifying patient or primary caregiver. No marijuana may be sold without the producer label. All products sold to the qualifying patient or primary caregiver must be placed in an opaque package that shall not indicate the contents of the package, the originating facility or in any other way cause another person to believe that the package may contain marijuana. Each DF must also provide information to qualifying patients and primary caregivers regarding the possession and use of marijuana. The DF manager must submit all informational material to the Commissioner for approval prior to such information being provided to qualifying patients and primary caregivers.

Connecticut Security and Storage Requirements

All facilities must have an adequate security system to prevent and detect loss of marijuana. These systems must use commercial grade equipment, including perimeter alarms, motion detectors, video cameras with 24-hour recordings (which must be retained for at least 30 days), silent alarms, panic alarms, a failure notification system, and the ability to remain operational during a power outage. Each facility must also have a back-up alarm system approved by the Commissioner. The outside perimeter of every facility must be well-lit. All equipment must be kept in good working order and tested at least twice per year.

A DF must:

- Not maintain marijuana in excess of the quantity required for normal, efficient operation;
- Store all marijuana in an approved safe or approved vault and in such a manner as to prevent diversion, theft or loss;
- Maintain all marijuana in a secure area or location accessible only to specifically authorized employees, which shall include only the minimum number of employees essential for efficient operation;
- Keep all approved safes and approved vaults securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keep all locks and security equipment in good working order;
- Keep the dispensary department securely locked and protected from entry by unauthorized employees; and
- Post a sign at all entry ways into any area of the DF containing marijuana stating, "Do Not Enter - Limited Access Area - Access Limited to Authorized Employees Only." All deliveries must be carried out under the direct supervision of a pharmacist licensed as a dispensary, who must be present to accept the delivery. Upon delivery, the marijuana must immediately be placed in an approved safe or approved vault within the dispensary.

No person may enter the area where marijuana is dispensed and sold unless such person is licensed or registered by the DCP; such person's responsibilities necessitate access to the dispensary department and then for only as long as necessary to perform the person's job duties; or such person has a patient or caregiver registration certificate, in which case such person must not be permitted behind the service counter or in other areas where marijuana is stored.

Connecticut Transportation Requirements

Prior to transporting any marijuana or marijuana product, a DF must complete a shipping manifest using a form prescribed by the Commissioner and securely transmit a copy of the manifest to the laboratory,

research program location, hospice, or other inpatient care facility that will receive the products and to the DCP at least 24 hours prior to transport. These manifests must be maintained and made available to the DCP. Marijuana may only be transported in a locked, secure storage compartment that is part of the vehicle transporting the marijuana. This compartment may not be visible from outside the vehicle. Routes must be randomized.

All transport vehicles must be staffed with a minimum of two employees. At least one delivery team member is required to remain with the vehicle at all times that the vehicle contains marijuana. A delivery team member must have access to a secure form of communication with employees at the originating facility at all times that the vehicle contains marijuana. A delivery team member must physically possess a department-issued identification card at all times when transporting or delivering marijuana and must produce it to the Commissioner or law enforcement official upon request.

No marijuana may be sold, dispensed or distributed via a delivery service or any other manner outside of a DF, except that a primary caregiver may deliver marijuana to the caregiver's qualified patient and a DFE may deliver to a hospice or other inpatient care facility licensed by the Department of Public Health that has a protocol for handling and distributing marijuana that has been approved by the DCP.

Inspections by the Commissioner

All documents required to be kept by a facility must be maintained in an auditable format for no less than three years. These records must be provided to the Commissioner or an authorized delegate immediately upon request. Additionally, the Commissioner and authorized delegates may enter any place, including a vehicle, where marijuana is held, produced, or otherwise handled, and inspect in a reasonable manner such place and all pertinent items and documents within it.

Balance Sheet Exposure

At June 30, 2020, 100% of the Company's balance sheet is exposed to U.S. cannabis-related activities.

SUMMARY OF OPERATING BUSINESS

Trulieve is a successful cannabis company operating in highly regulated markets that require expertise in cultivation, manufacturing, retail and logistics. Trulieve has developed proficiencies in each of these functions and is committed to utilizing predictive analytics to stay abreast of sales trends, patient demographics and evolving demand. This is the foundation upon which Trulieve has built sustainable, profitable growth.

In states that require cannabis companies to be vertically integrated, ownership of the entire supply chain mitigates third party risks and allows Trulieve to completely control product quality and brand experience. This results in high patient retention and brand loyalty. Trulieve successfully operates the core business functions of cultivation, production and distribution at scale, and is skilled at rapidly increasing capacity without any interruption to existing operations. The Trulieve brand philosophy of "Patients First" permeates the Trulieve culture beginning with high-quality cultivation and GMP-certified product manufacturing, through the consumer experience at Trulieve stores, at the Corporation's in-house call center and at patient residences through a robust home delivery program.

Data Utilization for Predictive Analytics

Trulieve collects and analyzes data throughout the entire seed to sale process of the enterprise. All strategic and tactical business decisions are driven by analyses of historical data coupled with predictive analytics to ensure the best possible solution is formulated and executed. Data collection systems are based on a state-of-the-art SAP platform, which is cloud based and routinely backed up to ensure the security and integrity of data repositories.

In the Corporation's cultivation activities, Trulieve uses data analytics to predict future yields and plan future crop rotations to meet projected patient demand. The predictive analysis ensures Trulieve operates in an efficient manner to maximize the harvest output to cost ratio, while continuously delivering today's most in-demand genetics.

Trulieve also uses data analytics throughout the entire manufacturing process to monitor outputs in real-time, ensure quality processes are adhered to, and analyze key metrics to optimize lean flow efficiency. Consistency is paramount to Trulieve and tracking of the recorded data guarantees uniformity and end-to-end traceability for all products distributed.

Once the Corporation's products are in Trulieve stores, each sales transaction is recorded. The reports derived from the recorded information allows Trulieve to track and analyze – by retail location – sales trends, quantities dispensed, and products sold by subcategory. Trulieve uses this data for regression and predictive analysis, cultivation crop and derivative product manufacturing planning, and patient marketing. The data is also key in planning future cultivation and manufacturing expansion. On the retail side, delivery request volume is used to guide new retail store placement and predictive analyses inform retail inventory planning.

High-Yield Cultivation Facilities and Techniques

Trulieve transforms raw cannabis flower into the Trulieve portfolio of products sold in Trulieve stores. With a focus on scalable operations, Trulieve has detailed Standard Operating Procedures as well as robust training protocols that are employed across all cultivation sites to achieve a high level of consistency and medicinal quality.

As of June 30, 2020, the Corporation operates approximately 1,780,408 square feet of cultivation facilities across five sites in Florida. In accordance with Florida law, Trulieve grows in secure enclosed indoor facilities and greenhouse structures. In Massachusetts, Trulieve anticipates completion of the first phase of its medical marijuana cultivation and processing facility in Q3 2020.

The ability to quickly construct and operate high-yield cultivation facilities at commercial scale is critical in Florida as well as other vertical markets. As of June 30, 2020, Trulieve grows 114 cannabis flower strains with varying price points and is currently responsible for over 50% of all flower sold in Florida.

Scaled, Quality Production

As a vertically integrated company in Florida, Trulieve US produces 100% of all products sold in Trulieve's Florida stores. Trulieve has successfully obtained GMP certification for its Florida manufacturing facilities and has detailed Standard Operating Procedures and comprehensive quality systems in place to ensure safe and effective products are delivered to Trulieve's patients.

Trulieve primarily utilizes super critical ethanol extraction to obtain the cannabis oil used in the majority of its branded products. Trulieve also utilizes carbon dioxide extraction for terpene extraction as well as a line of CO2 vaporizer cartridges. The Corporation has a 55,000 square foot building that houses extraction, infusion, packaging, and shipping activities. In anticipation of legal changes that will allow edible cannabis products to be sold in Florida, the building was outfitted with a state-of-the-art, GMP-certified kitchen.

As of June 30, 2020, Trulieve manufactures, packages and distributes products in a variety of market segments with over 450 SKUs.

Marketing and Community Outreach

Trulieve's marketing strategies center around education and outreach for three key groups: physicians, patients and potential patients.

