Annual Information Form

For the year ended December 31, 2020

Dated December 13, 2021

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GENERAL

Unless otherwise noted herein, information in this annual information form ("**AIF**" or "**Annual Information Form**") is presented as at December 31, 2020. Unless the context otherwise requires, references in this AIF to the "**Company**", "**Harborside**", "**we**", "**us**" or "**our**" refers to Harborside Inc. and its subsidiaries. Certain capitalized terms used in this AIF are defined in the "*Glossary*" beginning on page 88.

Reference is made to the audited consolidated financial statements (the "**Financial Statements**"), together with the auditors' report thereon, and management's discussion and analysis (the "**MD&A**") of the Company for the financial years ended December 31, 2020 and 2019. Additional financial information is provided in the Financial Statements and MD&A, which are available for review under the Company's profile on SEDAR at www.sedar.com.

This AIF has been prepared with reference to the AIF disclosure requirements of National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators and Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Related Activities* (the "**Staff Notice**"). See "*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

The Company, through several of its subsidiaries, is indirectly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the U.S. CSA, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable United States federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws and United States securities laws ("**forward-looking statements**"). All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often identified by words such as "may", "would", "could", "should", "will", "intend", "plan", "seek", anticipate", "believe", "estimate", "expect" or similar words and expressions. Examples of forward-looking statements include, among others, statements and information regarding: the effects of the novel coronavirus ("**COVID-19**") on the Company's operations and financial condition; future financial position and results of operations, strategies, plans, objectives, goals and targets; future developments in the markets where the Company participates or is seeking to participate; the potential divestiture of the Terpene Station Dispensary (as defined herein) in Eugene, Oregon; potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the United States and the states in which the Company operates; the completion of the proposed acquisitions of Urbn Leaf (as defined herein) and Loudpack (as defined herein) on the terms described herein, if at all; the completion of the Private Placement (as defined herein) on the terms described herein, if at all; the completion of the Roll Up Financing (as defined herein) on the terms described herein, if at all; and expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally and other events or conditions that may occur in the future. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company.

Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements to differ materially from those suggested by the forward-looking statements. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. On this basis, readers are cautioned not to place undue reliance on such forward-looking statements.

Factors which could cause actual results to differ materially from those indicated in forward-looking statements include, but are not limited to: the expectations and assumptions that the Company's strategies are based on; the impact of the COVID-19 pandemic to the Company's strategies and operations; the unfavorable tax treatment of cannabis businesses and the disallowance of certain tax deductions to the Company; litigation risks; the consolidation and expansion of Harborside's retail footprint in the San Francisco Bay Area (the "**Bay Area**"), elsewhere within California or in other geographic locations; the scale and improvement of the Company's cannabis cultivation, production and/or manufacturing capabilities; expansion of the Company's wholesale and business-to-business sales of its cannabis products; launching of new branded products, the success in establishing the Company's position as one of California's premier vertically integrated cannabis companies; the Company's ability to manage the disruptions and volatility in the global capital markets due to COVID-19; and the Company's ability to meet its working capital needs, including the cost and potential impact of complying with existing and proposed laws and regulations; as well as those other risks and uncertainties described in this AIF under the heading "*Risk Factors*".

The discussion of risk factors in this AIF has been updated to include discussion of risks related to the current pandemic caused by the continued spread of COVID-19. The nature and scope of the pandemic and its impact are rapidly developing and it is difficult for management to identify at the current time all risks, or quantify those identified, or to assess their impact on particular financial measures and operating results. Nevertheless, the discussion under "*Risk Factors*" identifies potential areas of negative potential impact that may be caused by the pandemic.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this AIF are made as of the date hereof and are presented for the purpose of assisting investors and others in understanding Harborside's financial position and results of operations, as well as its objectives and strategic priorities, and may not be appropriate for other purposes. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Presentation of Financial Information

The Financial Statements and the financial information contained in the MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board and the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Unless otherwise indicated, all figures presented in this AIF are expressed in United States Dollars ("**$**" or "**USD**"). All references to "**C$**" or "**CAD**" pertain to Canadian Dollars.

Use of Non-IFRS Financial Measures

In certain of its financial disclosures, the Company references "Adjusted EBITDA", "Adjusted Gross Profit" and "Adjusted Gross Margin", which are non-IFRS measures and do not have standardized definitions under IFRS.

Adjusted EBITDA is a measure of the Company's overall financial performance and is used as an alternative to earnings or income in some circumstances. Adjusted EBITDA is essentially net income (loss) with interest, taxes, depreciation and amortization, non-cash adjustments and other unusual or non-recurring items added back. Adjusted EBITDA can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. Adjusted EBITDA is often used in valuation ratios and can be compared to enterprise value and revenue. The term Adjusted EBITDA does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

Adjusted Gross Profit and Adjusted Gross Margin exclude the changes in fair value less costs to sell of the Company's biological assets. Management believes these measures provide useful information as they represent the gross profit based on the Company's cost to produce inventories sold while removing fair value measurements which are tied to changing inventory levels, as required by IFRS.

There are no comparable IFRS financial measures presented in the Financial Statements. Reconciliations of the supplemental non-IFRS financial measures are presented in the MD&A. The Company provides the non-IFRS financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. However, such measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable IFRS financial measures.

MARKET DATA AND INDUSTRY FORECASTS

This AIF includes market and industry data that has been obtained from third-party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources and as such the Company does not make any representation as to the accuracy of such information. Further, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. See also "*Cautionary Statement Regarding Forward-Looking Statements.*"

GENERAL DEVELOPMENT OF THE BUSINESS

Harborside, through its affiliated entities, is licensed to cultivate, manufacture, distribute and sell wholesale and retail cannabis and cannabis products for the adult-use and medical markets. The Company operates in and/or has ownership interests in California and Oregon, pursuant to state and local laws and regulations, and is focused on building and maintaining its position as one of California's premier vertically integrated cannabis companies.

The Company's Subordinate Voting Shares are listed on the CSE under the trading symbol "HBOR" and on the OTCQX Best Market under the trading symbol "HBORF".

Retail Dispensaries

Harborside's retail dispensaries serve both adult-use and medical cannabis customers. The Company's dispensary footprint was initially established in 2006, and today includes Harborside-branded dispensaries located in Oakland, San Jose, San Leandro and Desert Hot Springs, California. In addition, Harborside operates one dispensary in Eugene, Oregon under the Terpene Station brand. The dispensary located in Desert Hot Springs includes the only drive-thru cannabis dispensary in southern California and was operated under a management services agreement with Accucanna, the dispensary license holder. On September 2, 2021, the Company acquired 100% of the issued and outstanding equity interest of Accucanna, together with the real property related to the Desert Hot Springs dispensary (collectively, the "**DHS Acquisition**"). The Company did not control Accucanna prior to completion of the DHS Acquisition. On December 18, 2020, the Company acquired a 21% ownership interest in FGW, a company that has the conditional use approval necessary to operate a retail cannabis dispensary in the Haight Ashbury area of San Francisco. The Company currently anticipates that FGW will open the Haight Ashbury dispensary in the first quarter of 2022.

Cultivation and Wholesale

Harborside operates a cultivation/production facility in Salinas, California (the "**Production Campus**"), which covers approximately 47 total acres, of which approximately 11 acres is devoted to five active light deprivation greenhouses containing approximately 200,000 total square feet ("**sq. ft**.") of licensed cannabis cultivation. The cultivation operation includes approximately 155,000 sq. ft. of canopy space allocated to flowering plants and 45,000 sq. ft. of canopy allocated to nursery space. The greenhouses utilize advanced lighting, HVAC and fertigation controls, and one greenhouse additionally features Dutch Venlo technologies (the "**Venlo Greenhouse**"). The Production Campus also includes approximately 20,000 sq. ft. of building space allocated to processing, product distribution, warehousing, storage and offices. On June 30, 2021, the Company announced that it had completed certain upgrades to the Production Campus, including, among other things, the installation of blackout curtains, supplemental LED grow lights, and the incorporation of a state-of-the-art environmental control system. The Company is expecting these improvements to result in an increase in yield and output at the Production Campus. The Production Campus also processes and distributes branded cannabis products in various consumer formats under the KEY and Harborside Farms brands. These products are sold through Harborside's retail dispensaries along with other retailers and distributors throughout California.

On July 2, 2021, the Company acquired Sublime, a cannabis manufacturing company located in Oakland, California. Sublime is well known in California for its "Fuzzies" branded infused pre-rolls, as well as other cannabis products, including vapes, which are sold to licensed retailers and distributors throughout the state. Harborside expects to leverage the existing statewide Sublime product distribution network to sell KEY and Harborside Farms branded products alongside the Fuzzies and Sublime brands, thereby gaining additional synergies and economies of scale.

During the three and nine months ended September 30, 2021 ("**Q3 2021**"), the Company implemented a change in its harvest procedures which delayed flower production in Q3 2021 to allow for the adoption of a perpetual harvest schedule beginning in the fourth quarter of 2021. In addition, during Q3 2021, the Production Campus experienced a temporary COVID-19 related supply chain issue with a growing medium (substrate material) which did not meet agreed upon specifications and thereby caused a short-term reduction in harvest yields. The substrate issue was ultimately addressed by changing suppliers and obtaining domestically sourced material.

Name, Address and Incorporation

Harborside, Inc. was originally incorporated on June 3, 1997 as "Starbright Venture Capital Inc." under the laws of the Province of Alberta pursuant to the ABCA. On July 11, 2001, the Company amalgamated with The Grasslands Entertainment Group Inc. to form "Grasslands Entertainment Inc." On December 19, 2011, the Company filed articles of amendment under the ABCA to consolidate its common shares on a five for one (5:1) basis. On December 20, 2011, the Company completed a reverse takeover transaction with Lakeside Minerals Corp., filed articles of continuance to continue from the Province of Alberta into the Province of Ontario pursuant to the OBCA, and filed articles of amendment to change its name to "Lakeside Minerals Inc." On June 13, 2014, the Company filed articles of amendment under the OBCA to consolidate its common shares on a four for one (4:1) basis. On November 8, 2016, the Company filed articles of amendment under the OBCA to complete a further consolidation of its common shares on a three for one (3:1) basis. On July 25, 2017, the Company filed articles of amendment under the OBCA to change its name to "Lineage Grow Company Ltd."

On May 30, 2019, the Company completed the RTO Transaction with FLRish, which constituted a reverse takeover of the Company by FLRish under applicable securities laws. In connection with the RTO Transaction, on May 24, 2019, the Company filed articles of amendment to create the Special Shares and on May 30, 2019, the Company filed articles of amendment: (i) to complete a further consolidation of its common shares at a ratio of approximately 41.818182 to one, (ii) to reclassify its common shares on a post-consolidation basis as Subordinate Voting Shares, (iii) to create a new class of Multiple Voting Shares; and (iv) to change its name to "Harborside Inc."

On December 1, 2020, the Company filed articles of amendment under the OBCA to make certain amendments of a housekeeping nature to the Special Shares to correct certain clerical errors. Following the redemption for cancellation of the Special Shares on February 26, 2021, on March 8, 2021, the Company filed articles of amendment under the OBCA to remove the Special Shares from the authorized capital of the Company.

The Company is organized and existing under the OBCA as of the date of this AIF. The Company's registered office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, Canada. The Company's head office is located at 2100 Embarcadero, Suite 202, Oakland, California, 94606.

Intercorporate Relationships

The table below lists the principal subsidiaries of the Company as at the date of this AIF, the percentage of votes attaching to all voting securities of each subsidiary beneficially owned, or controlled or directed, directly or indirectly, by the Company, and the jurisdiction of organization of each such subsidiary:

Name	Jurisdiction	Purpose	Percentage Owned (%)
Harborside Inc.	Ontario, Canada	Parent	100
FLRish Farms Cultivation 2, LLC	California, U.S.	Operating Company	100
Patients Mutual Assistance Collective Corporation	California, U.S.	Operating Company	100
San Jose Wellness Solutions Corp.	California, U.S.	Operating Company	100
San Leandro Wellness Solutions Inc.	California, U.S.	Operating Company	100
LGC LOR DIS 2, LLC	Oregon, U.S.	Operating Company	100
FGW Haight Inc.	California, U.S.	Operating Company	21
LGC LOR DIS 1, LLC	Oregon, U.S.	Operating Company	100
Encinal Productions RE, LLC	California, U.S.	Operating Company	100
Savature Inc.	California, U.S.	Operating Company	100
Sublime Machining Inc.	California, U.S.	Operating Company	100
Accucanna RE, LLC	California, U.S.	Operating Company	100
Accucanna LLC	California, U.S.	Operating Company	100
FLRish, Inc.	California, U.S.	Management Company	100
FLRish Retail Management & Security Services, LLC	California, U.S.	Management Company	100
FLRish Farms Management & Security Services, LLC	California, U.S.	Management Company	100
FFC1, LLC	California, U.S.	Holding Company	100
FLRish Farms Cultivation 7, LLC	California, U.S.	Holding Company	100
FLRish Flagship Enterprises, Inc.	California, U.S.	Holding Company	100
FLRish IP, LLC	California, U.S.	Holding Company	100
FLRish Retail, LLC	California, U.S.	Holding Company	100
FLRish Retail Affiliates, LLC	California, U.S.	Holding Company	100
FLRish Retail JV, LLC	California, U.S.	Holding Company	100
Haight Acquisition Corporation	Delaware, U.S.	Holding Company	100
LGC Holdings USA, Inc.	Nevada, U.S.	Holding Company	100
LGC Operations, LLC	Nevada, U.S.	Holding Company	100
Lineage GCL Oregon Corporation	Oregon, U.S.	Holding Company	100
Lineage GCL California, LLC	California, U.S.	Holding Company	100
Unite Capital Corp.	Ontario, Canada	Holding Company	100
SaVaCa, LLC	California, U.S.	Holding Company	100
Sublimation Inc.	Delaware, U.S.	Holding Company	100
Oakland Machining Supply SLB LLC	California, U.S.	Holding Company	100
Accucanna Holdings Inc.	California, U.S.	Holding Company	100

Background on Harborside's Corporate Organization

On February 8, 2019, the Company and FLRish entered into a merger agreement (as amended on April 17, 2019, the "**Merger Agreement**") pursuant to which they agreed to complete a reverse takeover transaction (the "**RTO Transaction**").

Prior to the Merger Agreement, FLRish gained control of PMACC and SJW pursuant to a series of agreements (the "**Merger Option Agreements**") that had been previously entered into between FLRish, PMACC and SJW. The Merger Option Agreements provided FLRish with the right to purchase 100% of the equity interests of PMACC and

SJW (the "**Merger Options**"). The Company determined that on January 7, 2019, the date the Merger Option Agreements were executed, the Company obtained de facto control of PMACC and SJW. PMACC operates the retail dispensary in Oakland as well as the Production Campus in Salinas, California. SJW operates the retail dispensary in San Jose, California.

On May 30, 2019, the Company completed the RTO Transaction with FLRish by way of a "three-cornered" merger, whereby FLRish became a wholly owned subsidiary of the Company. Concurrent with closing of the RTO Transaction, the Company filed articles of amendment to: (i) consolidate its common shares on the basis of approximately 41.818 common shares into one new common share (the "**Consolidation**"); (ii) reclassify its common shares on a post-Consolidation basis as Subordinate Voting Shares; (iii) create a new class of Multiple Voting Shares; and (iv) change its name to "Harborside Inc.". The RTO Transaction resulted in the former shareholders of FLRish holding a majority of the outstanding share capital and assuming control of the Company. The Subordinate Voting Shares began trading on the CSE on June 10, 2019.

In connection with the RTO Transaction, the Company and FLRish agreed to exercise the Merger Options to purchase 100% of each of PMACC and SJW. As a result, after the RTO Transaction, the Company exercised the Merger Options and obtained legal control over PMACC and SJW, as well as an indirect interest in SLWS. Harborside purchased the remaining 50% of SLWS in October 2019.

Further details regarding the Company and the RTO Transaction are disclosed in the Company's listing statement dated May 30, 2019 (the "**Listing Statement**"), a copy of which is available under the Company's profile on SEDAR at www.sedar.com. See "*Three Year History*" below for more information.

Recent Developments

COVID-19 Pandemic[1]

The novel coronavirus, commonly referred to as COVID-19, was identified in December 2019 in Wuhan, China. On January 30, 2020, the WHO declared the outbreak a global health emergency, and on March 11, 2020, the spread of COVID-19 was declared a global pandemic by the WHO. On March 13, 2020, the spread of COVID-19 was declared a national emergency by President Donald Trump. The outbreak has spread throughout the globe, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the duration of business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

The Company has taken responsible measures with respect to the COVID-19 pandemic to maximize the safety of staff working at its facilities. Such initiatives aim to allow the Company to continue offering affordable and high-quality products in a safe environment, with additional measures put in place to allow its customers to access its products while limiting social interactions and enforcing social distancing measures throughout its retail stores. These initiatives have allowed the Company to operate mostly uninterrupted and to implement its business continuity plan. Some of the measures that Harborside enacted included: (i) increasing curbside pick-up and/or drive-thru options at all of its retail locations; (ii) expanding home delivery services to customers located in Oakland, San Jose and the Greater East Bay and Peninsula areas; and (iii) updating its in-store safety and sanitation protocols. The Company also emphasized its continued efforts to align labor costs with customer demand, cut all non-essential operational expenses, hold off on any non-accretive operational and capital projects and suspend all non-essential supplier contracts. During the pandemic, the Company has been able to maintain operations and expand delivery services to customers located in Oakland, San Jose and the Greater East Bay and Peninsula areas and increase curbside pick-up and/or drive-thru options at all of its retail locations to provide additional fulfillment models that are safe and efficient for employees and customers. Management has not observed any indicators of impairment to assets or a significant change in the fair value of assets due to the COVID-19 pandemic. While the Company has not experienced any material failures to secure critical supplies or services, future disruptions in the supply chain are possible and may significantly increase costs. To better protect the health and safety of both employees and customers, the Company implemented new in-store safety and sanitation protocols in accordance with the guidance of the Centers for Disease Control and Prevention (CDC) at all locations. The Company also emphasized its continued efforts to align labor costs with customer demand,

[1] This section contains forward-looking information and is based on a number of risks and assumptions, including those described under "Assumptions and Expectations". See "Cautionary Note Regarding Forward Looking Statements".

cut all non-essential operational expenses, hold off on any non-accretive operational and capital projects and suspend all non-essential supplier contracts. Ensuring that customers continue to have safe and uninterrupted access to its products, as well as maintaining high quality growth, cultivation, production, and manufacturing capabilities will be critical to the Company's success. The Company is re-assessing its response to the COVID-19 pandemic on an ongoing basis. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact of these developments on all aspects of the business.

See "*Risk Factors"* for more information on the COVID-19 pandemic's impacts on the Company's operations and risk factors relating to the COVID-19 pandemic that may affect the Company's operations.

Departure of Chief Operating Officer

On January 15, 2021, Greg Sutton resigned as Chief Operating Officer of Cultivation and Manufacturing of Harborside.

Shahrohkimanesh v. Harborside, Inc. et al.

On January 21, 2021, the Company announced that the complaint filed by Ms. Rihanna Shahrohkimanesh was voluntarily dismissed by plaintiff in its entirety without prejudice. The plaintiffs in this action had alleged violations of the U.S. Securities Exchange Act of 1934 (15 USC §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder (17 CFR § 240.10b-5)).

Resolution of SJW 280E Case

On February 17, 2021, the U.S. Tax Court ruled in favor of the Commissioner of Internal Revenue with respect to Docket Nos. 12313-15, 12353-15, and 15714-18 to disallow all of SJW's deductions pursuant to Section 280E of the U.S. Tax Code for all the years at issue. The Company accrued an additional $523,600 related to the 2015 tax year as at December 31, 2020, based on the deficiencies assessed by the court.

