

HARBORSIDE INC.

EARLY WARNING REPORT FILED PURSUANT TO NATIONAL INSTRUMENT 62-103

Update to Early Warning Report dated February 19, 2021.

Item 1 – Security and Reporting Issuer

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

Security Designation: (i) Multiple Voting Shares (as defined below); (ii) Subordinate Voting Shares (as defined below), (iii) Warrants (as defined below); and (iv) Options (as defined below).

Harborside Inc. (the “**Issuer**”)
2100 Embarcadero, Suite 202
Oakland, California USA 94606

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

See Item 2.2. below.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror

Cresco Capital Partners II, LLC (“**Cresco**”)
2801 Woodside Street
Dallas, Texas 75204 USA

Cresco is organized under the laws of the State of Delaware. Cresco is engaged in the business of investing in securities.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On July 1, 2021, the Issuer acquired all of the issued and outstanding shares of Sublimation Inc. (“**Sublime**”) for total consideration of US\$43.8 million (the “**Acquisition**”), which comprised, among other things, 207,579.66 multiple voting shares of the Issuer (the “**Multiple Voting Shares**”). The Acquisition was carried out pursuant to the terms of a definitive agreement and plan of merger and reorganization between the Issuer, Venus Merger Sub Inc., a wholly owned subsidiary of the Issuer, and Sublime dated June 1, 2021 (the “**Agreement**”).

Each Multiple Voting Share entitles the holder thereof to convert such Multiple Voting Share into 100 subordinate voting shares (each, a “**Subordinate Voting Share**”) in the capital of the Issuer at any time for no additional consideration, subject to certain conditions

2.3 State the names of any joint actors.

CCP Flrish Inc. (“**CCPF**”), Cresco Capital Partners, LLC (“**CCP**”), Matthew Hawkins (“**Hawkins**”) and Andrew Sturner (“**Sturner**” and together with CC PF, CCP and Hawkins the “**Joint Actors**”), may be considered joint actors of Cresco.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror's securityholding percentage in the class of securities.

Immediately prior to completion of the Acquisition, Cresco beneficially owned, and exercised control or direction over, 697,638 Subordinate Voting Shares, 35,500 Multiple Voting Shares and 35,500 Warrants representing approximately 26.82% of the issued and outstanding Multiple Voting Shares on a partially-diluted basis, assuming the exercise of the warrants held by Cresco. Assuming the conversion of all of the Multiple Voting Shares beneficially owned, or controlled or directed, by Cresco, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised, Cresco beneficially owned, and exercised control or direction over approximately 18.68% of the Subordinate Voting Shares prior to the completion of the Acquisition on a partially-diluted basis.

The completion of the Acquisition resulted in the issuance of 207,579.66 Multiple Voting Shares to Sublime shareholders. Cresco is entitled to a minimum of 20,570.25 Multiple Voting Shares based on its ownership of the Sublime Shares, representing a decrease in Cresco's interest in the Multiple Voting Shares of approximately 7.43% to on a partially diluted basis, assuming the exercise of the 35,500 warrants to purchase Multiple Voting Shares held by Cresco (the "Warrants") although (i) such Multiple Voting Shares are currently held in trust on behalf of Cresco for 12 months; and (ii) Cresco will be entitled to a substantial number of additional Multiple Voting Shares under the terms of the lock-up agreement entered into between Cresco and the Issuer in connection with the Acquisition, and certain other escrow arrangements amongst the former shareholders of Sublime. At this time, the total number of Multiple Voting Shares that Cresco is entitled to is unknown, but will be substantially higher than 20,570.25 Multiple Voting Shares.

Assuming Cresco is only entitled to 20,570.25 Multiple Voting Shares under the Acquisition, following the completion of the Acquisition, Cresco beneficially owns, and exercises control or direction over, 697,638 Subordinate Voting Shares, 91,570.25 Multiple Voting Shares and 35,500 Warrants, representing approximately 19.39% of the issued and outstanding Multiple Voting Shares on a partially-diluted basis, assuming the exercise of the Warrants. Assuming the conversion of all of the Multiple Voting Shares beneficially owned, or controlled or directed, by Cresco, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised, Cresco beneficially owns, and exercises control or direction over approximately 22.50% of the Subordinate Voting Shares, representing an increase in Cresco's interest in the Subordinate Voting Shares of approximately 3.82% after the completion of the Acquisition.

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

Cresco's interest in the Multiple Voting Shares decreased due to the issuance of Multiple Voting Shares under the Acquisition to the former shareholders of Sublime. Cresco's interest in the Subordinate Voting Shares (calculated on an as-converted basis assuming the conversion of all of the Multiple Voting Shares beneficially owned, or controlled or directed, by Cresco, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised) increased due to the issuance of Multiple Voting Shares under the Acquisition to the former shareholders of Sublime, including Cresco. See Section 3.1 above.

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

Not applicable.

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

Immediately prior to completion of the Acquisition, Cresco beneficially owned, and exercised control or direction over, 697,638 Subordinate Voting Shares, 35,500 Multiple Voting Shares and 35,500 Warrants representing approximately 26.82% of the issued and outstanding Multiple Voting Shares on a partially-diluted basis, assuming the exercise of the warrants held by Cresco. Assuming the conversion of all of the Multiple Voting Shares beneficially owned, or controlled or directed, by Cresco, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised, Cresco beneficially owned, and exercised control or direction over approximately 18.68% of the Subordinate Voting Shares prior to the completion of the Acquisition on a partially-diluted basis.