Trulieve provides industry leading education, outreach and support to all registered Florida medical cannabis physicians. The Corporation's educational materials are designed to help physicians understand cannabinoid science, the high standards to which Trulieve plants are cultivated and how the Corporation's products provide relief for patients. Trulieve's dedicated physician education team delivers in-person outreach to hundreds of physicians each month as well as immediate phone support through a dedicated physician education team member in the Trulieve call center.

Patients primarily learn about Trulieve through their physicians, patient-centric community events, and digital marketing. Trulieve participates in dozens of patient outreach and community events on a monthly basis. An engaged patient audience is captured through the Corporation's digital content marketing. Trulieve engages with its consumer base via multiple popular social media platforms.

Trulieve also attends many events focused on educating non-patients who may benefit such as veterans, seniors, organizations that serve qualifying patient populations, and various health and wellness groups. Search engine optimization of the Corporation's website also captures potential patients researching the benefits of medical marijuana, which offers another pathway to informative materials about therapeutic uses of cannabis, Trulieve products and how to legally access them.

Patient Focused Experiences

It is Trulieve's goal to create enthusiastic fans who are loyal to the Trulieve brand, and in return to provide these patients industry-leading products and superior customer service. Trulieve accomplishes this goal through several key strategies:

Training

Patient experience is an area of high focus for the Corporation. Trulieve employs and continuously improves numerous training programs and methods in an effort to ensure the Corporation's front-line workers have the resources and information they need to provide patients with an excellent experience across all Trulieve branded locations. In addition, the Corporation is utilizing an advanced learning management system in cultivation and processing to standardize and track training. A multi-level training structure that employs three different training methodologies is used to ensure employees are performing tasks to internal standards. This training approach is dynamic and subject to regular evaluation under the continuous improvement program. Trulieve offers specialized management training so there is daily reinforcement of patient experience best practices.

Branded Store Experiences

Trulieve maintains a consistent look and feel across dispensary locations to streamline the dispensary experience for the benefit of patients. Brand guidelines are the cornerstone, ensuring each store utilizes the same design, color scheme and layout to provide a comfortable, welcoming environment across locations. Similarly, the brand standards are adhered to in Trulieve digital marketing, lending to Trulieve's brand recognition in Florida and beyond.

Brand Strategy

The foundation of Trulieve's brand strategy is making top quality Trulieve branded products that are effective. In Florida, the Trulieve brand is already synonymous with quality and consistency; using the Corporation's proven model to build similar brand associations in new markets is the next step.

In addition, the Corporation is partnering with strategic brands that are or will be featured in Trulieve locations. To date, Trulieve has announced partnerships with Bhang, Binske, Loves Oven, SLANG and Blue River. Each strategic partner is a consumer favorite with a strong following, unique value proposition and market penetration strategy.

The third tier of the Trulieve brand strategy consists of local partnerships. Trulieve's first local partnership was Sunshine Cannabis, a Florida based company whose focus has been on bringing back unique Florida-based cannabis strains such as "Sunshine Kush" and "Gainesville Green". As a testament to their grass roots marketing efforts, each of the two vape pen SKUs featuring these cannabis strains sold out within 48 hours of launch.

Multiple Channels of Distribution

To meet patient needs, Trulieve provides patients with several different purchase options. Trulieve has numerous storefront dispensaries where patients can consult with experts on staff and make purchases. The Corporation also offers in-store pick up as well as statewide delivery service in Florida. Patients can order products for in-store pick up or delivery online or by calling the Trulieve call center.

Loyalty Program and Communication Platforms

The Truliever program is a patient-based loyalty program in which patients earn points for dollars spent and receive discounts when their points exceed specified thresholds. Trulievers are also first to know about special discounts or limited product releases and are invited to exclusive Truliever promotions and events. Trulieve is a technology friendly company that understands each consumer has unique communication preferences and capabilities. As such, the Corporation engages with patients and physicians through a variety of methods including email, text, social media and online chat.

Research and Development

Trulieve has a dedicated research and development team focused on product development and technological innovation. The R&D team evaluates new technologies and performs rigorous testing prior to recommending introduction into production. The team is constantly monitoring developments in the fast-paced cannabis industry and drawing inspiration from adjacent industries to ensure the Corporation remains competitive.

Diversity, Inclusion & Equity

Trulieve is committed to contributing positively to the legal cannabis industry. As a business that produces and distributes a product that many people – especially people of color – were arrested and incarcerated for in the past, Trulieve recognizes the supreme importance of ensuring the cannabis industry is diverse, inclusive, and equitable. As such, the Corporation has launched a Diversity & Inclusion Committee. The Committee is comprised of executives, senior management, and a diversity consultant that will implement and record the efficacy of efforts to recruit and develop diverse talent, implement company-wide diversity and cultural competency training, increase supplier diversity, engage in social justice initiatives, and more.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

In addition to providing financial measurements based on IFRS, the Corporation provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Corporation's financial performance. These non-IFRS financial measures are adjusted EBITDA and working capital.

Management believes that these non-IFRS financial measures reflect the Corporation's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies.

As there are no standardized methods of calculating these non-IFRS measures, the Corporation's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are

intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

ADJUSTED EBITDA

Adjusted EBITDA is a financial measure that is not defined under IFRS. Trulieve uses this non-IFRS financial measure and believes it enhances an investor's understanding of the Corporation's financial and operating performance from period to period because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of the Corporation's ongoing operations and performance. The adjusted EBITDA excludes from net income as reported interest, share-based compensation, tax, depreciation, non-cash expenses, RTO expense, other income, grow cost expensed for biological assets and unsold inventory, and the non-cash fair value effects of accounting for biological assets and inventories. Trulieve reports adjusted EBITDA to help investors assess the operating performance of the Corporation's business. The financial measures noted above are metrics that have been adjusted from the IFRS net income measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the IFRS net income measure.

Other companies in the Corporation's industry may calculate these measures differently than Trulieve does, limiting their usefulness as comparative measures.

WORKING CAPITAL

The calculation of working capital provides additional information and is not defined under IFRS. The Corporation defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Corporation's liquidity.

Other companies in the Corporation's industry may calculate this measure differently than the Corporation does, limiting its usefulness as a comparative measure.

RECONCILIATIONS OF NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The table below reconciles net income to adjusted EBITDA for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net Income (IFRS)	\$ 6,560,497	\$ 57,528,785	\$ 20,559,055	\$ 72,231,059
Add (Deduct) Impact of:				
Net Effect of Change in Fair Value	\$ 16,795,568	\$ (66,230,340)	\$ 21,216,055	\$ (76,453,658)
Grow Cost Expensed for Biological Assets & Unsold Inventory	\$ (1,069,013)	\$ 7,118,120	\$ 5,530,454	\$ 7,149,286
Interest Expense, Net	\$ 6,810,243	\$ 1,910,064	\$ 13,685,410	\$ 3,136,025
Share-Based Compensation	\$ 462,306	\$ -	\$ 1,684,529	\$ -
Depreciation and Amortization	\$ 3,740,150	\$ 1,839,890	\$ 7,022,440	\$ 3,300,727
Depreciation included in Cost of Goods Sold <i>Note 4 FS</i>	\$ 3,106,987	\$ 1,729,288	\$ 5,882,486	\$ 2,663,342
Provision For Income Taxes	\$ 19,164,971	\$ 27,714,464	\$ 34,316,838	\$ 38,551,464
Other Income (Expense), Net	\$ 4,963,262	\$ 5,801	\$ 64,681	\$ (5,237)
Total Adjustments	\$ 53,974,474	\$ (25,912,713)	\$ 89,402,893	\$ (21,658,051)
Adjusted EBITDA (Non-IFRS)	\$ 60,534,971	\$ 31,616,072	\$ 109,961,948	\$ 50,573,008

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited condensed consolidated interim financial statements of the Corporation for the three and six months ended June 30, 2020 and 2019.