February 2021 Private Placement

On February 18, 2021, the Company completed its upsized brokered private placement offering of units of the Company for aggregate gross proceeds of approximately C$35.1 million (the "**Offering**"). Each unit issued to non-residents of the United States (each, an "**SVS Unit**") was comprised of one SVS and one SVS purchase warrant (each, an "**SVS Warrant**"). Each SVS Warrant is exercisable to acquire one SVS of the Company for a period of 36 months following closing of the Offering at an exercise price of C$3.69 per SVS, subject to adjustment and acceleration in certain events. A total of 5,806,700 SVS Units were issued pursuant to the Offering.

All investors that were considered residents of the United States were issued units (each, an "**MVS Unit**"), each MVS Unit comprised of one MVS of the Company and one MVS purchase warrant (each, an "**MVS Warrant**") based on the same economic equivalency of each MVS converting into 100 SVS. The holders of MVS are entitled to one vote in respect of each SVS into which such MVS could be converted. A total of 79,592 MVS Units were issued pursuant to the Offering.

Both the SVS Warrants and MVS Warrants are governed by the terms of a warrant indenture dated February 18, 2021 (the "**Warrant Indenture**") between the Company and Odyssey Trust Company, in its capacity as warrant agent (the "**Warrant Agent**"). A copy of the Warrant Indenture is available on SEDAR at www.sedar.com.

Beacon Securities Limited and ATB Capital Markets (the "**Agents**") acted as co-lead agents in connection with the Offering pursuant to an agency agreement dated February 18, 2021 (the "**Agency Agreement**"). In consideration for their services, the Company paid the Agents a cash commission equal to approximately C$1.4 million and issued the Agents an aggregate of 569,154 broker warrants. Each broker warrant is exercisable until February 18, 2022 into one SVS Unit (each comprised of one SVS and one SVS Warrant) at an exercise price of C$2.55 per SVS Unit. A copy of the Agency Agreement is available on SEDAR at www.sedar.com.

As certain insiders and other related parties of the Company participated in the Offering, it was deemed to be a "related party transaction" as defined under MI 61-101. The Offering was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 (pursuant to subsections 5.5(a) and 5.7(a)) as the fair market value of the securities distributed to, and the consideration received from, related parties did not exceed 25% of the Company's market capitalization.

Acquisition of Production Campus

On February 25, 2021, the Company provided notice to CFP Fund I, LLC ("**CFP**") of its intent to exercise its call option to purchase the Production Campus pursuant to the terms of a lease agreement with CFP for the property and equipment located at the Production Campus. On June 2, 2021, the Company announced that it had completed the purchase of the Production Campus, using approximately $10.84 million in funds drawn from its Credit Facility.

Recognition for "Best Curbside Pick-up"

On February 26, 2021, the Company was named "Best Curbside Pick-up" for dispensaries by readers in East Bay Express' Best of the East Bay 2021. In addition, Harborside also placed as a top 3 finalist for the Best Cannabis Delivery category in the Desert Sun's "Best of the Desert" 2020 competition.

Special Share Redemption

On February 26, 2021, the Company's outstanding Special Shares were formally redeemed for cancellation at a redemption price of C$0.000001 per share in accordance with the Company's Articles. No compensation was paid to any holder pursuant to the Articles of the Company, which provide that no payment shall be made and no compensation shall be provided for any payment to a holder that is less than $1.00.

Loudpack Debentures

On March 8, 2021, the Company, through one of its subsidiaries, purchased $5 million principal amount of 15% senior secured convertible debentures of Loudpack (the "**Loudpack Debentures**"). The Loudpack Debentures mature on December 31, 2022, bear interest at a rate of 15% and are secured by first and second priority liens on assets of Loudpack and its subsidiaries, as well as joint and several guarantees provided by direct and indirect subsidiaries of Loudpack and certain of its members. Prior to maturity, the Loudpack Debentures are subject to both optional and mandatory conversion features as well as an optional redemption feature and additional restrictions imposed upon Loudpack by the Company pertaining to the ultimate use of the funds used to purchase the Loudpack Debentures. The Loudpack Debentures are also subject to an optional conversion feature at maturity.

Prior to maturity, the Loudpack Debentures will be automatically converted to equity upon the closing of a qualified fundamental transaction ("**Qualified Fundamental Transaction**"), which is defined as (a) an initial public offering or reverse takeover transaction that: (i) yields net proceeds of not less than $25 million in cash; (ii) with at least 80% of the net proceeds referenced in item (i) coming from parties that are not (A) insiders, (B) relatives or affiliates of insiders, or (C) in any way affiliated with Loudpack; (iii) is led by agreed upon investment banks; and (iv) is supported by a valuation opinion issued by a nationally recognized, independent investment bank, or (b) a merger or acquisition transaction involving an acquirer with a pre-transaction market capitalization of at least $500 million and whose shares have a 60 day trailing average daily trading value of not less than $6 million, provided that any other merger or acquisition transaction shall be deemed a Qualified Fundamental Transaction upon a favorable vote by the holders of a majority of the principal amount of the Loudpack Debentures. In the event that the Loudpack Debentures are automatically converted upon the closing of a Qualified Fundamental Transaction, they will be automatically converted at the lower of: (i) the pre-conversion equity value implied by the Qualified Fundamental Transaction less a discount of 35%, or (ii) a pre-conversion equity cap of $212.5 million prior to November 30, 2021, or $200 million after November 30, 2021.

The Loudpack Debentures may be converted prior to maturity, at the Company's option, in the event that Loudpack closes a qualified equity financing, in an amount of not less than $25 million, which is not considered to be a Qualified Fundamental Transaction, (a "**Qualified Transaction**"). If the Company were to exercise its option upon the closing of a Qualified Transaction, the Loudpack Debentures would be converted at the lower of (i) the equity price of the

Qualified Transaction less a discount of 35%, or (ii) a pre-conversion equity cap of $225 million on a post conversion, fully diluted basis. In addition, prior to maturity Loudpack may be required to offer the Company an opportunity to redeem some or all of its Loudpack Debentures at par plus any accrued and unpaid interest in the event that Loudpack were to sell certain of its real estate assets. Upon maturity, the Loudpack Debentures are payable in cash at a price equal to par value plus accrued interest, or at the option of the Company may be converted into equity at a pre-conversion equity value of $225 million.

In conjunction with the investment in the Loudpack Debentures by the Company, Andrew Sturner, a director of the Company, was appointed to the board of directors of Loudpack. Mr. Sturner resigned from the Loudpack board of directors effective September 22, 2021.

Related Party Note Receivable

On March 12, 2021, the Company extended the maturity date of a promissory note and pledge agreement with Mr. John H. Nichols, General Counsel and Secretary of the Company, from March 31, 2021 to June 30, 2021. On May 25, 2021, the note, plus all accrued interest was repaid in full.

Credit Facility

On March 19, 2021, the Company entered into a $12 million senior secured revolving credit facility with a federally regulated commercial bank (the "**Bank**") as amended on July 2, 2021 (the "**Credit Facility**"). The Credit Facility is due March 2023, has a variable interest rate based on the prime rate charged by the Bank plus a premium, with a floor rate of 5.75%, and is secured by a first-priority security interest on substantially all of the Company's assets. As consideration for the Credit Facility, the Company agreed to, among other things: (i) deliver a commercial security agreement, an assignment of deposit account, and a security agreement in respect of cash collateral to the Bank; (ii) make an upfront cash payment based on the principal amount of the Facility to the Bank as an original issue discount; and (iii) issue 4,100 warrants to the Bank to purchase MVS, which subject to certain conditions, are convertible into SVS at a conversion rate of 100 SVS for each MVS converted. Each warrant issued to the Bank entitles the Bank to one MVS of the Company at a price of C$369, at any time prior to March 19, 2023. The Credit Facility is subject to covenant clauses whereby the Company is required to meet certain financial ratios. As at the date of this AIF, the Company was in compliance with these covenants.

On May 28, 2021, the Company drew down approximately $11.5 million on its revolving Credit Facility in anticipation of consummating the purchase of the Production Campus in Salinas, California.

SLWS Dispute

On March 30, 2021, in connection with an ongoing dispute related to the property lease for SLWS, the court ruled against SLWS and entered a judgment that included: (i) the plaintiff immediately being entitled to restitution and possession of the premises; (ii) the lease for SLWS premises being declared forfeited; and (iii) the plaintiff being awarded unpaid rent and damages.

On April 1, 2021, the Company filed a request for temporary stay of eviction. The request for a stay was granted and the parties mutually agreed to stay the eviction until May 15, 2021. On April 26, 2021, the Company entered into a settlement agreement with the landlord which included extending the lease until October 31, 2021 and the grant of landlord permission for the sale of cannabis to the adult-use market, a pre-condition to state licensing of adult use sales.

On May 3, 2021, the Company announced that Harborside San Leandro would be transitioning from medical to adult-use retail sales as part of an agreement with the landlord of the property which provided authorization for adult-use sales and upon approval from the BCC. The agreement with the landlord also provided a six-month lease extension, which is expected to give Harborside sufficient time to either obtain further lease extensions or to locate and build out a new retail dispensary location in San Leandro. On May 11, 2021, the Company received approval from the BCC to commence adult-use retail sales and began selling to adult use consumers at its SLWS dispensary. Effective October 19, 2021, the Company negotiated an additional six-month extension with an optional three months available if mutually agreed by the parties to the lease.

PMACC v. Commissioner

On April 22, 2021, the U.S. Court of Appeals for the Ninth Circuit affirmed the U.S. Tax Court decision in *PMACC v. Commissioner*. In that decision, the U.S. Tax Court disallowed PMACC's allocation of certain items of expense to cost of goods sold, holding that they were instead deductions barred by Section 280E of the Internal Revenue Code.

Appeal of SJW 280E Case

On May 14, 2021, the Company appealed the United States Tax Court decision to disallow all of the SJW's deductions pursuant to IRC Section 280E for all years at issue with respect to Docket Nos. 12313-15, 12353-15, and 15714-18.

Sublime Acquisition

On June 1, 2021, the Company signed a definitive agreement (the "**Sublime Agreement**") to acquire 100% of the issued and outstanding equity of Sublime, a California based cannabis manufacturing company known for its award winning and market leading line of Fuzzies branded infused pre-rolls, as part of its objective to expand the wholesale distribution of its branded consumer packaged goods to other licensed retailers and distributors throughout California.

On July 2, 2021, the Company acquired 100% of the issued and outstanding shares of Sublime (the "**Sublime Acquisition**") pursuant to the Sublime Agreement for total consideration of approximately $43.8 million, comprised of approximately $38.4 million payable through the issuance of 207,579.66 MVS, and approximately $5.4 million payable in cash. In addition, concurrent with the closing of the Sublime Acquisition, the Company granted stock options to purchase an aggregate of 536,875 SVS to certain employees of Sublime, who are now employees of the Company. Each stock option is exercisable into one SVS of the Company at an exercise price of C$1.78. The options will expire five years from the date of grant and are subject to vesting conditions. In addition, the Company assumed the outstanding options of Sublime upon closing of the Sublime Acquisition, with such number of underlying SVS to be issuable upon exercise of such options to be reasonably determined by the Board in accordance with the provisions of the Sublime Agreement.

Departure of Interim Chief Executive Officer

On July 19, 2021, the Company announced that Peter Bilodeau resigned as Interim CEO of Harborside. Concurrently, Matt Hawkins, the Chairman of the Board, assumed the position of Interim CEO and Ahmer Iqbal, former CEO of Sublime, was appointed as Chief Operating Officer of Harborside.

DHS Acquisition

On September 2, 2021, the Company completed the DHS Acquisition for total consideration of approximately $4.9 million, which was comprised of: (a) approximately $1.5 million payable through the issuance of 15,793.40 MVS and $784,646 payable in cash for the equity interest of Accucanna; and (b) approximately $2.6 million payable in cash for the property related to the Desert Hot Springs dispensary. Harborside intends to finance a portion of the purchase price paid for the property. Prior to closing of the DHS Acquisition, Harborside had been operating the Desert Hot Springs dispensary under a management services agreement since December 2019.

Strategic Research Agreement

On September 15, 2021, the Company entered into a strategic research agreement with Utah State University ("**USU**") working with Dr. Bruce Bugbee and USU's Plant Physiology Laboratory. This research is focused on crop steering to increase yield per square foot while reducing cycle time and carbon footprint.

Transition to Domestic Issuer Status in United States

On September 27, 2021, the Company announced that, subject to shareholder approval, it intends to amend its articles (the "**Amendment**") to remove conversion restrictions placed on the MVS. The Company anticipates that this change will eventually result in more than 50% of the Company's issued and outstanding SVS being directly or indirectly owned by shareholders of record domiciled in the U.S., which will have the effect of the Company no longer meeting

the definition of "foreign private issuer" under U.S. securities laws and the Company will be required to register under the Securities Exchange Act of 1934, as amended (the "**Transition**"). If and when the Transition is completed, the Company will be subject to the U.S. Securities and Exchange Commission's reporting requirements applicable to U.S. domestic companies. The SEC's reporting requirements will require, among other things, the Company's financial statements and financial data to be presented under U.S. GAAP. The Company expects to seek shareholder approval for the Amendment by the end of the 2021 calendar year and has established a task force of internal and external resources to manage the Transition.

Investor Relations Engagement

On September 27, 2021, the Company announced that it has engaged Bay Street Communications ("**BSC**") to provide investor relations services to the Company, all in accordance with the terms of an investor relations services agreement entered into with BSC on September 26, 2021 (the "**IR Agreement**"). The engagement of BSC remains subject to customary regulatory approvals, including the approval of the CSE. The term of the engagement of BSC will be ongoing on a month-to-month basis, and may be terminated by either party after six months, with 30 days' written notice. Under the terms of the IR Agreement, Harborside will pay BSC a monthly fee of C$10,000 for the ongoing strategic investor relations engagement.

Energy Efficiency Project

On October 12, 2021, the Company announced plans to install an onsite renewable energy microgrid that is expected to include 4.9 MW of solar panels and 6 MWh of battery storage tied to advanced system and load management controls (the "**Project**") at the Company's Production Campus located in Salinas, California.

Retail Partnership with RNBW

On October 15, 2021, the Company announced it had entered into a retail partnership with RNBW, a new premium cannabis brand produced in collaboration with music giant Insomniac, to sell RNBW cannabis products and special ticket bundles containing RNBW products and tickets to the 25th Anniversary of Electric Daisy Carnival, the world's largest dance music festival, at Harborside dispensaries throughout California.

Change of Auditor

On November 4, 2021, the Company announced that, following the recommendation of the audit committee and in anticipation of the Company's transition to domestic issuer status in the United States, the Company's Board had accepted the resignation of MNP LLP as the auditor of the Company effective October 26, 2021 and approved the appointment of Armanino LLP as successor auditor effective October 27, 2021.

Business Combination with Urbn Leaf and Loudpack

On November 29, 2021, the Company announced that it had entered into definitive agreements to acquire 100% of Urbn Leaf and Loudpack. The aggregate consideration for the transactions will be met through the issuance of 151,427,786 SVS and the assumption and restructuring of debts and other obligations as well as the issuance of 2,000,000 warrants, with each warrant entitling the holder thereto to acquire one SVS at an exercise price of US$2.50 per SVS. The acquisitions are expected to close in the first quarter of 2022, subject to required regulatory approvals and customary closing conditions, representations, warranties and covenants. On completion of the acquisitions, subject to shareholder and regulatory approval, the Company is expected to be renamed StateHouse Holdings ("**StateHouse**") and to trade under a new symbol (CSE: STHZ). Upon closing of the Urbn Leaf acquisition, Ed Schmults, the current CEO of Urbn Leaf, is expected to be appointed as CEO of the Company and will be joining the Board. Upon closing of the Loudpack acquisition, Marc Ravner, the current CEO of Loudpack, is expected to be appointed as President of the Company and will be joining the Board.

Private Placement

On November 29, 2021, in connection with the proposed acquisitions of Urbn Leaf and Loudpack, the Company announced that it expects to complete a private placement offering of units of Harborside ("**Units**") at a price of C$0.79

per Unit for aggregate proceeds of up to approximately US$10 million (the "**Private Placement**"). Each Unit will be comprised of one SVS and one SVS purchase warrant, with each warrant entitling the holder thereof to acquire one SVS at an exercise price of C$0.79 per SVS for a period of 60 months from the closing of the Private Placement, subject to adjustment and acceleration in certain events. To the extent the acquisitions of Urbn Leaf and Loudpack are completed, the proceeds from the Private Placement will be used for growth capital of StateHouse. Otherwise, the proceeds of the Private Placement will be used for general corporate and working capital purposes of Harborside. The Private Placement remains subject to the approval of the CSE.

Roll Up Financing

On November 29, 2021, in connection with the proposed acquisitions of Urbn Leaf and Loudpack, the Company announced that it had signed a non-binding term sheet with Pelorus Equity Group ("**Pelorus**") for a total of $77.3 million of debt financing (the "**Roll Up Financing**") which would be used primarily to retire certain existing loans and provide additional working capital to the Company, Urbn Leaf and Loudpack. The Roll Up Financing would contain a nominal interest rate of 10.25%, along with specified origination, closing and other transaction fees, and would be secured by certain real estate assets and cannabis licenses of the Company, Urbn Leaf and Loudpack. It would also be subject to debt service ratio requirements, interest reserves, certain cross-corporate guarantees and defaults, subordination agreements and intercreditor agreements, along with a general corporate guaranty from the Company. The Roll Up Financing is intended to be funded in two tranches, with the first occurring prior to closing on the acquisitions of Urbn Leaf and Loudpack, and the second tranche to be funded to the Company post-closing, at a time of the Company's choosing. The first tranche is intended to be funded in three separate loans, with one loan each to Urbn Leaf, Loudpack and the Company, to be used primarily to retire certain existing debt at each company. The Roll Up Financing also will contain terms so that, in the event that the first tranche is funded and the Company does not close on the acquisitions of Urbn Leaf and/or Loudpack, the Company is no longer obligated to guarantee the specific portion of the first tranche that is related to the acquisition transaction that will not close. The Company intends to enter into a definitive agreement with Pelorus prior to the end of 2021.

Potential Dispute

On December 13, 2021, the Company received notice that a yet to be certified class action lawsuit had been filed against several of its subsidiaries alleging that protected health information had been disclosed in violation of the California Medical Information Act and demanding unspecified damages. The Company does not believe that the claim has any merit and intends to vigorously defend itself.

Three Year History

2020

Harborside San Leandro

On February 11, 2020, the Company announced the grand opening of Harborside San Leandro. At the time of its opening, Harborside San Leandro operated as a "medical only" location but carried much of the same inventory as the other Harborside retail locations, including Harborside's own "KEY" and "Harborside Farms" brands of cannabis products. On May 11, 2021, the Company received approval from the BCC to commence adult-use retail sales and began selling to adult use consumers at its SLWS dispensary.

Discontinuation of Operations

On April 30, 2020, due to the results of a strategic review of the Company's operations to focus on its highest return-on-investment assets, specifically those with potential for revenue growth and profitability, the Company discontinued the operations of its retail dispensary in Portland, Oregon.

Cease Trade Order

On June 8, 2020, the OSC issued a CTO which prevented trading in the Company's SVS until after it had filed: (i) the amended and restated financial statements of FLRish for the years ended December 31, 2017 and 2018; (ii) the annual

financial statements and related MD&A of the Company for the year ended December 31, 2019 (collectively, the "**Outstanding Annual Filings**"); and (iii) the interim financial report and related MD&A of the Company for the period ended March 31, 2020 (the "**Q1 2020 Filings**").