Assuming Cresco is only entitled to 20,570.25 Multiple Voting Shares under the Acquisition, following the completion of the Acquisition, Cresco beneficially owns, and exercises control or direction over, 697,638 Subordinate Voting Shares, 91,570.25 Multiple Voting Shares and 35,500 Warrants, representing approximately 12.84% of the issued and outstanding Multiple Voting Shares on a non-diluted basis and approximately 19.39% of the issued and outstanding Multiple Voting Shares on a partially-diluted basis, assuming the exercise of the Warrants. Assuming the conversion of all of the Multiple Voting Shares beneficially owned, or controlled or directed, by Cresco, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised, Cresco beneficially owns, and exercises control or direction over approximately 22.50% of the Subordinate Voting Shares, representing an increase in Cresco's interest in the Subordinate Voting Shares of approximately 3.82% after the completion of the Acquisition.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which:

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

CCPF owns an aggregate of 385,542 Subordinate Voting Shares, representing approximately 1.11% of the issued and outstanding Subordinate Voting Shares. CCP owns an aggregate of 96,385 Subordinate Voting Shares, representing approximately 0.28% of the issued and outstanding Subordinate Voting Shares. Hawkins owns an aggregate of 333,350 options to purchase Subordinate Voting Shares ("**Options**") of the Issuer, representing approximately 0.95% of the Subordinate Voting Shares on a partially-diluted basis (assuming the exercise of all Options owned by Hawkins, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised). Sturner owns an aggregate of 130,000 Options, representing approximately 0.37% of the Subordinate Voting Shares on a partially-diluted basis (assuming the exercise of all Options owned by Sturner, and that no other securities, including those convertible into, or exercisable for, the Issuer's securities, are issued, converted or exercised). CCPF, CCP, Hawkins and Sturner did not own Sublime Shares, and as such, did not acquire any Multiple Voting Shares under the Acquisition.

As a result of the Acquisition, Cresco, together with the Joint Actors, owns, or exercises control or direction over, an aggregate of 56,070.25 Multiple Voting Shares, 1,179,565 Subordinate Voting Shares, 35,500 Warrants and 463,350 Options, representing approximately 19.39% of the issued and outstanding Multiple Voting Shares on a partially-diluted basis, assuming the exercise of the Warrants held by Cresco and approximately 24.40% of the issued and outstanding Subordinate Voting Shares on a partially-diluted

basis, assuming (i) the conversion or all of the Multiple Voting Shares beneficially owned, or controlled or directed, by Cresco; (ii) the exercise of the Warrants held by Cresco and subsequent conversion into Subordinate Voting Shares; (iii) the exercise of all Options owned by Hawkins and Sturner; and (iv) that no other securities, including those convertible into, or exercisable for the Issuer's securities, are issued, converted or exercised.

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

Not applicable.

- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

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

153,350 Options held by Hawkins are exercisable at a price equal to \$0.95 per Subordinate Voting Share until September 1, 2025. The remaining Options held by Hawkins and all Options held by Sturner are exercisable at a price equal to \$1.83 per Subordinate Voting Share until December 23, 2025. Each Warrant held by Cresco is exercisable at a price equal to \$369 per Multiple Voting Share until February 18, 2024.

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

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

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

Concurrent with the closing of the Acquisition, the Multiple Voting Shares beneficially owned by Cresco that were issued in connection with the Acquisition will be held in trust for a period of 12 months, and are also subject to additional resale restrictions pursuant to the terms of a lock-up agreement with the Issuer. Certain other shareholders have also agreed to deposit their Multiple Voting Shares in escrow for a period of 12 months. By virtue of the operation of the lock-up, trust and escrow arrangements in place, Cresco may be entitled to additional Multiple Voting Shares of the Issuer on or around the 12-month anniversary of the closing of the Acquisition.

Item 4 – Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

Pursuant to the Agreement, the Issuer acquired all of the issued and outstanding shares of Sublime for total consideration of US\$43.8 million, comprised of, among other things, US\$38.4 million in Multiple Voting Shares, representing 207,579.66 Multiple Voting Shares of the Issuer based on the volume-weighted average price of the of the Subordinate Voting Shares of the Issuer on the Canadian Securities Exchange for the 30-days immediately preceding the date of the Agreement, being \$2.2303.

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

See item 4.1 above.

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

See item 2.2 above.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer’s business or corporate structure;**
- (g) a change in the reporting issuer’s charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**

- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders;**
- (k) an action similar to any of those enumerated above.**

The securities referred to above are held for investments purposes. Cresco and/or one or more of the Joint Actors may, depending on market and other conditions, increase or decrease its beneficial ownership of Multiple Voting Shares, Subordinate Voting Shares or other securities of the issuer whether in the open market, by privately negotiated agreement or otherwise. Sturmer and Hawkins, each a Joint Actor, in his respective capacity as a director of the Issuer, may participate in the appointment of one or more additional directors between annual meetings of shareholders, depending on whether a suitable candidate is identified and any other relevant factors. Except as described herein, while Cresco has no current plans or intentions that relate to or would result in the items listed in (a) through (k) above, depending on various factors including, without limitation, the issuer's financial position, the price levels of the Multiple Voting Shares or Subordinate Voting Shares, conditions in the securities markets and general economic and industry conditions, the issuer's business or financial condition and other factors and conditions Cresco deems appropriate, Cresco and/or one or more of its Joint Actors may develop such plans in future.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

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

On June 1, 2021, the Issuer, Venus Merger Sub Inc., a wholly owned subsidiary of the Issuer, and Sublime, entered into the Agreement to carry out the Acquisition.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 – Exemption

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

Not applicable.

Item 9 – Certification

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated as of the 6th day of July, 2021.

CRESCO CAPITAL PARTNERS II, LC

(signed) “*Matthew K. Hawkins*”

Name: Matthew K. Hawkins

Title: Managing Partner