The selected consolidated financial information set out below may not be indicative of the Corporation's future performance:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues, Net of Discounts	\$ 120,764,879	\$ 57,920,112	\$ 216,821,386	\$ 102,396,077
Production Expenses and Cost of Goods from Third Party Suppliers	\$ 29,677,195	\$ 20,361,947	\$ 58,606,093	\$ 34,949,446
Revenues less Production Expenses and Cost of Goods From Third Party Suppliers	\$ 91,087,684	\$ 37,558,165	\$ 158,215,293	\$ 67,446,631
Net Effect of Change in Fair Value of Biological Assets	\$ (16,795,568)	\$ 66,230,340	\$ (21,216,055)	\$ 76,453,658
Revenues less Production Expenses and Cost of Goods From Third Party Suppliers and Fair Value Adjustments	\$ 74,292,116	\$ 103,788,505	\$ 136,999,238	\$ 143,900,289
Total Expenses	\$ 36,793,143	\$ 16,629,391	\$ 68,373,254	\$ 29,986,978
Operating Income	\$ 37,498,973	\$ 87,159,114	\$ 68,625,984	\$ 113,913,311
Total Other Expenses	\$ 11,773,505	\$ 1,915,865	\$ 13,750,091	\$ 3,130,788
Provision For Income Taxes	\$ 19,164,971	\$ 27,714,464	\$ 34,316,838	\$ 38,551,464
Net Income	\$ 6,560,497	\$ 57,528,785	\$ 20,559,055	\$ 72,231,059

	Six Months Ended June 30,	
	2020	2019
Cash	\$ 150,313,428	\$ 54,031,919
Total Current Assets	\$ 413,743,813	\$ 192,499,755
Total Assets	\$ 697,693,288	\$ 372,622,575
Total Current Liabilities	\$ 100,083,519	\$ 63,213,761
Total Long-Term Liabilities	\$ 281,551,509	\$ 133,817,395
Total Shareholders' Equity	\$ 316,058,260	\$ 175,591,419

Three and Six Months Ended June 30, 2020 Compared to Three and Six Months Ended June 30, 2019

Revenue

Revenue for the three months ended June 30, 2020 was \$120.8 million, up \$62.9 million or 109%, from \$57.9 million for the three months ended June 30, 2019 due to increased retail sales. The state registry which approves and maintains the status of the medical cannabis license holders reached approximately 358,000 active patients during the second quarter of 2020. Trulieve operated 52 dispensaries as of June 30, 2020, compared to 31 dispensaries as of June 30, 2019. Trulieve's statewide retail and home delivery presence along with its broad product mix of over 450 SKUs were the main reasons for the continued market growth.

Revenue for the six months ended June 30, 2020 was \$216.8 million, up \$114.4 million or 112%, from \$102.4 million for the six months ended June 30, 2019 due to increased retail sales. Trulieve operated 52 dispensaries as of June 30, 2020, compared to 31 dispensaries as of June 30, 2019.

Production Expenses & Cost of Goods from Third Party Suppliers & Biological Assets and Fair Value Adjustments

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
Revenues, Net of Discounts	\$ 120,764,879	\$ 57,920,112	\$ 62,844,767	109%	\$ 216,821,386	\$ 102,396,077	\$ 114,425,309	112%
Production Expenses and Cost of Goods From Third Party Suppliers								
Production Expenses and Cost of Goods From Third Party Suppliers before Fair Value Adjustments	29,677,195	20,361,947	9,315,248	46%	58,606,093	34,949,446	23,656,647	68%
Gross Profit before Fair Value Adjustments	91,087,684	37,558,165	53,529,519	143%	158,215,293	67,446,631	90,768,662	135%
Gross Margin before Fair Value Adjustment	75%	65%			73%	66%		
Fair Value Adjustments								
Unrealized Change in Fair Value of Biological Assets	76,817,748	87,938,390	(11,120,642)	(13%)	154,405,138	128,811,442	25,593,696	20%
Realized Fair Value Adjustments on Inventory Sold	(93,613,316)	(21,708,050)	(71,905,266)	331%	(175,621,193)	(52,357,784)	(123,263,409)	235%
Total Fair Value Adjustments	(16,795,568)	66,230,340	(83,025,908)	(125%)	(21,216,055)	76,453,658	(97,669,713)	(128%)
Gross Profit after Fair Value Adjustments	\$ 74,292,116	\$ 103,788,505	\$ (29,496,389)	(28%)	\$ 136,999,238	\$ 143,900,289	\$ (6,901,051)	(5%)
Gross Margin after Fair Value Adjustment	62%	179%	--	--	63%	141%	--	--

Production expenses and cost of goods from third party suppliers are derived from cost related to the internal cultivation, production, and purchase of cannabis. The production costs include the direct cost of seeds and growing materials, as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space.

The specific individual types of costs by their nature which compose direct/indirect costs of biological assets are as follows:

- Wages, payroll taxes, and insurance of those personnel involved in the cultivation of marijuana plants.
- Wages, payroll taxes, and insurance of those personnel involved in the indirect service provided at the cultivation sites including security and maintenance.
- Direct costs used in the production of the marijuana plants including soils, nutrients, and integrated pests.
- Overhead costs with the cultivation sites including rent, insurance, taxes, utilities, and security.
- Indirect supplies including uniforms, scrubs, hairnets, gloves, office supplies, and software.
- Depreciation of owned and leased cultivation buildings, improvements and cultivation equipment.

See below for the breakout for the three and six months ended June 30, 2020 and June 30, 2019 for the production expenses and cost of goods from third party suppliers.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Grow Costs Incurred	\$ 16,006,219	\$ 12,383,098	\$ 31,630,654	\$ 22,411,468
Processing Costs and Purchased Goods for Inventory Sold	13,670,976	7,978,849	26,975,439	12,537,978
Total	\$ 29,677,195	\$ 20,361,947	\$ 58,606,093	\$ 34,949,446

All direct and indirect costs related to both biological assets grown, and inventory sold are included in the production expenses on the accompanying unaudited condensed consolidated interim statements of operations.

Production expenses and cost of goods from third party suppliers, excluding any adjustments to the fair value of biological assets, for the three months ended June 30, 2020 was \$29.7 million, up \$9.3 million or 46%, from \$20.4 million for the three months ended June 30, 2019. This increase was driven by continued market growth and higher sales volume in the second quarter of 2020. Production expenses and cost of goods from third party suppliers as a percentage of revenue was 25% for the three months ended June 30, 2020, as compared to 35% for the three months ended June 30, 2019.

Production expenses and cost of goods from third party suppliers, excluding any adjustments to the fair value of biological assets, for the six months ended June 30, 2020 was \$58.6 million, up \$23.7 million or

68%, from \$34.9 million for the six months ended June 30, 2019. This increase was driven by continued market growth and higher sales volume in the first half of 2020. Production expenses and cost of goods from third party suppliers as a percentage of revenue was 27% for the six months ended June 30, 2020, as compared to 34% for the six months ended June 30, 2019.

Revenues less production expenses and cost of goods from third party suppliers and fair value adjustments for the three months ended June 30, 2020 was \$74.3 million, down \$29.5 million or 28%, from \$103.8 million for the three months ended June 30, 2019. This decrease was driven by a decrease in the net effect of change in fair value of biological assets and partially offset by increased retail sales. The Corporation did not plant a spring crop at its greenhouse facilities in the first quarter of 2020, thus there were fewer plants undergoing transformation in the three months ended June 30, 2020, resulting in a decrease in the net effect change in fair value of biological assets.

Revenues less production expenses and cost of goods from third party suppliers and fair value adjustments for the six months ended June 30, 2020 was \$137.0 million, down \$6.9 million or 5%, from \$143.9 million for the six months ended June 30, 2019. The Corporation did not plant a spring crop at its greenhouse facilities in the first quarter of 2020, thus there were fewer plants undergoing transformation in the six months ended June 30, 2020, resulting in a decrease in the net effect change in fair value of biological assets.

The Corporation has followed IAS 2 regarding the capitalization of post-harvest cost for inventory not sold in Q2 2020.

The Corporation tracks separate from inventory processing costs, all direct and indirect costs incurred in the growing of biological assets (“grow costs”). The total of these grow costs is divided by the number of grams grown in a given period in order to determine grow costs per gram. The amounts reported in the table above represent the total grow costs of the period end bio assets and inventory. This is determined as the product of:

- a) grams of biological assets undergoing biological transformation (bio assets) and harvested grams on hand (inventory) at the end of the period; and
- b) the grow costs per gram.

For the three and six months ended June 30, 2020, total grow costs incurred were \$16,006,219 and \$31,630,654, respectively. For the same periods in 2019 the grow costs incurred were \$12,383,098 and \$22,411,468, respectively.