On August 10, 2020, the Company filed the Outstanding Annual Filings, and on August 25, 2020, the Company also filed the Q1 2020 Filings. Upon filing the Outstanding Annual Filings and the Q1 2020 Filings, the Company applied to the OSC to have the CTO revoked, and trading of the Company's SVS resumed on the CSE on September 2, 2020.

OTCQX listing

On September 10, 2020, the Company announced that its SVS were expected to begin trading on the OTCQX under the ticker symbol of "HSDEF". Effective October 7, 2020, the Company changed its trading symbol to "HBORF".

Haight Acquisition Corporation

On September 29, 2020, the Company incorporated Haight Acquisition Corporation, a new wholly-owned subsidiary, for the potential acquisition of FGW, a California corporation which has the conditional use approval necessary to operate a cannabis dispensary and related businesses in the Haight Ashbury area of San Francisco, California. See "*FGW Transaction*" below.

Changes to the Board of Directors

On October 26, 2020, the Company announced that, in response to feedback from a group of shareholders, including Harborside's largest shareholder, with respect to the Company's annual and special meeting of shareholders scheduled for November 24, 2020 (the "**Meeting**"), the Company was proposing an alternate slate of nominees for election as directors of Harborside at the Meeting. On November 24, 2020, Kevin Albert, Michael Dacks, Matt Hawkins, Peter Kampian, Alexander Norman, James Scott and Andrew Sturner were elected as directors of Harborside.

Disposition of Lakeside Minerals Corp.

On October 29, 2020, the Company entered into a share purchase agreement with Cachee Gold Mines Corp ("Cachee") for the sale by the Company of all of the issued and outstanding common shares in the capital of Lakeside Minerals Corp., one of the Company's legacy subsidiaries. The Company received C$5,000 cash consideration and one special share warrant of Cachee convertible at the option of the Company, for no additional consideration immediately prior to the listing of common shares of Cachee (the "**Cachee Shares**") on a recognized Canadian stock exchange, into such number of Cachee Shares equal to C$100,000.

DTC Eligibility

On November 3, 2020, the Company announced that it had received approval for Depository Trade Clearance settlement services. The electronic method of clearing securities speeds up the receipt of stock and cash and will accelerate settlement processes for investors.

Greenhouse Improvements

On November 6, 2020, the Company announced plans to substantially upgrade one of the greenhouses at the Production Campus. The planned upgrades included, among other things, the installation of new floors, blackout curtains and supplemental LED grow lights. On June 30, 2021, the Company announced the completion of the upgrades to the Production Campus. The enhancements at the Production Campus have permitted the Company to implement high-yield indoor cultivation techniques and technology into the existing greenhouse environment.

Secured Indemnity

On November 17, 2020, the Company and its subsidiaries entered into a guaranty and security agreement to guarantee and secure the obligations of the Company to defend and to indemnify its directors and officers (collectively, the

"**Secured Indemnity**"). The Secured Indemnity is intended to supplement coverage available under existing directors and officers insurance maintained by the Company to mitigate concerns about: (i) claims and potential claims against directors and officers of Harborside and, (ii) whether the available insurance applies to and will satisfy in full such claims and potential claims. The scale and complexity of the Company's operations in a highly regulated sector requires that the directors and officers managing those operations be committed to the performance of their duties without undue or inappropriate distractions. In management's view, concerns about claims and potential claims and adequacy of insurance may detract from the performance of the directors and officers involved in the Company's operations or lead to their resignation, which would disrupt the Company's business.

FGW Transaction

On October 18, 2020, the Company entered into a securities purchase agreement (the "**FGW Agreement**") to acquire a 50.1% interest in FGW, with an initial ownership interest of 21%. FGW is a company that has the conditional use approval necessary to operate a retail cannabis dispensary and related businesses in the Haight Ashbury area of San Francisco, California. Upon receipt of certain regulatory approvals from the Director of the Office of Cannabis in San Francisco relating to the FGW Transaction (the "**Specified Approval**"), the Company's total ownership in FGW will increase to 50.1%, upon the conversion of the convertible note issued to the Company on closing of the FGW Transaction (the "**FGW Note**"), valued at approximately $1.2 million. The Specified Approvals are still pending as of the date of this AIF, and expected to be granted during the first calendar quarter of 2022. The FGW Note contains election language that provides that if the Specified Approval has not been either obtained or denied by June 30, 2021, the principal amount of the FGW Note plus all accrued and unpaid interest will become immediately due and payable by FGW upon notification by the Company that it wishes to convert the FGW Note. Upon such time, all shareholders of FGW excluding the Company, are obligated to contribute to FGW such number of FGW shares as is equal to 29.1% of the issued and outstanding FGW shares (the "**Additional Shares**"), and FGW will repay the Company in full the principal amount of the FGW Note with the Additional Shares plus all accrued and unpaid interest in cash.

The FGW Note bears interest at 4.0% per annum and matures on June 30, 2031. Conversion of the FGW Note is expected to occur in 2022. Subject to the Specified Approval being obtained, the Company intends to negotiate a definitive agreement relating to the purchase of an additional 29.9% of the issued and outstanding equity of FGW (the "**Subsequent Shares**") to get to a total equity ownership of FGW of 80%. The aggregate purchase price for the Subsequent Shares will be approximately $1.3 million, which will be satisfied in MVS priced at the greater of: (i) the 30-day volume weighted average price of the SVS on the CSE ending on the day prior to closing of the purchase of the Subsequent Shares, less a 10% discount, multiplied by 100; (ii) C$150 per MVS; or (iii) such other price as may be approved by the CSE. The Company will also have a first right of refusal to purchase, in its discretion, in whole or in part and in one or more closings, the remaining 20% of the equity of FGW subject to regulatory approvals, including the Specified Approval.

Upon closing of the FGW Transaction, the Company paid an aggregate purchase price of approximately $2.2 million to secure its 21% equity position in FGW and obtain the FGW Note, which was based on a post-build out proforma working capital enterprise value of approximately $4.3 million. The purchase price was comprised of: (a) the issuance of 9,648.85 MVS valued at C$125 per MVS as consideration for 21% equity interest of FGW; and (b) the payment of approximately $1.3 million as consideration for the FGW Note entitling the Company to such number of underlying FGW shares equal to a 29.1% equity interest in FGW.

Departure of Chairman Emeritus

On December 31, 2020, the Company eliminated the role of Chairman Emeritus and Steve DeAngelo, a former CEO and director of FLRish, separated from Harborside.

2019

Acquisition of PMACC and SJW

In January 2019, FLRish entered into the Merger Option Agreements with PMACC and SJW providing FLRish with the Merger Options to purchase 100% of the equity interests of PMACC and SJW in exchange for shares of FLRish's Series B Common Stock plus the assumption of debt owed by PMACC and SJW.

The Company determined that FLRish obtained de facto control of PMACC and SJW on January 7, 2019. On that date, FLRish had: (i) power over PMACC and SJW as a result of having substantive potential voting rights that gave it the current ability to direct the relevant activities, even though legal ownership remained with the prior shareholders; (ii) rights to variable returns to the retained earnings of PMACC and SJW from the date of execution of the Merger Option Agreements to the date of exercise of the Merger Options; and (iii) the ability to use its power over PMACC and SJW to affect the amount of its returns through the ability to exercise the Merger Options and direct the relevant activities of PMACC and SJW.

In connection with the RTO Transaction, the Company agreed to exercise the Merger Options under the Merger Option Agreements to purchase 100% of each of PMACC and SJW. As a result of the exercise of the Merger Options, following completion of the RTO Transaction, the Company obtained legal control over PMACC and SJW and also indirectly acquired a 50% ownership interest in SLWS. See "*Acquisition of SLWS*" for further details.

Merger Agreement

On February 8, 2019, the Company and FLRish entered into the Merger Agreement, which was amended on April 17, 2019, pursuant to which the parties agreed to complete the RTO Transaction. Pursuant to the Merger Agreement, the RTO Transaction was to be completed by way of a three-cornered merger, whereby FLRish agreed to merge with Merger Sub, a wholly owned subsidiary of Lineage, to form a merged corporation. A copy of the Merger Agreement is available on SEDAR at www.sedar.com. See "*RTO Transaction*" for further details.

Series B Unit Offering

In February 2019, FLRish completed the final tranche of its Series B Unit Offering (as defined herein). See "*2018 – Series B Unit Offering*" for further details.

Airfield Supply Company

On April 23, 2019, the Company entered into a definitive stock purchase agreement with Airfield and its owner pursuant to which, among other things, the Company would acquire 100% of the outstanding capital stock of Airfield (the "**Airfield Transaction**"). As part of the negotiations, the Company paid a $1,000,000 non-refundable deposit. During the third quarter of 2019, management determined that the Company would not proceed with the Airfield Transaction, in light of the substantial cash component of the purchase price, which management determined was not in the best interests of shareholders.

Concurrent Financing

On May 17, 2019, FLRish completed: (i) a brokered private placement offering (the "**Brokered Concurrent Offering**") of 2,508,434 subscription receipts (each, a "**Subscription Receipt**") at a price of C$7.00 per Subscription Receipt (the "**Concurrent Offering Price**") for gross proceeds of approximately C$17.5 million; and (ii) a non-brokered private placement offering of 298,547 Subscription Receipts at the Concurrent Offering Price for gross proceeds of approximately C$2.1 million (together with the Brokered Concurrent Offering, the "**Concurrent Offering**"). The aggregate gross proceeds of the Concurrent Offering were approximately C$19.6 million.

Immediately prior to and in connection with the completion of the RTO Transaction, each Subscription Receipt automatically converted into one share of FLRish series D common stock (each, a "**Series D Share**") and one FLRish warrant (each, a "**Series D Warrant**"), without payment of any additional consideration and with no further action on the part of the holder. Each Series D Warrant issued on conversion of the Subscription Receipts entitles the holder thereof to purchase one Series D Share at an exercise price of C$8.75 per share until May 17, 2021, subject to adjustment in certain circumstances. On closing of the RTO Transaction, each Series D Share and Series D Warrant issued on conversion of the Subscription Receipts was immediately exchanged for equivalent securities of Harborside, being one SVS and one warrant to purchase an SVS.

RTO Transaction

On May 30, 2019, the Company completed the RTO Transaction with FLRish by way of a "three-cornered" merger, whereby FLRish became a wholly-owned subsidiary of the Company. Concurrent with closing of the RTO Transaction, the Company filed articles of amendment to: (i) complete the Consolidation; (ii) reclassify its common shares on a post-Consolidation basis as SVS; (iii) create a new class of MVS; and (iv) change its name to "Harborside Inc." The RTO Transaction resulted in the former shareholders of FLRish holding a majority of the outstanding share capital and assuming control of the Company. The SVS began trading on the CSE on June 10, 2019.

Venlo Greenhouse

On October 1, 2019, the Company unveiled its new Venlo Greenhouse at the Production Campus. The Venlo Greenhouse grows premium cannabis flower which is packaged and sold to the Harborside branded dispensaries as well as to third-party retailers and distributors throughout California.

Acquisition of SLWS

On October 8, 2019, Harborside acquired the remaining 50% equity interest in SLWS. Of the approximately $3.7 million total consideration paid for SLWS, approximately $2.0 million represents settlement of pre-existing related party liabilities owed by SLWS to Harborside for advances paid to finance the construction of the project and the balance of approximately $1.7 million was paid in cash. The Harborside San Leandro retail location was officially opened in early 2020.

Voluntary Lock-Up

On October 15, 2019, certain key executives, members of the Board of Directors and insiders of the Company, entered into additional, extended voluntary lock-up agreements with the Company. The voluntary lock-up agreements stipulated those investors would not offer to sell, contract to sell or otherwise dispose of any of Harborside securities subject to the lock-up agreement, or enter into any transaction to such effect, directly or indirectly, in addition to other restrictions, on or before June 1, 2020.

Changes to Executive Management

On October 25, 2019, Andrew Berman resigned as CEO, President and Director of Harborside. Peter Bilodeau, the Chairman of the Board, assumed the role of Interim CEO until a suitable replacement could be found. The Company also expanded its senior management team with the promotion of Greg Sutton as Chief Operating Officer of Cultivation and Manufacturing and Lisah Poore as Chief Retail Officer. On December 2, 2019, Tom DiGiovanni was appointed CFO, replacing Keith Li.

Harborside Desert Hot Springs

On December 7, 2019, the Company and Accucanna formally opened Harborside Desert Hot Springs, the first drive-thru cannabis dispensary in southern California, and also Harborside's first retail location outside of the Bay Area. The approximately 4,800 sq. ft. facility is located near Interstate 10 between Los Angeles and Coachella, and carries both medical and adult-use products, including Harborside's own Fuzzies, KEY and Harborside Farms branded cannabis products. Harborside operated the store under a management services agreement with Accucanna, an entity which it did not control, until September 2, 2021, when the Company purchased 100% of the issued and outstanding equity interests of Accucanna LLC, together with the real property relating to the dispensary.

2018

Mt. Baker Agreements

On January 31, 2018, Lineage entered into a licensing and services agreement and equipment lease agreement (collectively, the "**Mt. Baker Agreements**") with Mt. Baker. The Mt. Baker Agreements would have allowed Lineage to assist Mt. Baker in maximizing the efficiency of its cultivation operations at Mt. Baker's facility in Bellingham,

Washington. The Mt. Baker Agreements were terminated effective as of October 31, 2018. See "*Termination of Agreements*" for further details.

Lineage Equity Financing

On January 24, 2018, Lineage closed the first tranche of a non-brokered private placement equity financing through the issuance of 4,740,000 units at a price of C$0.25 per unit for gross proceeds of approximately C$1.2 million. Each unit consisted of one Lineage Share and one common share purchase warrant. Each warrant entitled the holder thereof to purchase one Lineage Share at a price of C$0.325 per share for a period of 24 months after the closing date. In connection with the private placement, Lineage also paid a finders' fee of C$94,800 in cash and issued 379,200 finders' options which entitled the holders thereof to purchase one unit at a price of C$0.25 per unit, exercisable until January 24, 2020. On February 20, 2018, Lineage announced the closing of the final three tranches of the Lineage Equity Financing, as it issued a total of 7,389,665 units in three tranches with total gross proceeds of C$1,847,416. In connection with the final three tranches, Lineage also paid finders' fees totaling C$99,700 in cash and issued an aggregate of 398,800 finder options. Each finder option entitles the holder thereof to purchase one unit at a price of C$0.25 per unit, exercisable for 24 months from the applicable date of issuance.

Listing of Lineage Shares

On March 5, 2018, the Lineage Shares began trading on the CSE under the trading symbol "BUDD".

LUX Agreement

On March 28, 2018, Lineage entered into a binding letter of intent to acquire a 100% interest in Altai, a limited liability company operating out of California. Altai had in place a binding agreement dated March 15, 2018, as amended, to acquire a minimum 45% ownership interest in LUX. On March 28, 2018, Altai entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. Accordingly, Lineage would acquire an indirect 100% ownership interest in LUX through its purchase of 100% ownership interest in Altai (the "**LUX Acquisition**"). During the year ended December 31, 2020, management determined that the Company would not proceed with the LUX Acquisition.

Desert Hot Springs MSA

On April 19, 2018, FLRish entered into a retail MSA with TVGA, Inc., a California corporation doing business as Accucanna, pursuant to which FLRish agreed to manage and operate Harborside Desert Hot Springs. On December 12, 2018, the MSA was assigned to Accucanna LLC. The initial term of the MSA was five years, with two automatic five year renewals, for a total term of 15 years. On September 2, 2021, the Company purchased 100% of the issued and outstanding equity interests of Accucanna LLC, together with the real property relating to the dispensary.

Savature Merger

On April 29, 2018, FLRish, through a wholly-owned subsidiary, entered into an agreement with LMS to purchase LMS's 31.5% interest in Savature and merge with FLRish Farms. The merger of Savature and FLRish Farms was structured as a reverse triangular merger in which FLRish Farms merged into Savature, with Savature as the surviving entity. As a result of the merger, Savature became a wholly-owned subsidiary of FLRish.

Series A-1 Financing

On April 30, 2018, FLRish completed a private placement financing of its Series A-1 Preferred Stock for gross proceeds of $6.5 million. The financing triggered the conversion of FLRish's Senior Notes and Junior Notes into shares of Series A-1 Preferred Stock. The financing also triggered the conversion of a $1 million principal promissory note into shares of Series A-1 Preferred Stock, and accrued interest was paid in cash.

Accucanna

In May 2018, Harborside, through one of its subsidiaries, entered into a stock purchase agreement with Accucanna that gave the Company the right to purchase 10% of the equity of Accucanna LLC, the entity that owned Harborside Desert Hot Springs. The Company operated Harborside Desert Hot Springs pursuant to an MSA with Accucanna until September 2, 2021, when the Company purchased 100% of the issued and outstanding equity interests of Accucanna LLC, together with the real property relating to the dispensary.

Letter of Intent for RTO Transaction

On August 13, 2018, Lineage announced it entered into a letter agreement with FLRish to effect the RTO Transaction.

Convertible Notes

On August 29, 2018, in connection with Lineage's acquisition of the Terpene Station Dispensaries, Lineage issued convertible notes to the vendors in the aggregate principal amount of $800,000. The principal amount of the notes was convertible into Lineage Shares at a price of C$0.35 per share. On August 30, 2021, the Company repaid the remaining outstanding principal and interest on the convertible notes.

Terpene Station Dispensaries

On September 14, 2018, Lineage entered into asset purchase agreements with Rosebuds Bakery, LLC d/b/a Terpene Station and Brooklyn Holding Co. d/b/a Terpene Station Portland to acquire the Terpene Station Dispensaries. On October 1, 2018, Lineage announced the closing of the acquisition of the Terpene Station Dispensaries. The purchase price payable by Lineage pursuant to the terms of the asset purchase agreements between Lineage and Terpene Station consisted of a cash payment of $400,000 and the Terpene Station Convertible Notes issued on August 29, 2018. In connection with the closing of the acquisition of assets of the Terpene Station Dispensaries, Lineage also issued a stock finder's fee of 386,909 Lineage Shares to FMICA. On April 30, 2020, due to the results of a strategic review of the Company's operations to focus on its highest return-on-investment assets, specifically those with potential for revenue growth and profitability, the Company discontinued the operations of Terpene Station Portland.*Bridge Loan*

On November 16, 2018, FLRish provided an unsecured term loan to Lineage in the principal amount of C$2 million, which was consolidated as an intra-company debt following completion of the RTO Transaction.

Agris Farms Agreement

On November 20, 2018, Lineage entered into a membership interest purchase agreement to acquire a 100% interest in Agris Farms, a limited liability company operating a cannabis cultivation facility in Northern California (the "**Agris Farms Acquisition**"). Pursuant to the agreement, Lineage intended to acquire a 100% interest in Agris Farms based on an implied enterprise value of $6,600,000. Consideration would have been in the form of stock, cash, and the assumption of liabilities. During the year ended December 31, 2019, management determined that the Company would not proceed with the Agris Acquisition.

Termination of Agreements

On November 27, 2018, Lineage entered into an agreement with Quinsam terminating a previously proposed purchase by Lineage of Quinsam's equity interest in Herbiculture Inc. As consideration for the termination, on December 5, 2018, Lineage issued to Quinsam 200,000 Lineage Shares at a price of C$0.19 per share for a total of C$38,000. In addition, on November 27, 2018, Lineage notified Mt. Baker of the termination of the Mt. Baker Definitive Agreements effective as of October 31, 2018 due to the death of the principal of Mt. Baker and to focus on the Terpene Station Dispensaries.