The Corporation has quantified and presented below in the table the difference that would have been capitalized from period to period under the alternate accounting policy choice to capitalize growing costs. At June 30, 2020, the total growing costs that would have been capitalized were \$46,835,974. Under the capitalization approach, these assets will be sold post June 30, 2020 and would therefore not be expensed at June 30, 2020.

At December 31, 2019, the total growing costs that would have been capitalized were \$41,305,520. Under the capitalization approach, these assets will be sold post December 31, 2019 and would therefore not be expensed at December 31, 2019.

The difference between these amounts, \$5,530,454, is presented as the net impact of the capitalize vs expense approach for the six months ended June 30, 2020.

Estimated Growing Cost in Closing	June 30, 2020	December 31, 2019	Difference
Inventories	\$ 39,781,066	\$ 30,470,307	\$ 9,310,759
Biological Assets	\$ 7,054,908	\$ 10,835,213	\$ (3,780,305)
Total	\$ 46,835,974	\$ 41,305,520	\$ 5,530,454

The Corporation determines grow costs per gram of dry flower in a manner consistent with the capitalization methodology outlined in IAS 2; this includes both direct and indirect costs. The Company's policy choice outlines that these grow costs are expensed as incurred. At each period end, the Company determines the total number of grams on hand, both undergoing biological transformation in biological assets and grams that have been harvested and are in ending inventory. The Company uses its growing cost information to determine the total growing costs incurred to grow these grams on hand at period end. This represents the value that would have been "capitalized" under the capitalized approach. The rest of the growing costs would have flowed through as production expenses as the inventory is sold. The table below reflects the period end grow costs and the respective period over period change on a retrospective basis:

	Growing Costs \$	Change in Grow Costs (Q/Q)
December 31, 2017	2,809,159	
March 31, 2018	7,332,227	4,523,068
June 30, 2018	7,617,213	284,986
September 30, 2018	11,673,798	4,056,585
December 31, 2018	12,566,730	892,932
March 31, 2019	12,004,033	(562,697)
June 30, 2019	19,716,017	7,711,983
September 30, 2019	28,854,200	9,138,183
December 31, 2019	41,305,520	12,451,320
March 31, 2020	47,904,987	6,599,467
June 30, 2020	46,835,974	(1,069,013)

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory. The fair value of the biological asset at harvest becomes the initial inventory costs when transferred.

When the product is sold, the fair value is relieved from inventory and the transfer is booked to fair value adjustment on inventory sold.

Total Expenses

Total expenses for the three months ended June 30, 2020 was \$36.8 million, up \$20.2 million or 121%, from \$16.6 million for the three months ended June 30, 2019, which is mainly due to scaling of the business. Total expenses as a percentage of revenue was 30% for the three months ended June 30, 2020 compared to 29% for the three months ended June 30, 2019.

The increase in total expenses was partially attributable to an increase of retail and sales and marketing expenses which for the three months ended June 30, 2020 was \$25.1 million, up \$13.7 million or 121%, from \$11.4 million for the three months ended June 30, 2019. Retail and sales and marketing expenses as a percentage of revenue was 21% for the three months ended June 30, 2020, as compared to 20% for the three months ended June 30, 2019. The overall increase in retail and sales and marketing expenses was due to the opening of additional dispensary locations and the associated costs including payroll and insurance.

The increase in total expenses was also attributable to an increase of general and administrative expenses which for the three months ended June 30, 2020 was \$7.9 million, up \$4.5 million or 133%, from \$3.4 million for the three months ended June 30, 2019. General and administrative expenses as a percentage of revenue was 7% for the three months ended June 30, 2020, as compared to 6% for the three months ended June 30, 2019. In addition, the increase was also attributable to general and administrative expenses was due to increased infrastructure expenses to support business growth and potential expansion into additional markets.

Total expenses for the six months ended June 30, 2020 was \$68.4 million, up \$38.4 million or 128%, from \$30.0 million for the six months ended June 30, 2019, which is mainly due to scaling of the business and costs incurred to support business growth and potential expansion. Total expenses as a percentage of revenue was 32% for the six months ended June 30, 2020 compared to 29% for the six months ended June 30, 2019.

The increase in total expenses was partially attributable to an increase of retail and sales and marketing expenses which for the six months ended June 30, 2020 was \$47.2 million, up \$26 million or 123%, from \$21.2 million for the six months ended June 30, 2019. Retail, sales and marketing expenses as a percentage of revenue was 22% for the six months ended June 30, 2020, as compared to 21% for the six months ended June 30, 2019. In addition to, the overall increase in retail, sales and marketing expenses was due to the opening of additional dispensary locations and the associated costs including payroll and insurance.

The increase in total expenses was also attributable to an increase of general and administrative expenses which for the six months ended June 30, 2020 was \$14.2 million, up \$8.7 million or 156%, from \$5.5 million for the six months ended June 30, 2019. General and administrative expenses as a percentage of revenue was 7% for the six months ended June 30, 2020 and 6% for the six months ended June 30, 2019. In addition, the increase was also attributable to general and administrative expenses was due to business growth and potential expansion.

Total Other Expense

Total other expense for the three months ended June 30, 2020 was \$11.8 million, up \$9.9 million or 521%, from \$1.9 million for the three months ended June 30, 2019. The overall increase was due to the interest expense of \$6.8 million related primarily to the June Notes and the November Notes and the negative impact due to the revaluation of the debt warrants of \$5.1 million.

Total other expenses for the six months ended June 30, 2020 was \$13.8 million, up \$10.6 million or 342%, from \$3.1 million for the six months ended June 30, 2019. The overall increase was due to the interest expense of \$13.8 million related primarily to the June Notes and the November Notes.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the three months ended June 30, 2020, provisions for Federal and State income tax totaled \$19.2 million, down \$8.5 million or 31%, from \$27.7 million for the three months ended June 30, 2019. The effective tax rate for the three months ended June 30, 2020 was 26% as compared to 27% for the three months ended June 30, 2019, when the tax expense is taken as a percentage of revenues less production expenses and cost of goods from third party suppliers and fair value adjustments.

For the six months ended June 30, 2020, provisions for Federal and State income tax totaled \$34.3 million, down \$4.2 million or 11%, from \$38.6 million for the six months ended June 30, 2019. The effective tax rate for the six months ended June 30, 2020 was 25% as compared to 27% for the six months ended June 30, 2019, when the tax expense is taken as a percentage of revenues less production expenses and cost of goods from third party suppliers and fair value adjustments.

Net Income

Net income for the three months ended June 30, 2020 was \$6.6 million, down \$50.9 million or 89%, from \$57.5 million for the three months ended June 30, 2019. The decrease in net income was primarily driven from the decrease in the fair value of biological assets of \$83.0 million period-over-period. The decrease in the fair value is due to the Company's decision to not do a spring plant for greenhouses in 2020, as a result, there were less plants undergoing transformation and therefore a corresponding decrease in the fair value of biological assets, resulting in a decrease to net income. Additionally, total expenses increased \$20.2

million period-over-period mainly due to scaling of the business. This was partially offset by the increase of \$53.5 million period-over-period of revenues less production expenses and cost of goods from third party suppliers, excluding any adjustments to the fair value of biological assets.

Net income for the six months ended June 30, 2020 was \$20.6 million, down \$51.7 million or 72%, from \$72.2 million for the six months ended June 30, 2019. The decrease in net income was primarily driven from the decrease in the fair value of biological assets of \$97.7 million period-over-period. The decrease in the fair value is due to the Company's decision to not do a spring plant for greenhouses in 2020, as a result, there were less plants undergoing transformation and therefore a corresponding decrease in the fair value of biological assets, resulting in a decrease to net income. Additionally, total expenses increased \$38.4 million period-over-period mainly due to scaling of the business. This was partially offset by the increase of \$90.8 million period-over-period of revenues less production expenses and cost of goods from third party suppliers, excluding any adjustments to the fair value of biological assets. The decrease in net income was driven from the decrease in the fair value of biological assets of \$6.9 million year-over-year.

Drivers of Results of Operations

Revenue

The Corporation derives its revenue from cannabis products which it manufactures, sells and distributes to its customers by home delivery and in its retail stores.

Revenues less Production Expenses and Cost of Goods from Third Party Suppliers and Fair Value Adjustments

Revenues less production expenses and cost of goods from third party suppliers and fair value adjustments includes the costs directly attributable to product sales and includes amounts paid to produce finished goods, such as flower, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis product, which may create fluctuations in margins over comparative periods as the regulatory environment changes.