280E Tax Cases

On November 29, 2018, the U.S. Tax Court disallowed PMACC's allocation of certain items of expense to cost of goods sold, holding that they were instead deductions barred by IRC Section 280E. At issue were PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012. The Tax Court held that the expenses were ordinary and substantiated business expenses but, because PMACC's business consists of trafficking in a Schedule I controlled substance, the expenses must be disallowed. On October 21, 2019, after a review process under Rule 155, the Tax Court determined that PMACC's total liability was $11,013,237 plus accrued interest. In its ruling, the Tax Court rejected the assertion of penalties by the IRS, finding that the unsettled state of the law and the fact that PMACC acted reasonably and in good faith meant that penalties under IRC 6661(a) would be inappropriate. In December 2019, PMACC appealed the Tax Court decision to the United States Court of Appeals for the Ninth Circuit, which heard oral arguments in the case on February 9, 2021 and affirmed the Tax Court decision on April 22, 2021. SJW has been involved in two U.S. Tax Court cases related to its fiscal years ended October 31, 2010, 2011, 2012, 2014, and 2015, which were consolidated for trial and briefing. These cases involve the application of Section 280E to SJW's business. The SJW cases were resolved in February, 2021. The Company is negotiating a global settlement agreement on all outstanding 280E IRS matters. See "*Resolution of SJW 280E Case*" above.

Series B Unit Offering

In October and November of 2018 and February of 2019, FLRish completed a private placement ("**Series B Unit Offering**") of 37,228 units of FLRish (the "**Series B Units**") at a price of C$1,000 per Series B Unit (the "**Series B Unit Price**") for aggregate gross proceeds of approximately C$37.2 million. FMI acted as agent in connection with the issuance and sale of Series B Units issued and sold to non-U.S. purchasers under the Series B Unit Offering, pursuant to the terms of the FMI Agency Agreement.

On October 30, 2018, FLRish completed the initial closing of the Series B Unit Offering with the issuance and sale of 6,212 Series B Units at the Series B Unit Price for aggregate gross proceeds of approximately C$6.2 million. On November 16, 2018, FLRish completed the second closing of the Series B Unit Offering with the issuance and sale of 28,566 Series B Units at the Series B Unit Price for aggregate gross proceeds of approximately C$28.6 million. On February 6, 2019, FLRish completed the third and final closing of the Series B Unit Offering with the issuance and sale of 2,450 Series B Units at the Series B Unit Price for aggregate gross proceeds of approximately C$2.5 million.

Each Series B Unit issued pursuant to the Series B Unit Offering consisted of C$1,000 principal amount of unsecured convertible debentures bearing 12.0% interest per annum (each, a "**FLRish Convertible Debenture**") and 87 warrants of FLRish (each, a "**Series B Warrant**"). Immediately prior to the completion of the RTO Transaction, the FLRish Convertible Debentures automatically converted into shares of FLRish Series B Common Stock at a price of C$5.67 per share without further action on the part of the holders of FLRish Convertible Debentures. Following completion of the RTO, each Series B Warrant was exercisable into one SVS at a price of C$8.60 per share until 5:00 p.m. (Toronto time) on October 30, 2020, subject to adjustment and/or acceleration in certain circumstances.

On the initial closing of the Series B Unit Offering, pursuant to the terms of the FMI Agency Agreement, FLRish paid a cash commission to FMI equal to 7% of the aggregate proceeds of sales of the Series B Units to non-U.S. purchasers and issued 63,019 broker warrants. On the second closing of the Series B Unit Offering, FLRish paid a cash commission to FMI equal to 7% of the aggregate proceeds of sales of the Series B Units to non-U.S. purchasers and issued 105,284 broker warrants. Each broker warrant issued in connection with the Series B Unit Offering is exercisable into one SVS at an exercise price of C$6.90 per share until 24 months from the completion of the RTO Transaction, subject to adjustment and/or acceleration in certain circumstances.

On December 3, 2018, FMICA and FLRish entered into a supplemental consulting agreement whereby FMICA would provide additional consulting services to FLRish in addition to those contemplated under a previous consulting agreement dated February 28, 2018. In consideration of the additional services provided by FMICA pursuant to the agreement, FMICA was entitled to cash fees equal to an aggregate of C$1.0 million and was issued 143,241 broker warrants. Each broker warrant issued pursuant to the supplemental consulting agreement is exercisable into one SVS at an exercise price of C$6.90 per share until 24 months from the completion of the RTO Transaction, subject to adjustment and/or acceleration in certain circumstances.

DESCRIPTION OF THE BUSINESS

About Harborside

Harborside, through its affiliated entities, is licensed to cultivate, manufacture, distribute and sell wholesale and retail cannabis and cannabis products for the adult-use and medical markets. The Company operates in and/or has ownership interests in California and Oregon, pursuant to state and local laws and regulations, and is focused on building and maintaining its position as one of California's premier vertically integrated cannabis companies. Over the past 15 years, Harborside has played an instrumental role in making cannabis safe and accessible to a broad and diverse community of California consumers.

Harborside is one of the oldest and most respected cannabis retailers in California, operating four retail dispensaries, a cultivation/production facility, a manufacturing facility and two distribution facilities in California, along with a dispensary in Oregon. The Company, through its ownership interest in FGW, is currently in the midst of building an additional dispensary in the Haight Ashbury area of San Francisco, California, which is currently expected to open in the first quarter of 2022.

The Company's Subordinate Voting Shares are listed on the CSE under the trading symbol "HBOR" and on the OTCQX Best Market under the trading symbol "HBORF".

Principal Products and Services

The Company is a vertically integrated, fully licensed cannabis company with its business consisting of three primary segments: (i) retail dispensaries, (ii) cultivation, processing and manufacturing, and (iii) wholesale sales, including branded product sales of consumer-packaged goods.

Retail Dispensaries

Harborside currently owns and operates four retail dispensaries in California (Harborside Oakland, Harborside San Jose, Harborside San Leandro and Harborside Desert Hot Springs, a dispensary in the Palm Springs area outfitted with Southern California's only cannabis drive-thru window), and one retail dispensary in Eugene, Oregon (the Terpene Station Dispensary). On December 18, 2020, the Company acquired an ownership interest in FGW, a company that has the conditional use approval necessary to operate a retail cannabis dispensary and related businesses in the Haight Ashbury area of San Francisco, California.

Cultivation and Wholesale

Harborside operates the Production Campus in Salinas, California, which covers approximately 47 total acres, of which approximately 11 acres is devoted to five active light deprivation greenhouses containing approximately 200,000 total square feet ("sq. ft.") of licensed cannabis cultivation. The cultivation operation includes approximately 155,000 sq. ft. of canopy space allocated to flowering plants and 45,000 sq. ft. of canopy allocated to nursery space. The greenhouses utilize advanced lighting, HVAC and fertigation controls, and the Venlo Greenhouse additionally features Dutch Venlo technologies. The Production Campus also includes approximately 20,000 sq. ft. of building space allocated to processing, product distribution, warehousing, storage and offices. On June 30, 2021, the Company announced that it had completed certain upgrades to the Production Campus, including, among other things, the installation of blackout curtains, supplemental LED grow lights, and the incorporation of a state-of-the-art environmental control system. The Company is expecting these improvements to result in an increase in yield and output at the Production Campus. The Production Campus also processes and distributes branded cannabis products in various consumer formats under the KEY and Harborside Farms brands. These products are sold through Harborside's retail dispensaries as well as other retailers and distributors throughout California.

On July 2, 2021, the Company completed the Sublime Acquisition. Sublime is well known in California for its "Fuzzies" branded infused pre-rolls, as well as other cannabis products, including edibles and vapes, which are sold to licensed retailers and distributors throughout the state. Harborside expects to leverage the existing statewide product distribution network at Sublime to sell KEY and Harborside Farms branded products alongside the Fuzzies and Sublime brands, thereby gaining additional synergies and economies of scale.

During Q3 2021, the Company implemented a change in its harvest procedures which delayed flower production in Q3 2021 to allow for the adoption of a perpetual harvest schedule beginning in the fourth quarter of 2021. In addition, during Q3 2021, the Production Campus experienced a temporary COVID-19 related supply chain issue with a growing medium (substrate material) which did not meet agreed upon specifications and thereby caused a short-term reduction in harvest yields. The substrate issue was ultimately addressed by changing suppliers and obtaining domestically sourced material.

Research and Development

The Company's research and development activities are primarily focused on improving cannabis genetics, environmental growing practices, efficient cultivation, maximization of automated environmental controls, smart farming technologies, improved manufacturing techniques and the development of new manufactured products.

The Company intends to form research and development relationships with multiple Cannabis breeding partners, young plant providers and smart farming vendors to evaluate new and novel genetics and improved plant stock, The Company, as of September 16, 2021, has also formalized a strategic research agreement with Utah State University (USU) working with Dr. Bruce Bugbee and USU's Plant Physiology Laboratory. This research is focused on crop steering to increase yield per square foot while reducing cycle time and carbon footprint. Preliminary trials commenced at the Company's Production Campus in the fourth quarter of 2021.

Production and Sales

The Company's annual cultivation production from its Production Campus includes cannabis flower which can be sold to both the wholesale bulk market as well as used in Harborside manufactured products or sold through its own managed retail dispensaries as well as licensed third-party distributors, dispensaries and delivery companies.

In addition to its retail store locations, the Company also offers home delivery services in the San Francisco Bay area and a drive-thru service at its Desert Hot Springs retail location. The Company also offers consumers the option to order online and pick-up at its retail store locations. The Company intends to expand its e-commerce operations and delivery operations to offer convenient access for its customers and meet the demands of an evolving retail landscape.

Competitive Conditions

The cannabis industry is highly competitive and the Company competes on quality, price, brand recognition, and distribution strength.

The Company expects to face additional competition from new entrants. If the number of legal users of cannabis in its target jurisdictions increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. In certain markets, such as California, there are also a number of illegally operating dispensaries, which serve as additional competition.

As cannabis remains federally illegal in the U.S., businesses seeking to enter the industry face additional challenges when accessing capital. Presently, there exists no reliable source of U.S. bank lending or equity capital available to fund operations in the U.S. cannabis sector. Nevertheless, the Company is well-capitalized, and management believes that the level of expertise and significant capital investment required to operate a large-scale, vertically-integrated cannabis operation make it difficult and inefficient for smaller cannabis operators to enter this sector of the market. Due to the rapid growth of the cannabis industry in the U.S., management acknowledges that the Company will face competition from other companies accessing equity capital markets in the sector.

See "*Risk Factors – Risks associated with increased competition*" for further information.

Branding and Marketing

As the regulated California market continues to develop, management sees strong potential growth in well-known retail platforms, as well as branded packaged goods that are highly trusted by consumers and focused on specific consumer demographics. In addition, management expects continued demand for high-quality wholesale bulk flower. As well as having one of the longest running and most recognizable retail brand names in the state of California, Harborside sells consumer packaged goods throughout the state of California under its Harborside Farms, KEY, Fuzzies and Sublime brands. The Company devotes branding and marketing efforts towards its retail business to attract consumers to its retail stores and other point of sale opportunities, and its wholesale business to bolster the wholesale sale of its in house brands throughout the state of California.

Intellectual Property

The Company has a portfolio of cannabis products and related brands. As part of the Company's intellectual property protection and brand development strategy, it strives to protect its proprietary products and brands. Intellectual property ("**IP**") protection is pursued both in its ability to sell products and brands through first "Freedom to Operate" searches and subsequently, reviewing proprietary and protectable claims, branding, technology, or design assets. The Company evaluates opportunities for IP protection from cultivation and strain development, in manufacturing and processes, and for its portfolio of finished goods sold at wholesale and retail. The Company's IP protection efforts include trademarks, patents and trade secrets spanning its cultivation, genetics, product development, packaging development, claims, operations, information technology, and branding. Additionally, the Company from time to time partners with other companies and pursues further IP protection through licensing and collaboration with those partners. The Company seeks to protect its proprietary information, in part, by executing confidentiality agreements with third parties and partners and non-disclosure and invention assignment agreements with its employees and consultants. These agreements are designed to protect its proprietary information and ensure ownership of technologies that are developed through its relationship with the respective counterparty. The Company cannot guarantee, however, that these agreements will afford it adequate protection of its intellectual property and proprietary information rights.

See also "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (iv) Related risks, including disruption of third party provided services and the imposition of certain restrictions by regulatory bodies on Harborside's ability to operate in the U.S. – Limited Trademark Protections"* and "*Risk Factors – Limited Trademark Protections*" for further information.

Banking and Processing

The Company deposits funds from its dispensary operations into various bank accounts. These banks are fully aware of the nature of the Company's business and continue to remain supportive of the Company's growth plans. The Company's dispensaries currently accept only cash and debit cards and do not directly process credit card payments. It is anticipated that as federal banking laws change over time, all forms of payment will be accepted by each of the Company's dispensaries.

Changes to Contracts

The Company is currently subject to covenant clauses as part of the Credit Facility, whereby the Company is required to meet certain financial ratios, including a minimum cash balance required to be kept on deposit with the Bank. On October 14, 2021 the required minimum cash balance was reduced by $1.3 million. On November 22, 2021, the required minimum cash balance was reduced by an additional $6.7 million.

Inventory Management

The Company has comprehensive inventory management procedures, which are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict control over Harborside's cannabis and cannabis product inventory from delivery by a licensed distributor to sale or delivery to a consumer, or disposal as cannabis waste. Such inventory management procedures also include measures to prevent contamination and maintain the safety and quality of the products dispensed at Harborside's retail locations.

The Company understands its responsibility to the greater community and the environment and is committed to providing consumers with a safe, consistent and high-quality supply of cannabis.

Employees

As at December 31, 2020, the Company had approximately 200 employees.

Specialized Skill and Knowledge

To remain a leader in its field, Harborside relies on a motivated and experienced team, focused on offering the highest-quality products, in accordance with the regulations in force. The Company employs a diverse group of people for their particular management, administrative, operational and financial expertise, as well as numerous industry professionals with in-depth knowledge of the cultivation, manufacture, distribution and sale of cannabis and cannabis products.

Foreign Operations

The Company conducts business exclusively in the United States. See "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*" and "*Risk Factors*" for further information.

Compliance and Monitoring

Harborside's U.S. marijuana related activities are conducted in a manner consistent with U.S. federal enforcement priorities, including those originally laid out in the Cole Memo published on August 29, 2013, with legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company's compliance program includes an in-house Quality and Compliance ("**QC**") team dedicated to ensuring compliance with applicable U.S. state and federal laws on an ongoing basis. The QC team is tasked with carrying out various compliance-related tasks, including ongoing review of the Company's policies, procedures and controls to ensure alignment with local and state rules and regulations; ongoing training on state rules and regulations for all staff; monthly internal audits of processes and procedures; and facility inspections to ensure compliance with applicable local and state rules and regulations. The QC team monitors state and federal law through routine review of regulatory websites, communication with regulatory authorities, and subscription to numerous industry resources that are focused on legal and compliance related issues. As rules or regulations are adopted, the QC team updates policies and procedures as appropriate and disseminates written guidance to all Harborside entities. Although the Cole Memo has been rescinded, the Company will continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current U.S. federal enforcement guidelines along with the enforcement guidelines of the U.S. states in which Harborside operates.

The Company also utilizes outside legal counsel regarding compliance with applicable state regulatory frameworks and developments in U.S. federal law in the states where its retail dispensaries conduct operations. As of the date of this AIF, the Company has not received any notices of violation, denial or non-compliance from any U.S. authorities imposing any material restriction of operations or fines.

United States Industry Background and Trends

The emergence of the legal cannabis sector in the United States, both for medical and adult-use, has been rapid as more states adopt regulations for its production and sale. Today 72% of Americans live in states where cannabis is legal in some form[2] and 43% of the population live in states where it is fully legalized for adult use.[3]

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A

[2] U.S. Census Bureau (April 26, 2021) "2020 Census Apportionment Results." Retrieved at https://www.census.gov/data/tables/2020/dec/2020-apportionment-data.html

[3] Schaeffer, Katherine (April 26, 2001) "6 facts about Americans and marijuana," Pew Research Center. Retrieved from https://www.pewresearch.org/fact-tank/2021/04/26/facts-about-marijuana/

review of the research, published in 2015 in the Journal of the American Medical Association, found strong evidence that cannabis can treat pain and muscle spasms.[4] The pain component is particularly important because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opiates — meaning marijuana legalization has the potential to save lives.[5]

Polls throughout the U.S. consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. It is estimated that 91% of the U.S. adults support legalizing cannabis for medical use.[6] In addition, 68% of the U.S. public supports legalizing cannabis for adult recreational use.[7] These represent large increases in public support over the past 40 years in favor of legal cannabis use.

Notwithstanding that three quarters of the U.S. states have now legalized adult-use and/or medical marijuana, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the U.S. CSA. See "*Risk Factors*" below. The U.S. DOJ defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." The U.S. FDA has not approved marijuana as a safe and effective drug for any indication. Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the United States.

State laws regulating cannabis are in direct conflict with the U.S. CSA, which makes cannabis use and possession federally illegal in the United States. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, 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 U.S. federal law under any and all circumstances under the U.S. CSA. Although Harborside's and its subsidiaries' activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve Harborside and its subsidiaries of liability under United States federal law, nor provide a defense to any U.S. federal proceeding which may be brought against Harborside or its subsidiaries.

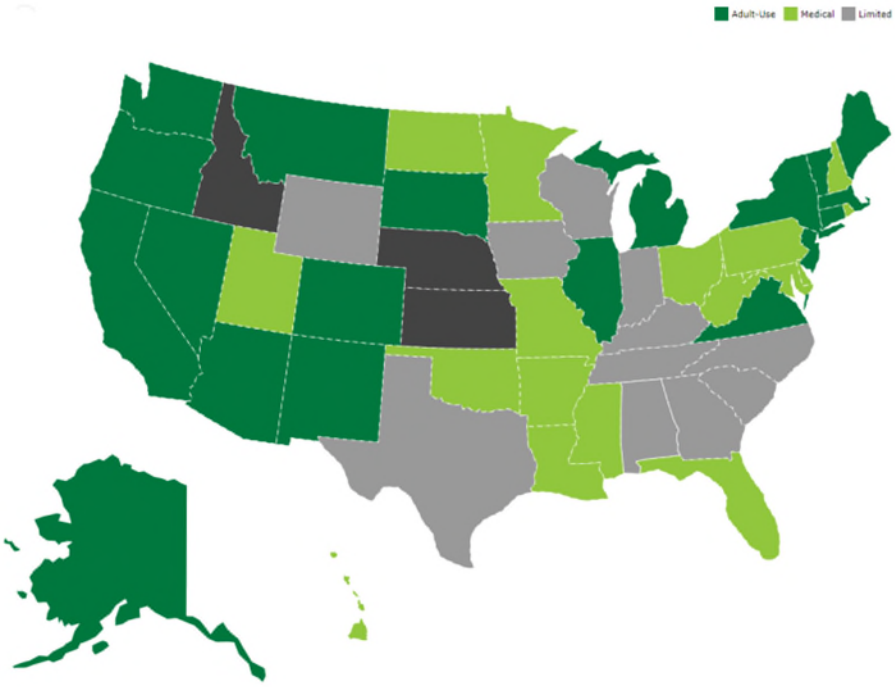
[4] Grant, Igor MD (2015). *Medical Use of Cannabinoids. Journal of American Medical Association*, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

[5] Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. *JAMA Intern Med*. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

[6] Van Green, Ted (April 16, 2021) "Americans overwhelmingly say marijuana should be legal for recreational or medical use," Pew Research Center. Retrieved from https://www.pewresearch.org/fact-tank/2021/04/16/americans-overwhelmingly-say-marijuana-should-be-legal-for-recreational-or-medical-use/

[7] Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from https://news.gallup.com/poll/356939/support-legal-marijuana-holds-record-high.aspx

Current U.S. Cannabis Market



Source: https://thecannabisindustry.org/ncia-news-resources/state-by-state-policies/

Due to the support for legal access to marijuana at the state level, there has been rapid opportunity growth in the U.S. market. Sales of legal cannabis flowers and cannabis-infused derivative and edible products totaled over $15 billion in 2020.[8] The U.S. market for direct legal cannabis sales (including both medical and adult use) alone is projected to grow to over $30 billion by 2024.[9] By 2030, the size of the U.S. cannabis market is projected to be approximately $63 billion.[10] Going forward, the Company expects that the U.S. cannabis industry will continue to be subject to state legislation, with additional states regulating the medical and recreational use of cannabis.