During the three and six months ended June 30, 2020, the Corporation continued to be focused on executing sustainable profitable growth of the Corporation's base business while investigating expansion. Trulieve continued to expand within Florida with an additional eight locations opening in the first six months of 2020.

Total Expenses

Total expenses other than the revenues less production expenses and cost of goods from third party suppliers consist of selling costs to support the Corporation's customer relationships and to deliver products to its retail stores. Such expenses also include a significant investment in marketing and brand activities and the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, Trulieve expects sales to increase at a higher rate, compared to selling costs.

General and administrative expenses represent costs incurred at the Corporation's corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, and other professional service costs, including legal and accounting. Trulieve expects to continue to invest considerably in this area to support the Corporation's expansion plans and to support the increasing complexity of the cannabis business. Furthermore, Trulieve expects to continue to incur acquisition and transaction costs related to the Corporation's expansion plans, and the Corporation anticipates a significant increase in compensation expenses related to recruiting and hiring talent, accounting, legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

The Corporation is subject to federal income taxes and state income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. The Corporation is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to cost of producing the products or cost of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

Summary of Quarterly Results

The table below presents selected financial information for each of the eight most recently completed quarters.

<u>Three Months Ended</u>	<u>Revenues</u>	<u>Net Income/(Loss)</u>
June 30, 2020	\$ 120,764,879	\$ 6,560,497
March 31, 2020	\$ 96,056,507	\$ 13,998,558
December 31, 2019	\$ 79,692,155	\$ 45,530,433
September 30, 2019	\$ 70,730,359	\$ 60,271,271
June 30, 2019	\$ 57,920,112	\$ 57,528,785
March 31, 2019	\$ 44,475,965	\$ 14,702,274
December 31, 2018	\$ 35,945,457	\$ 10,719,673
September 30, 2018 (As Restated)	\$ 28,325,604	\$ 2,482,128

Revenue has increased quarter over quarter driven by Trulieve's increased customer base and continued in dispensary openings. The Corporation had 52 operating dispensaries as of June 30, 2020, compared to 31 operating dispensaries as of June 30, 2019.

For the three months ended June 30, 2020, the net income of \$6.6 million consists of revenue of \$120.8 million. This was offset by adjustments to the fair value of biological assets of \$16.8 million, production expenses and cost of goods from third party suppliers of \$29.7 million, operating expenses of \$36.8 million, other expense of \$11.8 million, and income tax expense of \$19.2 million. The decrease in net income from March 31, 2020 is due to the Company's decision to not do a spring plant for greenhouses in 2020, as a result, there were less plants undergoing transformation and therefore a corresponding decrease in the fair value of biological assets, resulting in a decrease to net income. As well as a negative impact from the revaluation of the fair value of the Company's warrants, partially offset by our business expansion.

For the three months ended March 31, 2020, the net income of \$14.0 million consists of revenue of \$96.1 million. This was offset by adjustments to the fair value of biological assets of \$4.4 million, production expenses and cost of goods from third party suppliers of \$28.9 million, operating expenses of \$31.6 million, other expense of \$2.0 million, and income tax expense of \$15.2 million. The primary reason for the lower net income from the previous quarter was due to the adjustments to the fair value of biological assets. Due to the Company's decision to not do a spring plant in the first quarter of 2020, there are fewer plants undergoing transformation and therefore a decrease of the net effect of change in the fair value of biological assets.

For the three months ended December 31, 2019, the net income of \$45.5 million consists of revenue of \$79.7 million, adjustments to the fair value of biological assets of \$56.7 million. This was offset by production expenses and cost of goods from third party suppliers of \$28.1 million, operating expenses of \$25.8 million, other expense of \$11.5 million, and income tax expense of \$25.4 million.

For the three months ended September 30, 2019, the net income of \$60.3 million consists of revenue of \$70.7 million, adjustments to the fair value of biological assets of \$66.1 million, and other income of \$1.3 million. This was offset by production expenses and cost of goods from third party suppliers of \$26.7 million, operating expenses of \$20.6 million, and income tax expense of \$30.5 million.

For the three months ended June 30, 2019, the net income of \$57.5 million consists of revenue of \$57.9 million and adjustments to the fair value of biological assets of \$66.2 million. This was offset by production expenses and cost of goods from third party suppliers of \$20.4 million, operating expenses of \$16.6 million, other expenses of \$1.9 million, and income tax expense of \$27.7 million.

For the three months ended March 31, 2019, the net income of \$14.7 million consists of revenue of \$44.5 million and adjustments to the fair value of biological assets of \$10.2 million. This was offset by production expenses and cost of goods from third party suppliers of \$14.6 million, operating expenses of \$13.4 million, other expenses of \$1.2 million, and income tax expense of \$10.8 million.

For the three months ended December 31, 2018, the net income of \$10.7 million consists primarily of revenue of \$35.9 million and adjustments to the fair value of biological assets of \$12.9 million. This was offset by production expenses and cost of goods from third party suppliers of \$15.1 million, operating expenses of \$10.9 million, other expenses of \$0.7 million, and income tax expense of \$11.4 million.

For the three months ended September 30, 2018, the net income of \$2.5 million consists primarily of revenue of \$28.3 million and adjustments to the fair value of biological assets of \$15.8 million. This was offset by production expenses and cost of goods from third party suppliers of \$8.3 million, operating expenses of \$23.4 million, other expenses of \$1.8 million, and income tax expense of \$8.2 million. The primary reason for the lower net income from the previous quarter was due to share-based compensation of \$15.0 million.

Liquidity, Financing Activities During the Period, and Capital Resources

As at June 30, 2020, the Corporation had total current liabilities of \$100.1 million and cash of \$150.3 million compared to June 30, 2019 which had current liabilities of \$63.2 million and cash equivalents of \$54.0 million to meet its current obligations. As at June 30, 2020, the Corporation had working capital of \$313.7 million an increase of \$184.4 million compared to working capital of \$129.3 million at June 30, 2019.

The Corporation is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over the next twelve months. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Cash Flows

The table below highlights the Corporation's cash flows for the periods indicated.

	Six Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	\$ Change	% Change
Net Cash Provided By Operating Activities	\$ 77,839,314	\$ 19,619,601	\$ 58,219,713	297%
Net Cash Used In Investing Activities	\$ (27,016,717)	\$ (53,211,329)	\$ 26,194,612	-49%
Net Cash Provided By Financing Activities	\$ 7,678,010	\$ 63,193,539	\$ (55,515,529)	-88%
Net Increase In Cash and Cash Equivalents	\$ 58,500,607	\$ 29,601,811	\$ 28,898,796	98%
Cash and Cash Equivalents, Beginning of Period	\$ 91,812,821	\$ 24,430,108	\$ 67,382,713	276%
Cash and Cash Equivalents, End of Period	\$ 150,313,428	\$ 54,031,919	\$ 96,281,509	178%

Cash Flow from Operating Activities

Net cash generated from operating activities was \$77.8 million for the six months ended June 30, 2020, an increase of \$58.2 million compared to \$19.6 million net cash generated during the six months ended June 30, 2019. The increase in cash provided by operating activities year-over-year is attributed to the increase in revenue offset by expenses related to business expansion.

Cash Flow from Investing Activities

Net cash used in investing activities was \$27.0 million for the six months ended June 30, 2020, a decrease of \$26.2 million compared to the \$53.2 million net cash used in investing activities for the six months ended June 30, 2019. The decrease is primarily due to the \$19.9 million net assets acquired in the acquisition of The Healing Corner that occurred in 2019.

Cash Flow from Financing Activities

Net cash generated from financing activities was \$7.7 million for the six months ended June 30, 2020, a decrease of \$55.5 million compared to the \$63.2 million net cash used by financing activities for the six months ended June 30, 2020. The decrease was primarily related to the \$65.9 million in net proceeds received from the debt issuance in 2019, offset by the \$11.5 million in proceeds from warrants exercised.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation, including, and without limitation, such considerations as liquidity and capital resources.