Mandated Disclosure from Canadian Companies with U.S. Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published the Staff Notice which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents. Different disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

The following table is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in the Staff Notice for issuers that currently have marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework:

[8] Marijuana Business Daily. (2020). *Marijuana Business Factbook*, 2020. Available from https://mjbizdaily.com/factbook/.
[9] Marijuana Business Daily. (2020). *Marijuana Business Factbook*, 2020. Available from https://mjbizdaily.com/factbook/.
[10] Eight Capital. (2018). What's Going on Down There? A $63 B Market Cannot be Ignored.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (i) Nature of Harborside's direct involvement in the U.S. cannabis industry* (p. 30)
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Risk Factors* (p. 66)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (ii) Cannabis is still illegal under U.S. federal law* (p. 31) *Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (iii) Available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the jurisdictions where Harborside operates* (p. 31)
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (iv) Related risks, including disruption of third party provided services and the imposition of certain restrictions by regulatory bodies on Harborside's ability to operate in the U.S.* (p. 35) *Risk Factors – U.S. Federal Laws pertaining to cannabis* (p. 66) *Risk Factors – Risk of civil asset forfeiture* (p. 67)

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		Risk Factors – Anti-money laundering laws and regulations (p. 67) *Risk Factors – Enforcement of cannabis laws could change* (p. 67) *Risk Factors – Local, state, and federal laws in the U.S.* (p. 68) *Risk Factors – Legality of cannabis could be reversed in one or more states of operations* (p. 68) *Risk Factors – Local regulations could change and negatively impact the Company's operations* (p. 69) *Risk Factors – Regulations may hinder the Company's ability to establish and maintain bank accounts, materially affecting the finances and operations of the Company* (p. 69) *Risk Factors – Lack of access to U.S. bankruptcy protections* (p. 71) *Risk Factors – Heightened scrutiny by Canadian regulatory authorities* (p. 72) *Risk Factors – Legality of contracts* (p. 72) *Risk Factors – U.S. border crossing* (p. 72) *Risk Factors – There are risks associated with the removal of U.S. Federal Budget Rider Protections* (p. 73) *Risk Factors – Regulatory or agency proceedings* (p. 76) *Risk Factors – Limited trademark protections* (p. 77) *Risk Factors – Enforcement of other intellectual property rights* (p. 77)

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		Risk Factors – Constraints on marketing products (p. 80) *Risk Factors – Reliance on third-party service providers* (p. 81)
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (v) Ability to access public and private capital, and available financing options to support continuing operations* (p. 36)
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (vii) Harborside's balance sheet and operating statement exposure to U.S. marijuana related activities* (p. 37) **Note: at the time of this AIF, the major operations of the Company are only in the United States**
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (vi) Harborside's U.S. marijuana-related activities are conducted in a manner consistent with U.S. federal enforcement priorities, with legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law* (p. 37)
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (viii) Summary of applicable state regulations in California and Oregon* (p. 38) *Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (ix) How Harborside complies with applicable*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		licensing requirements and regulations in California and Oregon (p. 41)
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	*Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (x) Harborside's program for monitoring ongoing compliance with California and Oregon cannabis laws and Harborside's internal compliance procedures* (p. 44) *Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (xi) Confirmation that Harborside is in compliance with applicable licensing requirements and regulations in California and Oregon* (p. 44) *Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (xii) Non-compliance, citations or notices of violation which may have an impact on Harborside's license, business activities or operations* (p. 44)
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	Not applicable.
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	Not applicable.
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable	Not applicable.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
	licensing requirements and the regulatory framework enacted by the applicable U.S. state.	

Currently, the Company's involvement in the U.S. cannabis industry is "direct" through its operations from the Harborside dispensaries in Oakland, San Jose, San Leandro, and Desert Hot Springs, California; the Terpene Station Dispensary in Oregon; the Production Campus in Salinas, California; and the Sublime manufacturing/distribution facility in Oakland, California. Disclosures for issuers with "direct" involvement include, but are not limited to, (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) an explanation that marijuana is illegal under U.S. federal law and that the U.S. enforcement approach is subject to change; (iii) a discussion of available guidance from federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities; (iv) a discussion of related risks, such as the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.; (v) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations; (vi) a statement about whether and how the reporting issuer's U.S. marijuana-related activities are conducted in a manner consistent with U.S. federal enforcement priorities, including whether legal advice has been obtained regarding (A) compliance with applicable state regulatory frameworks and (B) potential exposure and implications arising from U.S. federal law; (vii) a quantification of the issuer's balance sheet and operating statement exposure to U.S. marijuana related activities; (viii) a summary of the regulations for the U.S. states in which the issuer operates; (ix) an explanation of how the issuer complies with applicable licensing requirements and regulations in those states; (x) a discussion of the issuer's program for monitoring ongoing compliance with cannabis laws in those states and the issuer's internal compliance procedures; (xi) a positive statement indicating that the issuer is in compliance with applicable licensing requirements and regulations in those states; and (xii) a discussion of any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.

As a result of the Company's operations, the Company is therefore subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

(i) Nature of Harborside's direct involvement in the U.S. cannabis industry

The Company operates in and/or has ownership interests in California and Oregon, pursuant to state and local law and regulations. Harborside's retail dispensaries serve both adult-use and medical cannabis customers. Harborside-branded retail dispensaries in California are located in Oakland, San Jose, San Leandro and Desert Hot Springs. Harborside also owns a dispensary located in Eugene, Oregon which operates under the Terpene Station brand. The Company also holds a 21% ownership interest in FGW, a company that has the conditional use approval necessary to operate a retail cannabis dispensary and related businesses in the Haight Ashbury area of San Francisco. Under the terms of the FGW Agreement, Harborside's ownership interest in FGW is expected to increase to 50.1%. Taken together, Harborside's retail dispensaries have over 15 years of operating history, with more than $420 million of historical sales (including gross revenue of just under $21.0 million in the first six months of 2021), and in excess of 300,000 patients and customers served.

Harborside owns and operates the Production Campus in Salinas, California, which enables the Company to produce a wide array of cannabis products that can be offered at varying price points, meeting the ever diverse and changing habits of customers and other dispensaries, manufacturers, and distributors. Harborside also operates the Sublime manufacturing/distribution facility in Oakland, California, which produces consumer packaged products that are sold and shipped to other licensed retailers and distributors throughout the state of California.

The Company also owns the "Harborside", "Harborside Farms", "Harborside Farms Reserve", "KEY", "Fuzzies" and "Sublime" brands. California is the largest adult-use cannabis market in the U.S.

(ii) Cannabis is still illegal under U.S. federal law and enforcement is a significant risk

While cannabis containing greater than 0.3% THC by volume ("**marijuana**") and cannabis-infused products are legal under the laws of several U.S. states (with vastly differing restrictions), presently the concept of "medical", "retail" or "adult-use" cannabis does not exist under U.S. federal law, which deems all cannabis (other than industrial hemp) federally unlawful. The U.S. FCSA classifies marijuana as a Schedule I drug, making enforcement of federal marijuana prohibition a significant risk. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices, or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law.

The U.S. Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal laws criminalizing the commercialization and use of cannabis override state laws that legalize its use for medicinal purposes by patients and discretionary purposes by adults, and regulate the commercial production, distribution and sale of cannabis. Notwithstanding the conflict with such federal laws, 37 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, the Northern Mariana Islands, and Guam have legalized the use, cultivation and/or sale of medical marijuana as of the date of this AIF, either through voter initiative or legislative action. Additionally, 19 states – Alaska, Arizona, California, Colorado, Connecticut, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, South Dakota, Vermont, Virginia, and Washington – and the territories of Guam, Northern Mariana Islands, and the District of Columbia have legalized the sale and possession of cannabis for adult use through voter initiative and legislative action. (Included in the numbers above are the South Dakota ballot initiative to legalize cannabis for both adult and medicinal use, and the Mississippi ballot initiative to legalize cannabis for medicinal use, which both passed in November 2020; these voter initiatives were subsequently invalidated by each state's respective Supreme Courts, and each state's legislature is expected to enact to substitute cannabis legislation conforming to the intent of the invalidated voter initiatives.)

(iii) Available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the jurisdictions where Harborside operates

The U.S. DOJ has issued official guidance regarding cannabis enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use cannabis. In each instance, the U.S. DOJ has stated that it is committed to the enforcement of federal laws and regulations related to cannabis. However, the U.S. DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the U.S. DOJ has rescinded all federal enforcement guidance specific to cannabis (including the Cole Memo, discussed below) and has instead directed that federal prosecutors should follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the U.S. Attorney's Manual. This direction has created broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use cannabis businesses, even if they are not engaged in cannabis-related conduct enumerated by the Cole Memo.

Prior to 2018 and per the Cole Memo issued on August 29, 2013, the U.S. DOJ acknowledged that certain U.S. states had enacted laws relating to the use of cannabis and outlined the U.S. federal government's enforcement priorities with respect to cannabis notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of cannabis. The Cole Memo was addressed to "All United States Attorneys" from James M. Cole, former Deputy Attorney General of the U.S., indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

1. Distribution of cannabis to minors;
2. Criminal enterprises, gangs, and cartels from receiving revenue from the sale of cannabis;
3. Transfer of cannabis from states where it is legal to states where it is illegal;
4. Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity;
5. Violence or use of firearms in cannabis cultivation and distribution;
6. Drugged driving and adverse public health consequences from cannabis use;

7. Growth of cannabis on federal lands; and
8. Cannabis possession or use on federal property.

In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the U.S. DOJ did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memo standard.

On November 14, 2017, Jeff Sessions, then the U.S. Attorney General, made a comment before the House Judiciary Committee about prosecutorial forbearance regarding state-licensed cannabis businesses. In his statement, Mr. Sessions stated that in accordance with the U.S. federal government's current policy, while states may legalize cannabis for their law enforcement purposes, it remains illegal with regard to federal purposes.

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by Mr. Sessions (the "**Sessions Memo**"). It is the Company's opinion that the Sessions Memo did not represent a significant policy shift as it does not alter the U.S. DOJ's discretion or ability to enforce federal cannabis laws, but rather provides additional latitude to the U.S. DOJ to potentially prosecute state-legal cannabis businesses even if they are not engaged in cannabis-related conduct enumerated by the Cole Memo as being an enforcement priority. The result of the rescission of the Cole Memo is that federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

Furthermore, the Sessions Memo did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is protected against enforcement by enacted legislation from U.S. Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (see "*U.S. Federal Budget Rider Protections*" below). Due to the ambiguity of the Sessions Memo in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law (see "*Risk Factors*").

As a result of the Sessions Memo, federal prosecutors may use their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws permitting such activity. Under the Rohrabacher-Farr Amendment, federal prosecutors are prohibited from expending federal funds against medical cannabis activities that are in compliance with state law. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed. In Washington, Annette Hayes, U.S. Attorney for the Western District of Washington, released a statement affirming that her office will continue to investigate and prosecute "cases involving organized crime, violent and gun threats, and financial crimes related to marijuana" and that "enforcement efforts with our federal, state, local and tribal partners focus on those who pose the greatest safety risk to the people and communities we serve." However, in California, at least one U.S. Attorney made comments indicating a desire to enforce the U.S. FCSA: Adam Braverman, then Interim U.S. Attorney for the Southern District of California, was viewed as a potential "enforcement hawk" after stating that the rescission of the 2013 Cole Memo "returns trust and local control to federal prosecutors" to enforce the U.S. FCSA. Additionally, Greg Scott, then Interim U.S. Attorney for the Eastern District of California, had a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources". U.S. Attorney General Jeff Sessions resigned on November 7, 2018.

Even though the Cole Memo has been rescinded, the Company will continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current U.S. federal enforcement guidelines and the U.S. states in which the retail cannabis dispensaries operate.

The Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, S. 3032 (2018), which would have protected individuals working in cannabis sectors from federal prosecution, was introduced in the US Congress in June 2018 through bipartisan efforts initiated by then Senator Cory Gardner together with Senator Elizabeth Warren. The STATES Act was reintroduced in the House (H.R. 2093) and Senate (S. 1028) on April 4, 2019.

On December 20, 2018, the Farm Bill was signed by President Trump, and it permanently removed hemp and hemp derivatives (including CBD and other cannabinoids) from the purview of the U.S. FCSA.

William Barr was appointed as the U.S. Attorney General on February 14, 2019. In an April 10, 2019 Senate Appropriations Subcommittee meeting to discuss the Justice Department's budget 2020, in response to a question about his position on the proposed STATES Act, Attorney General Barr stated: "Personally, I would still favor one uniform federal rule against marijuana," and "But if there is not sufficient consensus to obtain that then I think the way to go is to permit a more federal approach so states can, you know, make their own decisions within the framework of the federal law. So we're not just ignoring the enforcement of federal law." The STATES Act, if it were to pass, would allow states to determine their own approaches to marijuana. Attorney General Barr said the legislation is still being reviewed by his office but that he would "much rather... the approach taken by the STATES Act than where we currently are." It is unclear what impact this development will have on U.S. federal government enforcement policy. The inconsistency between federal and state laws and regulations is a major risk factor. The current Attorney General, Merrick Garland, has views that are unclear on this topic. Refer to the discussion under the heading "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

On September 23, 2019, Attorneys General of 21 states sent another letter to congressional leaders, voicing support for a bipartisan bill that would shield state-legal cannabis programs from federal interference. The letter emphasized that the STATES Act would enable cannabis businesses to access financial services, increasing transparency and mitigating risks associated with operating on a largely cash-only basis. This new letter, led by Attorney General Karl Racine of the District of Columbia, was joined by Attorneys General from Alaska, California, Colorado, Connecticut, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Mexico, New York, Nevada, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington State.

On November 21, 2019, the House Judiciary Committee voted 24 to 10 in favor of passing the Marijuana Opportunity Reinvestment and Expungement (MORE) Act of 2019. The bill would effectively put an end to cannabis prohibition in the U.S. on the federal level by removing it from Schedule 1 of the U.S. FCSA, and past federal cannabis convictions would be expunged. Additionally, if fully passed, the law would allow the Small Business Administration to issue loans and grants to cannabis-related businesses and provide a green light for physicians in the Veterans Affairs system to prescribe medical cannabis to patients, as long as they abide by state-specific laws.

On November 3, 2020, the U.S. held its 2020 presidential election, and adult-use cannabis legalization was approved via ballot measures in four additional states: Arizona, Montana, South Dakota and New Jersey. Additionally, medical cannabis was legalized via ballot measures in Mississippi and South Dakota, which became the first state to legalize medical and recreational cannabis simultaneously. As at the date of this AIF, 19 states, two territories, and Washington, DC have legalized cannabis for adult-use over the age of 21, while 37 states and four territories have legalized cannabis for medical use. Note that the South Dakota and Mississippi ballot initiatives were subsequently invalidated by each state's respective Supreme Courts, and each state's legislature is expected to enact to substitute cannabis legislation conforming to the intent of the invalidated voter initiatives.

On November 4, 2020, the House passed the MORE Act, the first time that either Congressional house voted to deschedule cannabis from the U.S. FCSA and thus decriminalize manufacturing, distribution, and possession. However, the Senate did not act before the end of the 2020 session. On May 28, 2021, the MORE Act was reintroduced in the House (H.R. 3617), and September 30, 2021, the House Judiciary Committee passed the MORE Act.

On January 20, 2021, Joseph R. Biden was sworn in as the 46th President of the U.S, having announced a goal during his campaign to decriminalize cannabis possession federally; Democrats maintained their House majority and achieved control of the Senate. On March 10, 2021, House Democrats voted 220 to 211 in favor of passing the American Rescue Plan (ARP) Act, a $1.9 trillion coronavirus relief package, which is among the largest economic stimulus packages in U.S. history. The ARP Act was signed by President Biden on March 11, 2021. While cannabis companies will likely see increased sales resulting from this third round of federal stimulus payments in the U.S., some industry experts have

claimed that cannabis companies may be ineligible for certain small business credit initiatives outlined in the relief package.

In March 2021, New York became the 16th state to legalize adult-use cannabis, doing so through legislative action. In the same month, Senate Majority Leader Chuck Schumer of New York, and Senators Ron Wyden (OR) and Cory Booker (NJ) met with cannabis industry advocates including the National Cannabis Industry Association and the Minority Cannabis Business Association to announce their intention to introduce legislation in the U.S. Senate that would deschedule cannabis and legalize, tax and regulate commercial cannabis activity at the federal level. While President Biden has supported decriminalization of possession and has not expressed support for descheduling cannabis, Vice President Harris was one of the original sponsors of the MORE Act while she was still serving in the U.S. Senate, and has publicly stated her support for cannabis descheduling. Senate Majority Leader Schumer has indicated the Senate leadership's willingness to champion full cannabis legalization even without the support of President Biden. However, the legislation has not yet been introduced, and its passage is not assured, notwithstanding Democratic control of the federal executive and legislature. As such, such statements of support for descheduling do not materially affect the likelihood of federal enforcement of current cannabis laws against the Company or any other state-licensed cannabis enterprise. In July 2021, Senators Schumer, Wyden, and Booker circulated a discussion draft of the Cannabis Administration and Opportunity Act (CAOA) for public comment; however, the CAOA has not yet been introduced in Congress.

On November 15, 2021, an additional new comprehensive cannabis de-scheduling bill known as the States Reform Act was introduced in Congress by Congresswoman Nancy Mace (R-S.C.). The States Reform Act would remove marijuana from Schedule I of the FCSA, and create a legislative framework for overlaying federal regulations on top of existing state regulations of commercial cannabis activity, but without creating the social equity programs featured in both the MORE Act and CAOA.

While U.S. Attorney General Merrick Garland had previously commented that he would deprioritize enforcement of low-level cannabis crimes such as possession, and that federal reforms are closely tied to the larger issue of social justice for minorities, Attorney General Garland has yet to offer further clarity on how he will enforce federal law or deal with states that have legalized medical or recreational cannabis. While bipartisan support is gaining traction on decriminalization and reform, there is no imminent timeline on any potential legislation. There is no guarantee that the Biden Presidential administration will not change its stated policy regarding the low-priority enforcement of U.S. federal laws that conflict with state laws.

Any increase in the U.S. federal government's enforcement of current U.S. federal law could cause adverse financial impact and remain a significant risk to the Company's business, which could in turn have an impact on the Company's operations or financial results. A change in its enforcement policies could impact the ability of the Company to continue as a going concern (see "*Risk Factors*").

U.S. Federal Budget Rider Protections

The U.S. Congress has passed appropriations bills (at various times, the "**Rohrabacher-Farr Amendment**," the "**Leahy Amendment**" and the "**Joyce Amendment,**" hereinafter the "**Budget Rider Protections**") each of the last several years to prevent the federal executive branch (and specifically the U.S. DOJ) from using congressionally appropriated funds to enforce the U.S. FCSA against regulated medical cannabis businesses operating in compliance with state and local laws, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical cannabis. The Budget Rider Protections were first introduced in 2014 and have been reaffirmed annually since then as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The current Budget Rider Protections will remain in effect until February 18, 2022. At such time, they may or may not be included in the omnibus appropriations package or a continuing budget resolution, and their inclusion or non-inclusion, as applicable, is subject to political changes. It should be noted that this amendment does not apply to adult-use cannabis.