Transactions with Related Parties

The Corporation had raised funds by issuing notes to various related parties including directors, officers, and shareholders and the balance at June 30, 2020 and December 31, 2019 was \$12.2 million and \$13.0 million, respectively. As disclosed in Note 13 of the accompanying unaudited condensed consolidated interim financial statements the following related parties are identified:

- The February 2019, March 2018, June 2018 and November 2018 notes were Benjamin Atkins, a former director and shareholder.
- The April 2018 note was Clearwater GPC, an entity in which certain directors or former directors of the Corporation have an interest (as disclosed in the Corporation's CSE listing statement dated September 25, 2018).
- The May 2018 note was Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, as disclosed in the Annual Information Form of the Corporation dated April 10, 2019 (the "2018 AIF") as the "Rivers Note."
- The May 2018 note as disclosed in the 2018 AIF as the "Traunch Four Note". Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation, as well as Thad Beshears, Richard May and George Hackney, all directors of the Corporation, hold interests in Traunch Four LLC.

J.T. Burnette, the spouse of Kim Rivers, the Chief Executive Officer and Chair of the Board of Directors of the Corporation is a minority owner of a company (the "Supplier") that provides construction and related services to the Corporation. The Supplier is responsible for the construction of the Corporation's cultivation and processing facilities, and provides labor, materials and equipment on a cost-plus basis. For the six months ended June 30, 2020, property and equipment purchases totaled \$35.9 million. As of June 30, 2020, \$7.4 million was included in accounts payable. The use of the Supplier was reviewed and approved by the independent members of the Corporation's board of directors, and all invoices are reviewed by the office of the Corporation's general counsel.

The Corporation has many leases from various real estate holding companies that are managed, controlled by various related parties including Benjamin Atkins, a former director and current shareholder of the Corporation, and the Supplier. As of June 30, 2020, and under IFRS 16, the Corporations had \$16.8 million and \$18.8 million of related party right-of-use assets in Property and Equipment, Net and Lease Liability, respectively. Of the \$18.8 million Lease Liability, \$1.9 million is included in Lease Liability – Current.

Changes in or Adoption of Accounting Practices

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as the related standards on disclosures, IFRS 7, Financial Instruments: Disclosures. The amendments are effective from January 1, 2020. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by interest rate benchmark reform in the following areas:

- the ‘highly’ probable requirement,
- prospective assessments,
- retrospective assessments (for IAS 39), and
- eligibility of risk components.

The adoption of amendments to IFRS 9 and IAS 3 did not have a material impact on the unaudited condensed consolidated interim financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Corporation makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The preparation of the Corporation’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Depreciation of Property and Equipment and Intangible Assets

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including the fair value of cannabis flower, estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to make an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value.

IFRS 16 - Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Compound financial instruments

The identification of components in compound financial instruments is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Share-based payment arrangements

The Company uses the Black-Scholes pricing model to determine the fair value of options and warrants granted to employees and directors under share-based payment arrangements, where appropriate. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, and future dividend yields at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Summary of Outstanding Share Data

At August 10, 2020, the Corporation had the following securities issued and outstanding:

Securities	Number of Shares
Issued and Outstanding	
Subordinate Voting Shares	42,384,093
Super Voting Shares	678,133
Multiple Voting Shares	28,724
Warrants	9,091,461
Options	1,148,173

Each Multiple Voting Share, including those issued upon conversion of the Super Voting Shares, is convertible into 100 Subordinate Voting Shares at the option of the holder or upon certain triggering events.

Financial Instruments and Financial Risk Management

The Corporation's financial instruments consist of cash, accounts payable and accrued liabilities; short-term note payable; and long-term debt. The carrying values of these financial instruments approximate their fair values. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1:	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3:	Inputs for the asset or liability that are not based on observable market data.

Financial Risk Management

The Corporation is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Corporation mitigates these risks by assessing, monitoring and approving the Corporation's risk management processes:

Credit Risk

Credit risk is the risk of a potential loss to the Corporation if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation is moderately exposed to credit risk from its cash. The risk exposure is limited to the carrying amount at the statements of financial position date. The risk for cash is mitigated by holding these instruments with highly rated U.S. state financial institutions. The company does not have significant credit risk with respect to its customers.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with financial liabilities. The Corporation manages liquidity risk through the management of its capital structure. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Currency Risk

The operating results and financial position of the Corporation are reported in U.S. dollars. Some of the Corporation's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

The Corporation has no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Corporation's financial debts have fixed rates of interest and therefore expose the Corporation to a limited interest rate fair value risk.

Concentration Risk

The Corporation's operations are substantially located in Florida. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Corporation, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. The Corporation has banking relationships in all jurisdictions in which it operates.

RISK FACTORS

Cannabis is Illegal under Federal United States Law

Investors are cautioned that in the United States, cannabis is largely regulated at the State level. Although each State in which Trulieve operates (and is currently proposing to operate) authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. The concepts of "medical cannabis", "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. Marijuana is a Schedule I controlled substance under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Although Trulieve believes that its business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Corporation. Any such proceedings brought against the Corporation may result in a material adverse effect on the Corporation. Trulieve derives 100% of its revenues from the cannabis industry in certain States, which industry is illegal under United States federal law. Even where the Corporation's cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under United States federal law. The enforcement of relevant laws is a significant risk.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its holding (directly or

indirectly) of medical and adult-use cannabis licenses in the United States, its financial position, operating results, profitability or liquidity or the market price of its publicly-traded shares. In addition, it will be difficult for the Corporation to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

United States Regulatory Uncertainty

The activities of the Corporation are subject to regulation by governmental authorities. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Furthermore, although the operations of the Corporation are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to import, distribute or, in the future, produce marijuana. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of marijuana, or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

The Cannabis Industry is Relatively New

The Corporation is operating in a relatively new industry and market. In addition to being subject to general business risks, it must continue to build brand awareness in this industry and market share through significant investments in its strategy, production capacity, quality assurance and compliance with regulations. Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids, such as CBD and THC, remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for the Corporation's products and dispensary services.

Accordingly, there is no assurance that the cannabis industry and the market for medicinal and/or adult-use cannabis industry will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation's Ability to Grow Its Medical and Recreational Cannabis Product Offerings and Dispensary Services May Be Limited

As the Corporation introduces or expands its medical and recreational cannabis product offerings and dispensary services, it may incur losses or otherwise fail to enter certain markets successfully. The Corporation's expansion into new markets may place it in competitive and regulatory environments with which it is unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, if at all. In attempting to establish such new product offerings or dispensary services, it may incur significant expenses and face various other challenges, such as expanding its work force and management personnel to cover these markets and complying with complicated cannabis regulations that apply to these markets, both at the state and federal level. In addition, the Corporation may not successfully demonstrate the value of these product

offerings and dispensary services to consumers, and failure to do so would compromise its ability to successfully expand into these additional revenue streams.

The Corporation May Acquire Other Companies or Technologies

The Corporation's success will depend, in part, on its ability to grow its business in response to the demands of consumers and other constituents within the cannabis industry as well as competitive pressures. In some circumstances, the Corporation may determine to do so through the acquisition of complementary businesses rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and the Corporation may not be able to successfully complete identified acquisitions. The risks the Corporation faces in connection with acquisitions include:

- diversion of management time and focus from operating its business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into its organization;
- integration of the acquired company's accounting, management information, human resources, and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures, and policies;
- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect on its operating results in a given period;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, consumers, former stockholders, or other third parties.

The Corporation's failure to address these risks or other problems encountered in connection with its future acquisitions and investments could cause it to fail to realize the anticipated benefits of these acquisitions or investments, cause it to incur unanticipated liabilities, and harm its business generally. Future acquisitions could also result in dilutive issuances of the Corporation's equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or the impairment of goodwill, any of which could harm its financial condition. Also, the anticipated benefits of any acquisitions may not materialize to the extent the Corporation anticipates or at all.

Management of Growth

The Corporation may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

Anti-Money Laundering Laws and Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the United States Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-

related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Corporation may have limited or no access to banking or other financial services in the United States, and may have to operate the Corporation's United States business on an all-cash basis. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Corporation to operate and conduct its business as planned. The Corporation is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

The Corporation is also subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends or effect other distributions.

Re-Classification of Cannabis or Changes in United States Controlled Substance Laws and Regulations

If cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the need for approval by the FDA if medical claims are made for the Corporation's products, such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the DEA. In that case, Trulieve may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Corporation's products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Corporation's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

Potential FDA Regulation

Should the United States federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the agency and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is uncertain, including what costs, requirements, and possible prohibitions may be imposed. If the Corporation is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Corporation's business, operating results, and financial condition

United States Border Entry

Because cannabis remains illegal under United States federal law, those investing in Canadian companies with operations in the United States cannabis industry could face detention, denial of entry or lifetime bans from the United States for their business associations with United States cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the cannabis industry in the United States could also be reason enough for United States border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal may affect admissibility to the United States. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States (such as Trulieve), who are not United States citizens face the risk of being barred from entry into the United States for life.

Heightened Scrutiny of Cannabis Companies in Canada and the United States

The Corporation's existing operations in the United States, and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada.

Given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no assurances given that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Subordinate Voting Shares to settle trades. In particular, the Subordinate Voting Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Subordinate Voting Shares through the facilities of a stock exchange.

The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations

The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Corporation's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive

changes to the Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation's efforts to grow its business may be more costly than expected, and the Corporation may not be able to increase its revenue enough to offset its higher operating expenses. The Corporation may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Corporation is unable to achieve and sustain profitability, the market price of the securities of the Corporation may significantly decrease.

Settlement by Securityholders Resident in the United States

Given the heightened risk profile associated with cannabis in the United States, capital markets participants may be unwilling to assist with the settlement of trades for U.S. resident securityholders of companies with operations in the United States cannabis industry which may prohibit or significantly impair the ability of securityholders in the United States to trade the securities of the Corporation. In the event residents of the United States are unable to settle trades of securities of the Corporation, this may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices and the liquidity of these securities.

COVID-19 Pandemic

The Corporation's business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as "COVID-19."

A local, regional, national or international outbreak of a contagious virus, including the novel coronavirus, COVID-19 could cause staff shortages, reduced customer traffic, supply shortages, and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Company.

At the time this MD&A is prepared, the Corporation cautions that its business could be materially and adversely affected by the risks, or the public perception of the risks, related to the COVID-19 pandemic. The risk of a pandemic, or public perception of such a risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in the Corporation's supply chains and/or delays in the delivery of its products. Further, such risks could also adversely affect the Corporation's customers' financial condition, resulting in reduced spending for the products it sells. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause employees to avoid the Corporation's properties, which could adversely affect its ability to adequately staff and manage its businesses. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Corporation's operations, if employees who cannot perform their responsibilities from home are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of the Corporation's stores, facilities or operations of its partners. Although the Corporation's medical dispensaries may be considered essential services and therefore be allowed to remain operational, its adult-use operations may not be allowed to remain open during the COVID-19 crisis.

The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Corporation's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect the Corporation's business, financial condition, growth strategies and results of operations.

Unfavorable Tax Treatment of Cannabis Businesses

Under Section 280E (“**Section 280E**”) of the United States Internal Revenue Code of 1986, as amended (the “**U.S. Tax Code**”), “no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.” This provision has been applied by the United States Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E, therefore, has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its United States income tax expenses.

United States Tax Classification of the Corporation

The Corporation, which is a Canadian Corporation, generally would be classified as a non-United States Corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States Corporation to be taxed as a United States Corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a Corporation created or organized outside the United States. (i.e., a non-United States Corporation) will nevertheless be treated as a United States Corporation for United States federal income tax purposes (such treatment is referred to as an “**Inversion**”) if each of the following three conditions are met (i) the non-United States Corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States Corporation, (ii) after the acquisition, the former stockholders of the acquired United States Corporation hold at least 80% (by vote or value) of the shares of the non-United States Corporation by reason of holding shares of the United States acquired Corporation, and (iii) after the acquisition, the non-United States Corporation’s expanded affiliated group does not have substantial business activities in the non- United States Corporation’s country of organization or incorporation when compared to the expanded affiliated group’s total business activities (clauses (i) – (iii), collectively, the “**Inversion Conditions**”).

For this purpose, “expanded affiliated group” means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an “expanded affiliated group” includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Corporation intends to be treated as a United States Corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Corporation is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Tax Act) for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

Lack of Access to United States Bankruptcy Protections

Because cannabis is a Schedule I controlled substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Corporation were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Corporation, which would have a material adverse effect on the Corporation and may make it more difficult to obtain debt financing.

The Corporation is a Holding Corporation

The Corporation is a holding company and essentially all of its assets are the capital stock of its subsidiaries. The Corporation currently conducts substantially all of its business through Trulieve US, which currently generates substantially all of the Corporation's revenues. Consequently, the Corporation's cash flows and ability to complete current or desirable future growth opportunities are dependent on the earnings of Trulieve US and the other subsidiaries of the Corporation and the distribution of those earnings to the Corporation. The ability of Trulieve US and the other subsidiaries of the Corporation to pay dividends and other distributions will depend on such subsidiaries' operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by a subsidiary company and contractual restrictions contained in the instruments governing any current or future indebtedness of the Corporation's subsidiaries. In the event of a bankruptcy, liquidation or reorganization of Trulieve US or another of the Corporation's subsidiaries, holders of indebtedness and trade creditors of any such subsidiary may be entitled to payment of their claims from the assets of such subsidiary before the Corporation or its stockholders would be entitled to any payment or residual assets.

Inability to Enforce Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level in the United States, judges in multiple states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate United States federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Corporation will be able to legally enforce contracts it enters into if necessary. The Corporation cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on the Corporation.

Competition

The Corporation may face increasing and intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

If the number of users of medical marijuana in the United States increases, the demand for products will increase and the Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Corporation will require a continued level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

The Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation to lose key relationships and intensify competition. The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Corporation in a number of ways, including losing customers, revenue and market share, or forcing the Corporation to expend greater resources to meet new or additional competitive threats, all of which could harm the Corporation's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Corporation's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

Limitations on Ownership of Licenses

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own in that state. For example, in

Massachusetts, no person may have an ownership interest, or control over, more than three medical licenses or three adult-use licenses in any category – for example, cultivation, product manufacturing, transport or retail. Such limitations on the acquisition of ownership of additional licenses within certain states may limit the Corporation’s ability to grow organically or to increase its market share in such states.

The Cannabis Industry is Difficult to Forecast

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Corporation. Reliable data on the medical and adult-use cannabis industry is not available. As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. United States federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Corporation of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Corporation’s management team as of the date of this Prospectus.

Voting Control

As a result of the Super Voting Shares of the Corporation that they hold, the Founders (as such term is defined herein) exercise a significant majority of the voting power in respect of the Corporation’s outstanding shares. The Subordinate Voting Shares are entitled to one vote per share, Multiple Voting Shares are entitled to 100 votes per share, and the Super Voting Shares are entitled to 200 votes per share. As a result, the holders of the Super Voting Shares have the ability to control the outcome of all matters submitted to the Corporation’s shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Corporation.

This concentrated control could delay, defer, or prevent a change of control of the Corporation, arrangement or amalgamation involving the Corporation or sale of all or substantially all of the assets of the Corporation that its other shareholders support. Conversely, this concentrated control could allow the holders of the Super Voting Shares to consummate such a transaction that the Corporation’s other shareholders do not support.

Agricultural Risks

The Corporation’s business involves the growing of medical and adult-use cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growing is expected to be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Energy Cost

The Corporation’s cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the Corporation’s business and its ability to operate profitably.

Future Acquisitions or Dispositions Bear Inherent Risks

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Corporation’s ongoing business; (ii) distraction of management; (iii) the Corporation may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increased scope and complexity of the Corporation’s operations; and (vi) loss or reduction of control over

certain of the Corporation's assets. Additionally, the Corporation may issue additional Subordinate Voting Shares in connection with such transactions, which would dilute a shareholder's holdings in the Corporation. The presence of one or more material liabilities of an acquired company that are unknown to the Corporation at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Corporation. A strategic transaction may result in a significant change in the nature of the Corporation's business, operations and strategy. In addition, the Corporation may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Corporation's operations.