U.S. courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with applicable state law. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. FCSA, any individual or business – even those that have fully complied with applicable state law – could be

prosecuted for violations of U.S. federal law. Therefore, until Congress amends the U.S. FCSA regarding cannabis, enforcement of U.S. federal law remains a significant risk. Any increase in the U.S. federal government's enforcement of current U.S. federal law could cause adverse financial impact and remain a significant risk to the Company's business, which could in turn have an impact on the Company's operations or financial results. A change in its enforcement policies could impact the ability of the Company to continue as a going concern (see "Risk Factors").

Other statements made by U.S. federal authorities or prosecutors

In February 2018, former U.S. Attorney Billy Williams told a gathering that included Oregon Governor Kate Brown, law enforcement officials and representatives of the cannabis industry that Oregon has an "identifiable and formidable overproduction and diversion problem." In May 2018, Attorney Williams issued a memorandum spelling out five U.S. federal enforcement priorities for illegal cannabis operations that violate U.S. federal laws, with the first priority to crack down on the leakage of surplus cannabis into bordering states where cannabis is still illegal. The memo also stated that U.S. federal prosecutors will also target keeping cannabis out of the hands of minors, any crimes that involve violence or firearm violations or organized crime, and cultivation that threatens to damage U.S. federal lands through improper pesticide and water usage.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by U.S. federal authorities or prosecutors regarding the risk of enforcement action in California or Oregon, the state jurisdictions within which Harborside operates.

(iv) Related risks, including disruption of third party provided services and the imposition of certain restrictions by regulatory bodies on Harborside's ability to operate in the U.S.

Asset forfeiture risk

As the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which is either used in the course of conducting such business, or 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.

Unfavorable tax treatment of cannabis businesses

Under Section 280E of 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 U.S. FCSA) which are 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 IRS to cannabis operations, prohibiting them from deducting most of the expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the Company's retail sale of cannabis. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Limited trademark protections

Due to the current illegality of cannabis sale or distribution under U.S. federal law, the Company is not able to register any U.S. federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the U.S. FCSA, the U.S. Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the U.S. states in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks, and growth of the Company's business into other states may be adversely impacted by the Company's inability to pursue U.S. federal trademark registration.

Reliance on third-party service providers

Third party service providers to the Company may withdraw or suspend their service to the Company under threat of criminal prosecution. Since under U.S. federal law the possession, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services.

Customs and Border Protection

Foreign investors in the Company and the Company's non-U.S. citizen directors, officers and employees may be subject to travel and entry bans into the U.S. by the U.S. CBP. Media articles in 2018 reported that certain Canadian citizens had been rejected for entry into the U.S. due to their involvement in the cannabis sector.

The majority of persons traveling across the Canadian and U.S. border do so without incident, whereas some persons are simply barred entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the U.S. has not changed its admission requirements in response to the legalization in Canada of recreational cannabis, but anecdotal evidence indicates that the U.S. may be increasing its scrutiny of travelers and their cannabis related involvement.

Admissibility to the U.S. may be denied to any person working or "having involvement in" the cannabis industry, according to CBP. Inadmissibility in the U.S. implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver. Note that while the CBP previously publicized the foregoing policy on its website during the Trump Administration, the agency appears to have archived the webpage.

(v) Ability to access public and private capital, and available financing options to support continuing operations

U.S. federal anti-money laundering laws prohibit the deposit of returns from "specified unlawful activities" (including cannabis sales) into federally and state-chartered banks. The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including 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), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada.

The Secure and Fair Enforcement (SAFE) Banking Act was passed by the U.S. House of Representatives on September 25, 2019, reintroduced in the House and Senate in March 2021, and again passed by the House on September 23, 2021. This bill generally prohibits a federal banking regulator from penalizing a depository institution under federal money-laundering laws for providing banking services to a legitimate cannabis-related business. Specifically, the bill prohibits a federal banking regulator from (i) terminating or limiting the deposit insurance or share insurance of a depository institution solely because the institution provides financial services to a legitimate cannabis-related business; (ii) prohibiting or otherwise discouraging a depository institution from offering financial services to such a business; (iii) recommending, incentivizing, or encouraging a depository institution not to offer financial services to an account holder solely because the account holder is affiliated with such a business; (iv) taking any adverse or corrective supervisory action on a loan made to a person solely because the person either owns such a business or owns real estate or equipment leased or sold to such a business; or (v) penalizing a depository institution for engaging in a financial service for such a business.

As specified by the bill, a depository institution or a Federal Reserve bank shall not, under federal law, be liable or subject to forfeiture for providing a loan or other financial services to a legitimate cannabis-related business.

Notwithstanding that a majority of states have legalized medical cannabis, widespread public support of SAFE banking from Governors, state Attorney Generals and other state lawmakers in those states, and the U.S. House's passage of the SAFE Banking Act, the SAFE Banking Act has not been enacted into law. As of the date of this AIF, attempts to incorporate and pass language from the SAFE Banking Act in the National Defense Authorization Act for Fiscal Year 2022 have failed. As such, 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 cannabis industry. Given that the U.S. federal government maintains sole jurisdiction over federally-chartered banks and financial institutions, and that federal law provides that the production and possession of cannabis is illegal under the U.S. FCSA, federally-chartered banks cannot accept funds for deposit from businesses involved with the cannabis industry. To date, fewer than 800 banks and credit unions in the U.S. offer financial services to the cannabis industry.

(vi) Harborside's U.S. marijuana-related activities are conducted in a manner consistent with U.S. federal enforcement priorities, with legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law

As discussed above, and notwithstanding the rescission of the Cole Memo, Harborside continues to conduct its operations in compliance with the U.S. DOJ's most recent expression of U.S. federal enforcement priorities as set forth in the Cole Memo, which in turn presumes compliance with applicable state cannabis laws and regulations as an underlying premise for non-enforcement. In addition to employing in-house legal counsel, Harborside utilizes outside legal counsel to advise the Company on compliance with applicable state regulatory frameworks in the states where its retail dispensaries and production facilities conduct operations, as well as potential exposure and implications arising from developments in U.S. federal law. See the discussion further below for additional detail on how Harborside conducts its operations in full compliance with applicable local and state cannabis laws and regulations in Oregon and California.

(vii) Harborside's balance sheet and operating statement exposure to U.S. marijuana-related activities

The following represents the portion of certain assets on Harborside's consolidated statements of financial position that pertain to U.S. cannabis activities as of December 31, 2020:

Statement of Financial Position Line Items	**Percentage (%) related to holdings with U.S. cannabis-related activities**
Cash	69%
Accounts receivable, net	81%
Inventories	100%
Biological assets	100%
Prepaid expenses	85%
Note receivable – related party	100%
Other current assets	100%
Investments and advances	100%
Property, plant and equipment, net	100%
Right-of-use assets	100%
Deposits	100%
Intangible assets	100%
Goodwill	100%

The following represents the operating exposure on Harborside's consolidated statements of loss and comprehensive loss that pertain to U.S. cannabis activities for the year ended December 31, 2020:

Statement of Loss and Comprehensive Loss Line Items	Percentage (%) related to holdings with U.S. cannabis-related activities
Retail revenue, net	100%
Wholesale revenue, net	100%
Cost of goods sold – retail	100%
Cost of goods sold – wholesale	100%
Changes in fair value less costs to sell of biological assets transformation	100%
Realized fair value amounts included in inventory sold	100%
General and administrative expenses	96%
Professional fees	66%
Share-based compensation	97%
Allowance for expected credit losses	-
Write-downs of receivables, investments and advances	100%
Impairment loss	62%
Depreciation and amortization	100%
Interest income (expense), net	96%
Other income (expense)	100%
Provisions	100%
Fair value gain in derivative liabilities and preferred shares	100%
Foreign exchange gain	-

(viii) Summary of applicable state regulations in California and Oregon

Regulations differ significantly amongst the U.S. states. Some states only permit the cultivation, processing and distribution of medical cannabis and cannabis-infused products. Some others also permit the cultivation, processing, and distribution of cannabis and cannabis-infused products for adult use purposes. The following sections present an overview of state-level regulatory conditions for the cannabis industry in which the Company's retail dispensaries have an operating presence:

California

California passed the first medical cannabis law in U.S., the California Compassionate Use Act ("**CUA**"), through Proposition 215 in 1996. The CUA created a legal defense to criminal prosecution for the use, possession, and cultivation of cannabis by patients with a valid physician's recommendation.

California then adopted the Medical Marijuana Program Act (aka Senate Bill 420) in 2003, allowing the establishment of not-for-profit medical cannabis patient collectives and retail dispensaries, providing a limited immunity from arrest for medical cannabis patient collectives, and creating a voluntary patient ID card system.

In September of 2015, the California state legislature (the "**Legislature**") passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). MCRSA established a licensing and regulatory framework for medical cannabis businesses in California (which is still reflected in the successor laws discussed below), and permitted the formation and operation of for-profit cannabis businesses for the first time. The licensing system features multiple license types for storefront and delivery retailers, extraction facilities, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Extraction facilities require either a volatile solvent or non-volatile solvent manufacturing license, depending on their specific extraction methodology.

On November 8, 2016, California residents voted to approve the "Control, Regulate and Tax Adult Use of Marijuana Act" ("**AUMA**") to tax and regulate cannabis for all adults 21 years of age and older.

On June 27, 2017, the Legislature passed state Senate Bill No. 94, also known as the "Medicinal and Adult-Use Cannabis Regulation and Safety Act" ("**MAUCRSA**"), which amalgamated the MCRSA and AUMA frameworks to provide a single uniform statute governing both medical and adult-use cannabis businesses, and authorizing the adoption of regulations, a licensing regime, and state taxes for cannabis businesses in the state. On November 16, 2017, the state introduced initial "emergency" regulations proposed by the Bureau of Cannabis Control (within the California Department of Consumer Affairs ("**BCC**")), the Manufactured Cannabis Safety Branch (within the California Department of Public Health ("**MCSB**")) and CalCannabis (within the California Department of Food and Agriculture) and together with the BCC and MCSB, the "**Licensing Agencies**"), which were ultimately adopted. The regulations built on MCRSA and AUMA and reinforced compliance with local laws as a prerequisite to compliance with the state regulations. On January 1, 2018, the new state regulations took effect, and the first legal adult-use cannabis businesses opened in California.

To legally operate a medical or adult-use cannabis business in California, cannabis operators must obtain both a state license and local approval. Local authorization is a prerequisite to obtaining the state license, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any licenses other than a laboratory license. There are no residency requirements for ownership under MAUCRSA.

In response to the spread of COVID-19, on March 19, 2020, Governor Gavin Newsom issued Executive Order N-33-20 directing all residents immediately to stay home and remain sheltered, except as needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as the State Public Health Officer (the "**SPHO**") may designate as critical to protect the health and well-being of all Californians. In accordance with this order, the SPHO designated a list of Essential Critical Infrastructure Workers. Cannabis workers were included in this essential designation list under the Healthcare/Public Health and Food and Agriculture Sectors. In addition, cannabis operations were also deemed essential and encouraged to remain open under the various shelter-in-place orders issued by local county health officers as well.

California lawmakers have revised the State's cannabis licensing program, to give businesses and regulators more time to get licensing applications processed while allowing the industry to keep functioning without major interruption. The State's "provisional" licensing program was created toward the end of 2018 as a stopgap measure to give entrepreneurs more time to transition from "temporary" business licenses to full "annual" permits, but the bill that established the provisional licenses gave the program only a one-year life span. In 2019, lawmakers reauthorized the program, this time with a two-year window. In 2021, lawmakers consolidated the three Licensing Agencies into the new Department of Cannabis Control ("DCC"), and again extended provisional licensure: now regulators must stop issuing new provisional licenses in 2023 and must stop renewing provisional licenses in 2026. One of the biggest bottlenecks delaying the issuance of annual permits is the California Environmental Quality Act (CEQA); compliance with the CEQA has created a current backlog of thousands of businesses that are still operating without full annual licenses. In September 2021, DCC promulgated new emergency regulations consolidating the prior Licensing Agencies' regulations.

MAUCRSA requires anyone engaged in "commercial cannabis activity" to be licensed (on an annual basis) to perform such activity. "Commercial cannabis activity" includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or sale of cannabis and cannabis products. Cultivators, processors, nursery operators, manufacturers, storefront retailers, delivery services, transportation and storage providers, distributors, "microbusinesses" (engaged in cultivation, manufacturing, distribution and/or retail) and testing labs are all licensed and regulated by the DCC.

While each license type has its own unique set of regulations, they all require disclosure of license ownership and financial interests in licensees. Among other types of interests defined as a "financial interest" in a licensee, any person with greater than 10% ownership of a publicly-traded company like Harborside is deemed a financial interest holder; while "owners" include not only persons with equity interests of 20% or more in a licensee, but also individuals who

manage, direct or control the operations of the licensee. While license transfers are prohibited, licensed business entities may add and remove individual owners and financial interest holders (provided that at least one original owner remains on the license), making mergers and acquisitions of, and management services agreements with, licensed entities legally permissible.

Holders of cannabis licenses in California are subject to a detailed regulatory scheme encompassing security, staffing, sales, manufacturing standards, testing, inspections, storage, inventory, advertising and marketing, product packaging and labeling, white labeling, records and reporting, transportation and delivery, tracking of commercial cannabis activity and movement of cannabis and cannabis products across the supply chain through METRC, California's "Track-and-Trace" system, maintaining adequate controls against the diversion, theft, and loss of cannabis or cannabis products, and more. As with all jurisdictions, the full regulations, as promulgated by the DCC, should be consulted for further information about any particular operational area.

Operators are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the state regulatory program.

Applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the state of California's seed-to-sale tracking requirements, transport cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the DCC, the licensee is required to notify regulators of any changes to such procedures as a precondition of license renewal. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other licensed businesses.

Oregon

In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical cannabis law with an inclusive set of qualifying conditions. In 2013, Oregon enacted House Bill 3460 to create a regulatory structure for existing unlicensed medical cannabis storefront dispensaries. The Oregon Health Authority is the state agency that licenses and regulates medical cannabis businesses. The medical cannabis regulatory framework is referred to as the Oregon Medical Marijuana Program ("**OMMP**").

In November 2014, Oregon voters passed Measure 91, the "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act," creating a regulatory and licensing system for adult-use retail cannabis stores, and permitting home cultivation of cannabis. The Oregon Liquor and Cannabis Commission (the "**OLCC**") licenses and regulates adult-use cannabis businesses. The OLCC system allows individuals 21 years of age and older, and OMMP patients 18 and older, to purchase cannabis products grown or manufactured under the OLCC adult-use system. On June 30, 2015, Oregon enacted House Bill 3400, which improved on the existing regulatory structure for medical cannabis businesses by creating a licensing process for dispensaries, cultivators and processors. HB 3400 also created parameters regarding the OLCC system, including a tiered canopy system for producers (cultivators), requiring seed-to-sale tracking, and various security measures. On October 15, 2015, the OLCC published draft recreational cannabis rules, which were adopted on June 29, 2016, as OLCC Division 25 of the Oregon Administrative Rules ("**OAR Division 25**"). These rules have been updated on a regular basis, due to administrative prerogative and legislative changes.

In Oregon, the cannabis market is divided into six types of commercial cannabis licenses: producer (cultivation), processor (manufacture), wholesaler, retailer (dispensary), laboratory (testing), and research. Extracted oils, edibles, and flower products are permitted. Wholesaling and delivery are also permitted. Oregon law allows vertical integration of all commercial license types. Currently neither OMMP nor OLCC licensed cannabis companies are subject to residency requirements. OAR Division 25 will continue to evolve, subject to OLCC's review and approval. Local

governments may restrict – through reasonable time, place, and manner restrictions – or, under certain conditions, wholly prohibit the establishment of medical dispensaries or processing sites or any adult-use marijuana business within their jurisdiction.

Until recently, Oregon law did not limit the number of adult-use cannabis business licenses. The passage of SB 218 in 2019 immediately prohibited the issuance of producer licenses for new applications that were submitted after June 15, 2018. SB 218 will be repealed on January 2, 2022. Also, in late May 2018, OLCC announced a "moratorium" on the processing of new applications of all license types submitted after June 15, 2018 – purportedly until it fully processes the backlog of applications submitted up to and on June 15, 2018 – although it continues to accept new applications, with the exception of producer applications pursuant to SB 218. License renewals, changes of ownership of licenses, changes of location, and changes in financial interests in licenses remain unaffected by SB 218 or the moratorium.

Like California licensees, holders of cannabis licenses in Oregon are subject to a detailed regulatory scheme encompassing security, staffing, sales, manufacturing standards, testing, inspections, storage, inventory, advertising and marketing, product packaging and labeling, records and reporting, transportation and delivery, tracking of commercial cannabis activity and movement of cannabis and cannabis products across the supply chain, maintaining adequate controls against the diversion, theft, and loss of cannabis or cannabis products, and more. As with all jurisdictions, the full regulations, as promulgated by each applicable licensing agency, should be consulted for further information about any particular operational area.

Similar to California, Governor Brown also deemed cannabis an essential business in Oregon and allowed cannabis operators to remain open during the COVID-19 pandemic.

(ix) How Harborside complies with applicable licensing requirements and regulations in California and Oregon

The Company is duly licensed and permitted to cultivate, manufacture, distribute, sell and deliver wholesale and retail cannabis and cannabis products pursuant to state and local laws and regulations. Harborside files all ownership disclosures, reports, notices and other submissions to the applicable licensing agencies required to maintain its current licenses and permits in good standing and pays any licensing and permitting fees due in connection therewith.

The Company's cannabis goods are all produced and sold in full compliance with all applicable state laws and regulations. The goods are tested for potency and safety by independent laboratories licensed by the DCC, and all other consumer protection and youth access-prevention laws are adhered to, including but not limited to state packaging, labeling, marketing and advertising laws. All applicable local and state cannabis taxes are paid and remitted to the applicable taxing authorities.

In order to satisfy regulations intended to prevent diversion to the illicit market, the Company employs inventory control and reporting systems that document the present location, amount, and a description of all cannabis goods at all Harborside entities. All cannabis goods are tracked from seed to sale using METRC, and other integrated systems adopted by the Company. Cannabis inventory is regularly manually reconciled against METRC according to the regulations. The Company performs regular monthly, quarterly and annual manual inventory reconciliations.

Additionally, the Company has undertaken extensive measures to ensure the security of the Company, its facilities, its inventory, its staff and its customers, and its community. Every licensed facility has strict access control, thorough camera coverage, and burglar alarms. These controls are supported by on-site security in certain instances.

Finally, the Company employs an in-house Quality and Compliance team to ensure compliance with all other applicable state and local regulations by individual employees and Harborside entities, and the Company as a whole. The QC team's compliance work is discussed in further detail below.