Intellectual Property Risks

As long as cannabis remains illegal under United States federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a US business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Risk of Civil Asset Forfeiture

Because the cannabis industry remains illegal under United States federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Dependence on Personnel

The Corporation will depend on key managerial personnel for its continued success and the Corporation's anticipated growth may require additional expertise and the addition of new qualified personnel. The loss of the services of existing personnel, as well as the failure to recruit additional key managerial personnel in a timely manner, or at all, could harm the Corporation's business development programs, and the Corporation's ability to manage day-to-day operations, attract collaboration partners, attract and retain other employees, generate revenues, and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Greater Risk of Audits

Based on anecdotal information, the Corporation believes there is a greater likelihood that the Internal Revenue Service will audit cannabis-related businesses, including the Corporation. Any such audit could result in the Corporation paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

Liability Claims and other Legal Proceedings

As a distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation, whether or not successful, could result in increased costs, could adversely affect the Corporation's reputation with its

clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation.

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Subordinate Voting Shares. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources.

Consumer Perception

The Corporation believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of medical marijuana distributed to such consumers. Consumer perception of the Corporation's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Corporation has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's significant brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Security Risks

Given the nature of the Corporation's product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Corporation's products.

In addition, the Corporation collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or

privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation's operations will depend, in part, on how well it protects its networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations will also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

Unpredictability Caused by Anticipated Capital Structure and Voting Control

Although other Canadian-based companies have dual class or multiple voting share structures, given the capital structure of the Corporation and the concentration of voting control held by the holders of the Super Voting Shares, this structure and control could result in a lower trading price for, or greater fluctuations in, the trading price of the Corporation's Subordinate Voting Shares or adverse publicity to the Corporation or other adverse consequences.

Sales of Substantial Amounts of Subordinate Voting Shares

Sales of substantial amounts of Subordinate Voting Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Subordinate Voting Shares. A decline in the market prices of the Subordinate Voting Shares could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Subordinate Voting Shares

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Corporation's control, including, but not limited to, the following: (i) actual or anticipated fluctuations in the Corporation's quarterly results of operations; recommendations by securities research analysts; (ii) changes in the economic performance or market valuations of companies in the cannabis industry; (iii) addition or departure of the Corporation's executive officers and other key personnel; (iv) release or expiration of transfer restrictions on the issued and outstanding shares of the Corporation; (v) regulatory changes affecting the cannabis industry generally and the business and operations of the Corporation; (vi) announcements of developments and other material events by the Corporation or its competitors; (vii) fluctuations to the costs of vital production materials and services; (viii) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (ix) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors; (x) operating and share price performance of other companies that investors deem comparable to the Corporation or from a lack of market comparable companies; (xi) false or negative reports issued by individuals or companies who have taken aggressive short sale positions; and (xii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets.

Financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Corporation's operating results, underlying asset values or prospects have not changed.

These factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that

continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted, and the trading price of the Subordinate Voting Shares may be materially adversely affected.

Liquidity

The Corporation's Subordinate Voting Shares are listed for trading on the CSE under the trading symbol "TRUL." The liquidity of any market for the shares of the Corporation's Subordinate Voting Shares will depend on a number of factors, including:

- the number of stockholders;
- its operating performance and financial condition;
- the market for similar securities;
- the extent of coverage by securities or industry analysts; and
- the interest of securities dealers in making a market in the shares.

The market price for the Corporation's Subordinate Voting Shares may be highly volatile and could be subject to wide fluctuations. In addition, the price of shares of the Corporation's Subordinate Voting Shares could decline significantly if its future operating results fail to meet or exceed the expectations of market analysts and investors and actual or anticipated variations in the Corporation's quarterly operating results could negatively affect its share price.

Other factors may also contribute to volatility of the price of the Corporation's Subordinate Voting Shares and could subject its Subordinate Voting Shares to wide fluctuations. These include:

- developments in the financial markets and worldwide or regional economies;
- announcements of innovations or new products or services by it or its competitors;
- announcements by the government relating to regulations that govern its industry;
- significant sales of its Subordinate Voting Shares or other securities in the open market;
- variations in interest rates;
- changes in the market valuations of other comparable companies; and
- changes in accounting principles.

Indebtedness

The ability of The Corporation to make certain payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of the Corporation, including the June Notes and the November Notes. The degree to which the Corporation is leveraged could have important consequences, including: (i) the Corporation's ability to obtain additional financing for working capital, capital expenditures, or acquisitions may be limited; and (ii) all or part of the Corporation's cash flow from operations may be dedicated to the payment of the principal of and interest on the Corporation's indebtedness, thereby reducing funds available for operations. These factors may adversely affect the Corporation's cash flow. The Corporation's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, may materially and adversely affect the Corporation's business, results of operations, and financial condition.

Management of Growth

The Corporation may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

Increased Costs as a Result of Being a Public Corporation

As a public issuer, the Corporation is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Corporation's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Corporation's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Corporation are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Corporation and as directors and officers of such other companies.

Insurance Coverage

The Corporation has obtained insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Corporation is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Corporation to suffer uninsured losses, which could adversely affect the Corporation's business, results of operations, and profitability. There is no assurance that the Corporation will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

Reliance on Key Utility Services

The Corporation's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Corporation. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

The directors and officers of the Corporation reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for the shareholders of the Corporation to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for the shareholders of the Corporation to effect service of process within Canada upon such persons.

Community Redevelopment Agency Investigation

In 2015, the United States Grand Jury for the North District of Florida began an investigation in to alleged corruption by local officials in Tallahassee, Florida. In June 2017, the grand jury issued subpoenas to the City of Tallahassee and the Community Redevelopment Agency (the "Agency") for records of communications, bids for proposals, applications, and more from approximately two dozen business entities and individuals, including Ms. Rivers, the Chief Executive Officer of the Corporation, her husband, J.T. Burnette, and Inkbridge LLC, a business associated with Ms. Rivers. The grand jury also directly subpoenaed Ms. Rivers for information related to her involvement with the Agency, a specific commissioner of the Agency, and political contributions Ms. Rivers made through an associated business. Ms. Rivers timely complied with

the subpoena. Ms. Rivers has not been charged with any crime. No information was requested of Ms. Rivers in her capacity as an officer, director or employee of the Corporation. Ms. Rivers promptly disclosed the subpoena to the Board and agreed to notify the Board of further developments. Upon disclosure, the Board met independently to consider the matter, the allegations raised thereunder and Ms. Rivers' response to same. In addition, a member of the Board retained counsel to investigate the matter. Based on such review, counsel to the Board member concluded Ms. Rivers was not a target of the investigation. The Board considered the impact of any potential liability in allowing Ms. Rivers to continue as Chief Executive Officer of the Corporation in the face of the investigation and determined that no independent, formal investigation or further action was warranted at the time based on its understanding of the facts as represented by Ms. Rivers. The Corporation remains confident the investigation does not relate to the Corporation or Ms. Rivers' conduct as a director, officer or employee thereof and believes that Ms. Rivers has complied with all requests made of her to date pursuant to the investigation. The investigation however remains ongoing. While there can be no assurances given with respect to the outcome of the investigation, no government official has contacted Ms. Rivers or the Corporation as part of the investigation since Ms. Rivers produced documents in response to the subpoena in June, 2017. Ms. Rivers' counsel contacted the federal prosecutor supervising the investigation in July 2018, who stated Ms. Rivers was currently not a target of the investigation. The Corporation does not know what impact, if any, this investigation will have on the Corporation's future efforts to maintain and obtain licenses in Florida or elsewhere. Any negative impact on the Corporation's Florida license could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition. It is the Corporation's goal to create patients loyal to the Corporation's brand and in return to provide these patients a superior level of customer service and product selection. Any allegation of wrongdoing on the part of Ms. Rivers as a result of the Agency investigation could harm the Corporation's reputation with its customers and could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition as well as the Corporation's reputation, even if the Agency investigation was concluded successfully in favour of Ms. Rivers. In addition, in the event the Agency investigation results in any allegation of wrongdoing or otherwise further targets Ms. Rivers, Ms. Rivers may be unable to continue serving as Chief Executive Officer and director of the Corporation. Qualified individuals within the cannabis industry are in high demand and the Corporation may incur significant costs to attract and retain qualified management personnel. The loss of the services of Ms. Rivers, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Corporation's ability to execute on its business plan and strategy, and the Corporation may be unable to find an adequate replacement on a timely basis. Upon the occurrence of certain events that would be considered to negatively impact Ms. Rivers' involvement with the Corporation, including her becoming a target of the investigation, Ms. Rivers has agreed to convert any Super Voting Shares controlled by her into Multiple Voting Shares.