As of the date of this AIF, the Company holds the following licenses in California and Oregon:

Holding Entity	Permit/License	City, State	Description	Expiration/Renewal Date (if applicable) (MM/DD/YY)
Terpene Station Eugene	050 1011403433E	Eugene, Oregon	Recreational Retailer	9/23/2022
Patients Mutual Assistance Collective Corporation	CEO14-0000093-LIC	Oakland, California	Event Organizer License	9/05/2022
Patients Mutual Assistance Collective Corporation	C11-0000846-LIC	Oakland, California	A&M Distributor License	7/17/2022
Patients Mutual Assistance Collective Corporation	C10-0000463-LIC	Oakland, California	A&M Retailer License	7/17/2022
San Jose Wellness	C10-0000435-LIC	San Jose, California	A&M Retailer License	7/15/2022
San Jose Wellness	C11-000815-LIC	San Jose, California	A&M Distributor License	7/15/2022
San Leandro Wellness Solutions Inc.	C10-0000681-LIC	San Leandro, California	A&M Retailer License	1/16/2022
FLRish Farms Cultivation 2, LLC	C11-0000207-LIC	Salinas, California	A&M Distributor License	5/30/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000667	Salinas, California	M- Small Mixed Light Tier 2	3/20/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000665	Salinas, California	A- Small Mixed Light Tier 2	3/20/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000444	Salinas, California	A- Nursery	3/9/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000445	Salinas, California	A- Processor	3/9/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000708	Salinas, California	A- Small Mixed Light Tier 2	3/20/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000914	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000917	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022

Holding Entity	Permit/License	City, State	Description	Expiration/Renewal Date (if applicable) (MM/DD/YY)
FLRish Farms Cultivation 2, LLC	CCL18-0000919	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000911	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000922	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000984	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000915	Salinas, California	A- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000913	Salinas, California	M- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000912	Salinas, California	M- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000910	Salinas, California	M- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000916	Salinas, California	M- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CCL18-0000923	Salinas, California	M- Small Mixed Light Tier 2	3/29/2022
FLRish Farms Cultivation 2, LLC	CDPH-10002928[11]	Salinas, California	A & M - Manufacturing	4/26/2022
FLRish Farms Cultivation 2, LLC	CCL19-0001468	Salinas, California	A- Small Mixed Light Tier 2	8/15/2022
FLRish Farms Cultivation 2, LLC	CCL19-0001467	Salinas, California	A- Small Mixed Light Tier 2	8/15/2022
FLRish Farms Cultivation 2, LLC	CCL19-0001466	Salinas, California	A- Small Mixed Light Tier 2	8/15/2022
FLRish Farms Cultivation 2, LLC	CCL19-0001465	Salinas, California	A- Small Mixed Light Tier 2	8/15/2022
FLRish Farms Cultivation 2, LLC	CCL19-0001454	Salinas, California	A- Small Mixed Light Tier 2	8/15/2022

[11] The licensee's name on this license, CDPH-10002928, is misspelled "FRLish Farms Cultivation 2, LLC" instead of "FLRish Farms Cultivation 2, LLC."

Holding Entity	Permit/License	City, State	Description	Expiration/Renewal Date (if applicable) (MM/DD/YY)
Accucanna, LLC	C10-0000396-LIC	Desert Hot Springs, California	A&M Retailer License	7/08/2022
Sublime Machining Inc.	C11-0000536-LIC	Oakland, California	A&M Distributor License	6/26/2022
Sublime Machining Inc.	CDPH-10003170	Oakland, California	A&M Type 6 Manufacturing	5/13/2022

(x) Harborside's program for monitoring ongoing compliance with California and Oregon cannabis laws and Harborside's internal compliance procedures

The Company's compliance program includes an in-house QC team dedicated to ensuring compliance with applicable local, U.S. state and federal laws on an ongoing basis. The Company presently employs two individuals on its QC team, and several additional employees whose job function includes some aspect of compliance. The QC team is tasked with carrying out various compliance-related tasks, including:

- ongoing review of the Company's policies, procedures and controls to ensure alignment with local and state rules and regulations;
- ongoing training on the Company's policies, procedures and controls, local and state rules and regulations, and the basic elements of the QC program for all staff (with supplemental trainings tailored for staff with specialized job functions, on an as needed basis);
- monthly internal audits of Company processes and procedures; and
- facility inspections to ensure compliance with the Company's policies, procedures and controls, and applicable local and state rules and regulations.

The QC team monitors state and federal law through routine review of regulatory websites, communication with regulatory authorities, and subscription to numerous industry resources that are focused on legal and compliance related issues. As rules or regulations are adopted, the QC team updates policies and procedures as appropriate and disseminates written guidance to all Harborside entities.

The Company also employs government relations professionals to help monitor the changing landscape of state and local law, while employing external legal counsel that assist in the monitoring, notification, and interpretation of any changes in the jurisdictions in which it operates. Such counsel regularly provides legal advice to the Company on maintaining compliance with state and local laws and regulation and the Company's legal and compliance exposures under U.S. federal law.

(xi) Confirmation that Harborside is in compliance with applicable licensing requirements and regulations in California and Oregon

As of the date of this AIF, Harborside is in compliance with applicable licensing requirements and regulations in California and Oregon.

(xii) Non-compliance, citations or notices of violation which may have an impact on Harborside's license, business activities or operations.

As of the date of this AIF, the Company has not received any notices of violation, denial or non-compliance from any U.S. state authorities imposing any material restriction of Harborside's operations and/or fines.

DIVIDENDS AND DISTRIBUTIONS

It is contemplated by the Company that it will reinvest all future earnings to finance the development and growth of its business. As a result, it is not contemplated that dividends will be paid on the Subordinate Voting Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Company's Board and will be made in accordance with applicable law and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Company's Board deems relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the material characteristics of the Company's authorized share capital. This summary may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Company's Articles, which are available under the Company's profile on SEDAR at www.sedar.com.

The Company's authorized share capital consist of an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. As of the date of this AIF, the Company had issued and outstanding: (a) 39,525,407 Subordinate Voting Shares, representing approximately 48.1% of the voting rights attached to the outstanding voting securities of the Company, and (b) 425,970.73 Multiple Voting Shares, representing approximately 51.9% of the voting rights attached to the outstanding voting securities of the Company.

Subordinate Voting Shares

Restricted Securities	The Subordinate Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws.
Right to Notice and Vote	Holders of Subordinate Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Company except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.
Class Rights; Pre-Emptive Rights	As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.
Dividends	Holders of Subordinate Voting Shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares, be entitled to participate rateably along with all other holders of Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	To maintain and preserve the relative rights of the holders of the shares of each of the said classes, no subdivision or consolidation of the Subordinate Voting Shares shall occur unless,

simultaneously, the Subordinate Voting Shares and Multiple Voting Shares are subdivided or consolidated in the same manner.

Conversion

In the event that an offer is made to purchase Multiple Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Multiple Voting Shares are then listed, to be made to all or substantially all the holders of Multiple Voting Shares in a given province or territory of Canada to which these requirements apply, each Subordinate Voting Share shall become convertible at the option of the holder into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Subordinate Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer, and for no other reason. In such event, the Company's transfer agent shall deposit the resulting Multiple Voting Shares on behalf of the holder. Should the Multiple Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Multiple Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.

Multiple Voting Shares

Right to Vote

Holders of Multiple Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Multiple Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could then be converted (currently 100 votes per each Multiple Voting Share held).

Class Rights; Pre-emptive Rights

As long as any Multiple Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Multiple Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Multiple Voting Shares. Holders of Multiple Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.

Dividends

The holders of the Multiple Voting Shares are entitled to receive such dividends as may be declared and paid to holders of the Subordinate Voting Shares in any financial year as the Board of the Company may by resolution determine, on an as-converted to Subordinate Voting Share basis at the Conversion Ratio (as defined below). No dividend will be declared or paid on the Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Multiple Voting Shares.

Participation

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares, be entitled to participate rateably along with all other holders of Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).

Changes

To maintain and preserve the relative rights of the holders of the shares of each of the said classes, no subdivision or consolidation of the Subordinate Voting Shares or Multiple Voting

Shares shall occur unless, simultaneously, the Subordinate Voting Shares and Multiple Voting Shares are subdivided or consolidated in the same manner.

Conversion

The Multiple Voting Shares each have a restricted right to convert into 100 Subordinate Voting Shares (the "**Conversion Ratio**"), subject to adjustments for certain customary corporate changes. The ability to convert the Multiple Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act ("**U.S. Residents**")) may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. (See "*Foreign Private Issuer Protection Limitation*" and "*Recent Developments*"). In addition, the Multiple Voting Shares will automatically convert into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under the U.S. Securities Act.

In the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Subordinate Voting Shares are then listed, to be made to all or substantially all the holders of Subordinate Voting Shares in a given province or territory of Canada to which these requirements apply, each Multiple Voting Share shall become convertible at the option of the holder into Subordinate Voting Shares at the Conversion Ratio at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer. Should the Subordinate Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Subordinate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect.

Foreign Private Issuer Protection Limitation

On September 27, 2021, the Company announced that it intends to seek shareholder approval for an Amendment to remove conversion restrictions placed on the MVS in connection with the Company's Transition to domestic issuer status in the United States. See "*General Development of the Business – Recent Developments – Transition to Domestic Issuer Status in United States*".

Until the Amendment is approved and implemented, pursuant to the Company's articles, the Company will be required to use commercially reasonable efforts to maintain its status as a "foreign private issuer" (as determined in accordance with Rule 3b-4 under the Exchange Act. Accordingly, the Company shall not affect any conversion of Multiple Voting Shares, and the holders of Multiple Voting Shares shall not have the right to convert any portion of the Multiple Voting Shares to the extent that after giving effect to all permitted issuances after such conversions of Multiple Voting Shares, the aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by U.S. Residents would exceed forty percent (40%) (the "**FPI Threshold**") of the aggregate number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding after giving effect to such conversions (the "**FPI Protective Restriction**"). The Board may by resolution increase the FPI Threshold to an amount not to exceed 50% and in the event of any such increase all references to the FPI Threshold herein, shall refer instead to the amended threshold set by such resolution. As of the date of this AIF, the Board has passed a resolution to increase the FPI Threshold to 50%.

In order to effect the FPI Protection Restriction, each holder of Multiple Voting Shares will be subject to the FPI Threshold based on the number of Multiple Voting Shares held by such holder as of the date of the initial issuance of the Multiple Voting Shares and thereafter at the end of each of the Company's subsequent fiscal quarters (each, a "**Determination Date**"), calculated as follows:

X = [(A x 0.4) – B] x (C/D)

Where on the Determination Date:

X = Maximum Number of Subordinate Voting Shares Available For Issue upon Conversion of Multiple Voting Shares by a holder.

A = The Number of Subordinate Voting Shares and Multiple Voting Shares issued and outstanding on the Determination Date.

B = Aggregate number of Subordinate Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by U.S. Residents on the Determination Date.

C = Aggregate number of Multiple Voting Shares held by holder on the Determination Date.

D = Aggregate number of all Multiple Voting Shares on the Determination Date.

For purposes of these limitations, the Board of Directors (or a committee thereof) shall designate an officer of the Resulting Corporation to determine as of each Determination Date: (A) the FPI Threshold and (B) the FPI Protective Restriction. Within thirty (30) days of the end of each Determination Date (a "**Notice of Conversion Limitation**"), the Company publish provide each holder of record a notice of the FPI Protection Restriction and the impact the FPI Protective Provision has on the ability of each holder to exercise the right to convert Multiple Voting Shares held by the holder. To the extent that requests for conversion of Multiple Voting Shares subject to the FPI Protection Restriction would result in the FPI Threshold being exceeded, the number of such Multiple Voting Shares eligible for conversion held by a particular holder shall be prorated relative to the number of Multiple Voting Shares submitted for conversion. To the extent that the FPI Protective Restriction applies, the determination of whether Multiple Voting Shares are convertible shall be in the sole discretion of the Company.

Redemption

At the option of the Company, Subordinate Voting Shares and/or Multiple Voting Shares owned by an Unsuitable Person (as defined below) may be redeemed by the Company for the redemption price out of funds lawfully available on the redemption date. Subordinate Voting Shares and Multiple Voting Shares will be redeemable at any time and from time to time. The Company may pay the redemption price by using its existing cash resources, incurring debt, issuing additional Subordinate Voting Shares and Multiple Voting Shares, issuing a promissory note in the name of the Unsuitable Person, or by using a combination of the foregoing sources of funding.
For purposes hereof, "**Unsuitable Person**" means:

i) any person with a five percent (5%) or more ownership interest in all of the issued and outstanding shares of the Company (a "**Significant Interest**") who a governmental authority granting the licenses for the business has determined to be unsuitable to own shares of the Company; or

ii) any person with a Significant Interest whose ownership of shares may result in the loss, suspension or revocation (or similar action) with respect to any licenses or in the Company being unable to obtain any new licenses in the normal course, including, but not limited to, as a result of such person's failure to apply for a

suitability review from or to otherwise fail to comply with the requirements of a governmental authority, as determined by the Board, in its sole discretion, after consultation with legal counsel and if a license application has been filed, after consultation with the applicable governmental authority.

In connection with the conduct of the business of the Company, the Company may require that any Shareholder provide to one or more governmental authorities, if and when required, information and fingerprints for a criminal background check, individual history form(s), and other information required in connection with applications for licenses for the operation of the business of the Company.

Shareholder Rights Plan

The Company established a shareholder rights plan (the "**Rights Plan**") following completion of the RTO Transaction. The material terms of the Rights Plan are summarized below. This summary is qualified in its entirety by reference to the actual provisions of the Rights Plan. All capitalized terms which are used in this summary and are not otherwise defined have the meanings which are attributed to them in the Rights Plan.

General

To implement the Rights Plan, the Board of Directors will authorize the issuance of one right (a "**Plan Right**") in respect of each Subordinate Voting Share when issued. Each Plan Right entitles the registered holder to purchase from the Company one Subordinate Voting Share for the Exercise Price, subject to adjustment as set out in the Rights Plan. In the event of an occurrence of a Flip-in Event (as defined below), each Plan Right entitles the registered holder to purchase from the Company that number of Subordinate Voting Shares that have an aggregate Market Price (as defined in the Rights Plan) on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price (as defined in the Rights Plan), in accordance with the terms of the Rights Plan, for an amount in cash equal to the Exercise Price, subject to certain adjustments. The Plan Rights are not exercisable prior to the Separation Time (as defined below). The issuance of the Plan Rights will not affect reported earnings per Subordinate Voting Share until the Plan Rights separate from the underlying Subordinate Voting Shares and become exercisable. The issuance of Plan Rights will not change the manner in which Shareholders currently trade their Subordinate Voting Shares. The Rights Plan must be reconfirmed by a resolution passed by a majority of the votes cast by all Shareholders at every third annual meeting of Shareholders. If the Rights Plan is not so reconfirmed, the Rights Plan and all outstanding Plan Rights shall terminate and be void and of no further force and effect, provided that such termination shall not occur if a Flip-in Event that has not been waived pursuant to the Rights Plan has occurred prior to such annual meeting.

Flip-in Event

A "**Flip-in Event**" means a transaction as a result of which a Person becomes an Acquiring Person (as defined below). On the occurrence of a Flip-in Event, any Plan Rights Beneficially Owned on or after a date determined in accordance with the Rights Plan by an Acquiring Person (including any affiliate or associate thereof or any Person acting jointly or in concert with an Acquiring Person or any affiliate or associate of an Acquiring Person) and certain transferees of Plan Rights will become void and any such holder will not have any right to exercise Plan Rights under the Rights Plan and will not have any other rights with respect to the Plan Rights.

Acquiring Person

An "**Acquiring Person**" is, generally, a Person who is the Beneficial Owner of 20% or more of the outstanding Subordinate Voting Shares of the Company. Under the Rights Plan there are various exceptions to this rule, including that an Acquiring Person: (i) shall not include: (A) the Company or a subsidiary of the Company, and (B) an underwriter or selling group member during the course of a public distribution, and (ii) may not, in certain circumstances, include a Person who becomes the Beneficial Owner of 20% or more of the outstanding Subordinate Voting Shares as a result of any one of certain events or combinations of events that include: (A) a Subordinate Voting Share reduction through an acquisition or redemption of Subordinate Voting Shares by the Company, and (B) an acquisition of Subordinate Voting Shares made pursuant to a Permitted Bid (as defined below) or a Competing Permitted Bid (as defined in the Rights Plan).

Beneficial Ownership

A Person is deemed to be the "**Beneficial Owner**" of, and to "**Beneficially Own**", Subordinate Voting Shares in circumstances where that Person or any of its affiliates or associates: (i) is the owner of the Subordinate Voting Shares at law or in equity, or (ii) in certain circumstances, has the right to become the owner at law or in equity where such right is exercisable within 60 days and includes any Subordinate Voting Shares that are Beneficially Owned by any other Person with whom such Person is acting jointly or in concert. Under the Rights Plan there are various exceptions to this rule, including where a Person:

a) has agreed to deposit or tender Subordinate Voting Shares to a take-over bid pursuant to a permitted lock-up agreement in accordance with the terms of the Rights Plan; or

b) is an investment fund manager or a trust company acting as trustee or administrator who holds such Subordinate Voting Shares in the ordinary course of such duties for the account of another Person or other account(s), an administrator or trustee of one or more registered pension funds or plans, a crown agent or agency, a manager or trustee of a certain mutual funds or a Person established by statute to manage investment funds for employee benefit plans, pension plans, insurance plans or various public bodies, provided that such Person is not making and has not announced an intention to make a take-over bid alone or acting jointly or in concert with any other Person, other than an Offer to Acquire Subordinate Voting Shares (as defined in the Rights Plan) pursuant to a distribution by the Company, by means of a Permitted Bid, or by means of ordinary market transactions executed through the facilities of a stock exchange or organized over-the-counter market.

Lock-Up Agreements

A bidder, any of its affiliates or associates or any other Person acting jointly or in concert with the bidder may enter into lock-up agreements (each, a "**Lock-up Agreement**") with the Company's Shareholders (each, a "**Locked-up Person**") whereby such Locked-up Persons agree to tender their Subordinate Voting Shares to the take-over bid or otherwise commit to support a control transaction (the "**Subject Bid**") without a Flip-in Event occurring. Any such agreement must permit the Locked-up Person to withdraw their Subordinate Voting Shares from the lock-up to tender to another take-over bid or support another transaction that (i) will provide greater value to the Locked-up Person than the Subject Bid or (ii) contains an offering price per Subordinate Voting Share that exceeds by as much or more than a specified amount (a "**Specified Amount**") the value offered under the Subject Bid, and does not provide for a Specified Amount that is greater than 7% of the value offered under the Subject Bid.

Under a Lock-up Agreement no "break-up" fees, "top-up" fees, penalties, expense reimbursement or other amounts that exceed in aggregate the greater of: (i) 2.5% of the value payable to the Locked-up Person under the Subject Bid; and (ii) 50% of the amount by which the value payable to the Locked-up Person under another take-over bid or transaction exceeds what such Locked-up Person would have received under the Subject Bid; can be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender their Subordinate Voting Shares to the Subject Bid or withdraws such Subordinate Voting Shares previously tendered thereto in order to tender such Subordinate Voting Shares to another take-over bid or participate in another transaction. Any Lock-up Agreement is made available to the public.

Permitted Bid

A Flip-in Event will not occur if a take-over bid is structured as a Permitted Bid. A "**Permitted Bid**" is a take-over bid made by means of a take-over circular, which also complies with the following provisions:

a) the take-over bid is made to all registered Shareholders of the Company, wherever resident, other than the Person making the bid;

b) the take-over bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that:

i) no Subordinate Voting Shares will be taken-up or paid for pursuant to the take-over bid: (A) before the close of business on a date that is not less than 105 days following the date of the take-over bid or such shorter minimum initial deposit period that a non-exempt take-over bid must remain open for deposits, in the

applicable circumstances at such time, pursuant to NI 62-104; and (B) then only if, at the close of business on such date, the Subordinate Voting Shares deposited or tendered pursuant to the take-over bid and not withdrawn constitute more than 50% of the Subordinate Voting Shares outstanding which are held by "independent Shareholders" (as defined in the Rights Plan);

ii) unless the take-over bid is withdrawn, Subordinate Voting Shares may be deposited pursuant to the take-over bid at any time before the close of business on the date of the first take-up of or payment for Subordinate Voting Shares;

iii) any Subordinate Voting Shares deposited pursuant to the take-over bid may be withdrawn until taken-up and paid for; and

iv) if the requirement in clause (b) (i) (B) is satisfied, the Person making the bid will make a public announcement of that fact and the take-over bid will remain open for deposits and tenders of Subordinate Voting Shares for not less than ten days from the date of such public announcement.

Trading of Rights

Until the Separation Time (as defined below), the Plan Rights will be evidenced by the associated issued and outstanding Subordinate Voting Shares of the Company. The Rights Plan provides that, until the Separation Time, the Plan Rights will be transferred with, and only with, the associated Subordinate Voting Shares. Until the Separation Time, or earlier termination or expiration of the Plan Rights, each new Subordinate Voting Share certificate issued after the applicable record time, if any, will display a legend incorporating the terms of the Rights Plan by reference. As soon as practicable following the Separation Time, separate certificates evidencing the Plan Rights ("**Plan Rights Certificates**") will be mailed to registered Shareholders, other than an Acquiring Person and in respect of any Plan Rights Beneficially Owned by such Acquiring Person, as of the close of business at the Separation Time, and thereafter the Plan Rights Certificates alone will evidence the Plan Rights.

Separation Time

The Plan Rights will separate and trade apart from the Subordinate Voting Shares after the Separation Time until the Expiration Time. Subject to the right of the Board of Directors to defer it, the "**Separation Time**" means the close of business on the eighth business day after the earliest of: (i) the first date of a public announcement that a Person has become an Acquiring Person; (ii) the commencement or first public announcement of the intent of any Person to commence a take-over bid other than a Permitted Bid; and (iii) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such.

Waiver

Without the consent of Shareholders or, if applicable, holders of Plan Rights, the Board of Directors may waive the application of the Rights Plan to a Flip-in Event that would occur by reason of a take-over bid made by means of a take-over bid circular to all Shareholders of the Company provided that, if the Board of Directors waive the application of the Rights Plan to such Flip-in Event, they will be deemed to have waived the application of the Rights Plan to any other Flip-in Events occurring by reason of a take-over bid made by means of a take-over bid circular to all Shareholders of the Company which is made prior to the expiry of any take-over bid in respect of which a waiver has been granted by the Board of Directors. The Board of Directors may also, subject to certain conditions, waive the application of the Rights Plan to a Flip-in Event triggered by inadvertence.

Redemption

The Board of Directors with the approval of a majority vote of the votes cast by Shareholders (or the holders of Plan Rights if the Separation Time has occurred) voting in person and by proxy, at a meeting duly called for that purpose, may redeem the Plan Rights at $0.001 per Plan Right, subject to adjustment in accordance with the Rights Plan. Plan Rights will become void and be of no further effect on the date that any Person who has made a Permitted Bid, Competing Permitted Bid or Exempt Acquisition (as defined in the Rights Plan) takes up and pays for the Subordinate Voting Shares pursuant to such transaction.

Power to Amend

The Company may make amendments to the Rights Plan to correct clerical or typographical errors without the approval of the holders of Plan Rights. The Company may make amendments to the Rights Plan to preserve the validity of the Rights Plan in the event of any change in applicable legislation, rules or regulations thereunder with the approval of the Shareholders of the Company or, in certain circumstances, the holders of Plan Rights, in accordance with the Rights Plan. In other circumstances, amendments to the Rights Plan may require the prior approval of the Shareholders of the Company or, the holders of Plan Rights.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Subordinate Voting Shares are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

MARKET FOR SECURITIES

Prior Sales

The following tables summarize details of the following securities that are not listed or quoted on a market place issued by the Company, during the most recently completed financial year end.

Subordinate Voting Shares

Date of Issue	Number of SVS	Issue Price
January 16, 2020[(1)]	375,000	Nil
February 13, 2020[(1)]	14,575	Nil
February 24, 2020[(1)]	392,482	Nil
May 21, 2020[(1)]	23,966	Nil
May 22, 2020[(1)]	415,467	Nil
June 8, 2020[(1)]	278,511	Nil
September 9, 2020[(1)]	500,000	Nil
September 26, 2020[(1)]	28,925	Nil
October 9, 2020[(1)]	87,502	Nil
October 16, 2020[(1)]	11,765	Nil
November 17, 2020[(1)]	47,790	Nil
December 1, 2020[(1)]	3,581,467	Nil
December 22, 2020[(1)]	375,000	Nil

Multiple Voting Shares

Date of Issue	Number of MVS	Issue Price
December 18, 2020[(2)]	9,648.85	C$125.00

Options

Date of Issue	Number of SVS Issuable on Exercise	Exercise Price	Expiry Date
September 1, 2020[(3)]	1,725,000	C$0.95	September 1, 2025
September 1, 2020[(3)]	610,000	C$0.95	November 24, 2021
September 30, 2020[(3)]	300,000	C$1.09	September 30, 2021
December 23, 2020[(3)]	840,000	C$1.83	December 23, 2025

Notes:

(1) Conversion of Multiple Voting Shares into Subordinate Voting Shares.
(2) Issued as consideration in connection with the FGW Transaction. See "*General Development of the Business – Three Year History – 2020 – FGW Transaction*".
(3) Granted to certain directors, officers, consultants and employees under the Company's equity incentive plan.

Trading Price and Volume

The issued and outstanding Subordinate Voting Shares are listed and posted for trading on the CSE under the symbol "HBOR" The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Subordinate Voting Shares from January 1, 2020 up to December 31, 2020.

Month	High ($)	Low ($)	Volume
January 2020	$0.86	$0.51	1,074,891
February 2020	$0.82	$0.58	438,612
March 2020	$0.75	$0.285	900,319
April 2020	$0.73	$0.39	799,422
May 2020	$0.79	$0.58	351,350
June 1-8, 2020[(1)]	$0.68	$0.60	86,372
September 2-30, 2020	$1.25	$0.75	1,570,611
October 2020	$1.69	$0.97	955,258
November 2020	$2.18	$1.32	1,903,777
December 2020	$2.22	$1.63	2,137,038

Note:

(1) The Company was subject to a cease trade order effective from June 8, 2020 to September 2, 2020. See "*General Development of the Business – Three Year History – 2020 – Cease Trade Order*".

As the close of business on December 10, 2021, the last trading day prior to the date of this AIF, the price of the Subordinate Voting Shares as quoted by the CSE was $0.68 per Subordinate Voting Share.

ESCROWED SECURITIES

Certain directors, officers and significant shareholders of the Company have entered into lock-up agreements pursuant to which such parties have agreed, subject to customary carve-outs and exceptions, not to sell any Subordinate Voting Shares (or announce any intention to do so), or any securities issuable in exchange therefor. Further, certain securities of the Company are held in escrow by Odyssey Trust Company, in its capacity as escrow agent, in accordance with the Escrow Agreement. To the Company's knowledge, the following securities are currently in escrow or subject to contractual restrictions on transfer:

Class of Securities	Number of Securities in Escrow or Subject to a Contractual Restriction on Transfer	Percentage of Class
Multiple Voting Shares	16,734.99	3.9%
Subordinate Voting Shares	1,111,291	2.8%

Note:

(1) To be held in escrow for a period of 36 months from June 10, 2019, being the date of listing of the SVS on the CSE (the "**Listing Date**"), with 10% of the escrowed securities released on the Listing Date and the balance to be released in equal installments of 15% in six month intervals following the Listing Date.

CONSOLIDATED CAPITALIZATION

As at the date of this AIF, the Company had the following securities issued and outstanding (on a fully diluted basis, expressed as the number of SVS issuable upon conversion or exercise, as applicable, of such securities):

Designation of Securities	Number of Underlying SVS
Subordinate Voting Shares	39,525,407
Multiple Voting Shares	42,597,073
Options	4,872,740[12]
Contingent Stock Grants	75,000
Warrants	14,175,900
Broker Warrants	1,138,308
Total Fully Diluted Share Capital	**102,384,428**

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the Company's directors and executive officers, the person's name, province or state and country of residence, position with the Company, principal occupation during the last five years, and the date on which the person became a director or executive officer. The Company's directors are elected annually and, unless re-elected, will retire from office at the end of the next annual general meeting of shareholders.

Directors and Officers

Name, Province or State and Country of Residence	Position(s) with the Company	Officer/Director Since	Principal Occupation(1)	Number of Securities of Company Beneficially Owned, Controlled or Directed(2)
Matthew K. Hawkins(5)(7) Texas, United States	Interim CEO, Chairman and Director	May 2019	Managing Partner of Entourage Effect Capital LLC	10,669,915(9)
Peter Bilodeau(7) Ontario, Canada	Former Interim CEO	October 2019 – July 2021	President and CEO of Foundation Markets	885,528(10)
Tom DiGiovanni California, United States	CFO	December 2019	CFO	341,400(11)
Ahmer Iqbal(8) California, United States	COO	July 2021	COO	675,400(12)
John H. "Jack" Nichols California, United States	General Counsel and Corporate Secretary	May 2019	General Counsel and Corporate Secretary	832,631(13)
Kevin K. Albert(3)(5)(6) New York, United States	Director	November 2020	Private Investment Manager	647,477(14)

[12] Number does not reflect the number of underlying SVS issuable upon exercise of the options assumed from Sublime pursuant to the Sublime Acquisition, as such, number of underlying SVS has yet to be reasonably determined by the Board in accordance with the provisions of the definitive agreement relating to the Sublime Acquisition.

Name, Province or State and Country of Residence	Position(s) with the Company	Officer/Director Since	Principal Occupation[1]	Number of Securities of Company Beneficially Owned, Controlled or Directed[2]
Michael Dacks[4] Ontario, Canada	Director	November 2020	Founder and President of Type 2 Ventures Ltd.	100,000[15]
Peter Kampian[3][6] Ontario, Canada	Director	August 2020	Finance Executive	338,400[16]
Alexander Norman[5] Ontario, Canada	Director	November 2020	Investment Manager	100,000[17]
James E. Scott[3][4][6] Colorado, United States	Director	November 2020	Managing Partner of The Scott Company, LLC	420,000[18]
Andrew Sturner[4] Florida, United States	Director	November 2020	Managing Partner of Entourage Effect Capital LLC	10,716,765[19]

Notes:

(1) For prior occupations of each director and officer for the last five years, please see biographies below.

(2) Represents SVS together with MVS, Options and any other convertible securities, on a fully diluted basis.

(3) Member of the Audit Committee of the Board.

(4) Member of the Governance and Nominating Committee of the Board.

(5) Member of the Compensation Committee of the Board.

(6) Member of the Special Committee of the Board.

(7) On July 19, 2021, Mr. Bilodeau resigned as Interim CEO and Mr. Hawkins was appointed as Interim CEO of the Company.

(8) On July 19, 2021, M. Iqbal was appointed as COO of the Company. Mr. Iqbal formerly served as CEO of Sublime.

(9) Mr. Hawkins controls 56,070 Multiple Voting Shares indirectly through Cresco Capital Partners II, LLC and an aggregate of 1,179,565 Subordinate Voting Shares indirectly through CCP FLRISH, LLC, Cresco Capital Partners II, LLC and Cresco Capital Partners, LLC. As at the date of this AIF, Mr. Hawkins also holds 333,350 Options directly and controls 35,500 MVS Warrants indirectly through Cresco Capital Partners II, LLC.

(10) Mr. Bilodeau holds 115,687 Subordinate Voting Shares, 530,109 Options and 58,000 SVS Warrants directly, as well as 172,265 Subordinate Voting Shares indirectly through Emtra Business Services Inc. and 5,319 Subordinate Voting Shares and 3,348 Warrants indirectly through SMN Corp.

(11) Mr. DiGiovanni holds 307 Multiple Voting Shares, 5,000 Subordinate Voting Shares, 275,000 Options and 307 MVS Warrants directly.

(12) Mr. Iqbal holds 4,604 Multiple Voting Shares and 215,000 Options directly.

(13) Mr. Nichols holds 1,000 Multiple Voting Shares, 400,000 Subordinate Voting Shares and 332,631 Options directly.

(14) Mr. Albert holds 547,477 Subordinate Voting Shares and 100,000 Options directly.

(15) Mr. Dacks holds 100,000 Options directly.

(16) Mr. Kampian holds 39,200 Subordinate Voting Shares, 260,000 Options and 39,200 Warrants directly.

(17) Mr. Norman holds 100,000 Options directly.

(18) Mr. Scott holds 100,000 Options directly, as well as 1,600 Multiple Voting Shares and 1,600 MVS Warrants indirectly through Littlehorn Investments LLC.

(19) Mr. Sturner controls 56,070 Multiple Voting Shares indirectly through Cresco Capital Partners II, LLC, 1,251 Multiple Voting Shares indirectly through Orange Island Ventures, LLC and an aggregate of 1,179,565 Subordinate Voting Shares indirectly through CCP FLRISH, LLC, Cresco Capital Partners II, LLC and Cresco Capital Partners, LLC. As of the date of this AIF, Mr. Sturner also holds 130,000 Options directly and controls 35,500 MVS Warrants indirectly through Cresco Capital Partners II, LLC and 1,251 MVS Warrants indirectly through Orange Island Ventures, LLC.

All of the directors and executive officers of the Company, collectively as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,464,513 Subordinate Voting Shares (or approximately 6.2% of Subordinate Voting Shares) and approximately 64,832 Multiple Voting Shares (or 15.2% of Multiple Voting Shares).

Biographies

The following are brief profiles of the Company's executive officers and directors.

Matthew K. Hawkins – Interim CEO, Chairman and Director

Matt Hawkins is the Founder and Managing Principal of Entourage Effect Capital, LLC (EEC), a private equity firm focused specifically on investing in the legalized cannabis industry. Since 2014, the firm has invested out of two co-investment vehicles and special purpose entities with over $160MM in Assets Under Management ("**AUM**"), and is currently raising its third fund. Prior to founding EEC, he was a Partner and President of a real estate investment company which acquired REO and NPL from banks and financial institutions across the country. Prior to this, Matt was a Principal/Co-founder of San Jacinto Partners, a fund focused on the bulk acquisition of single family residential assets and the Managing General Partner of Adjacent Capital, L.P., a private equity/specialty lending fund. He was earlier affiliated with Treadstone Partners, L.L.C., a distressed debt and equity fund. Matt is a graduate of The University of Texas at Austin. Mr. Hawkins was appointed Interim CEO of Harborside on July 19, 2021.

Peter Bilodeau – Former Interim CEO

Peter Bilodeau is a serial entrepreneur across various sectors, including cannabis, merchant and investment banking, retail, manufacturing, real estate, and oil & gas. He is President and CEO of Foundation Markets Inc. and FMI Capital Advisory Inc. Prior to launching his entrepreneurial career, Peter worked for one of Canada's major chartered banks quickly advancing to the senior management ranks. He is a former real estate appraiser with extensive experience in various types of real property valuation. Mr. Bilodeau's business prowess is frequently called upon through his finance and consulting business and as a member of the Board of Directors of several companies. Peter has a Masters Degree in Business Administration, with a specialty in Financial Services, from Dalhousie University, Halifax, Nova Scotia, Canada. Mr. Bilodeau resigned as Interim CEO of Harborside on July 19, 2021.

Tom DiGiovanni – CFO

Mr. DiGiovanni most recently was a founding partner and the Chief Financial and Compliance Officer at Canndescent, a vertically integrated cannabis company. During his tenure, Canndescent grew from a pre-revenue startup into one of the largest cannabis flower brands in California. Mr. DiGiovanni helped to raise more than $50 million in capital and managed the day-to-day financial accounting and reporting functions, as well as helped implement the banking, financing and cash management procedures that allowed the company to quickly grow into an industry leader. Prior to joining Canndescent, Mr. DiGiovanni served in multiple executive roles in finance and operations. Over the course of his career, Mr. DiGiovanni has worked on more than $2.5 billion in private equity mergers and acquisition transactions, over $2.5 billion in capital finance projects and has managed revenue growth rates of more than 100% per year in various businesses, including as CFO of Mainstream Energy, where he helped consummate the merger of Mainstream Energy into Sunrun Inc. (NYSE: RUN) and the successful spin out of the commercial installation business of Mainstream Energy to REC Commercial Solar Corp, which was later sold to Duke Energy (NYSE: DUK). Mr. DiGiovanni is a fully licensed Certified Public Accountant and a graduate of the Rochester Institute of Technology, where he received a Bachelor of Science degree in Accounting with a minor in Economics.

Ahmer Iqbal – COO

Prior to becoming COO of Harborside in July 2021, Ahmer Iqbal was the CEO of Sublime, a cannabis product manufacturer based in Oakland, California. He previously served as the COO of Sublime. Ahmer brings more than 20 years of experience in manufacturing and supply chain operations to Harborside. His past leadership has been focused on developing and delivering technology-driven business solutions, providing outstanding client service, and driving profitable revenue growth. Prior to Sublime, Ahmer served at Amazon Lab 126 overseeing supply chain operations of its Kindle e-Reader division. He was responsible for a successful global launch of the first ever water-proof e-Reader. Before joining Amazon, Ahmer worked at Crystal Technology, a subsidiary of Siemens (Semiconductor). There, he transitioned wafer fabrication operations from Palo Alto to Southeast Asia before joining Dewolf Boberg & Associates as a consultant for various medical device, aeronautics, and other manufacturing companies.

John H. "Jack" Nichols – General Counsel and Corporate Secretary

Jack Nichols has more than 20 years of exceptional experience in law enforcement, civil and criminal litigation, international business development and legal compliance. Mr. Nichols enjoyed a highly successful career in law enforcement that started as a patrolman with the NYPD. He subsequently served as a detective with the Maine Attorney General's Office where he investigated anti-trust violations and complex white-collar crimes. In 2006, Mr. Nichols obtained his JD from Northeastern University School of Law. Upon graduation, he became Assistant Attorney General in the US Virgin Islands where he was cross-designated to litigate both civil and criminal matters, with an emphasis on public corruption and violent crime prosecutions. Mr. Nichols later served as Special Assistant U.S. Attorney in the District of Maine, prosecuting firearms and narcotics violations in Federal court. Most recently, he has worked for a private company as in-house counsel, where he has assisted government agencies in the formulation and enforcement of medical marijuana regulations and has lent his expertise to private companies in the cannabis industry as they navigate the challenging world of legal compliance.

Kevin K. Albert – Director

From 1981 until 2005, Kevin worked in a variety of roles in the investment banking division of Merrill Lynch & Co. servicing the private equity industry. Subsequent to Merrill Lynch he was a founding Partner of Elevation Partners from 2005 until 2010 and from September 2010 through December 2019, Kevin was a Senior Partner of Pantheon Ventures LLC and a member of its six-person Partnership Board. For most of his nine-year Pantheon tenure, he was responsible for the firm's global business development and during this time Pantheon's assets under management increased from approximately $25 billion to approximately $50 billion. Now retired, he is currently managing a portfolio of private investments, the majority of which are in the legal cannabis industry. From 2006 until 2017, he also served as an independent director on the board of Merrill Lynch Ventures, LLC, a series of private equity partnerships offered to Merrill Lynch employees aggregating over $1.8 billion. He currently serves as an independent director on the board of three cannabis companies in addition to Harborside: Osiris Ventures, Inc. dba NorCal Cannabis Company, Octavius Holdings, Inc. dba Flow Cannabis and Achari Ventures Holding Corp. I, a blank check company targeting non-plant touching cannabis acquisitions. In addition, he is a director of Neighborhood Holdings, Inc., a private real estate management company which enables renters to build financial equity in their homes and neighborhoods. Kevin has a BA and an MBA from the University of California, Los Angeles where he continues to be involved as the Chair of the Board of Visitors of the Economics Department.

Michael Dacks – Director

Mike is Founder and President of Type 2 Ventures Ltd. a global advisory firm where he is an investor in, and advisor to, a number of ventures across the global cannabis and plant-based medicines industries. Prior to founding Type 2 Ventures, Mike was SVP Global Affairs at Plena Global Holdings Inc., working with large scale cultivation assets in South America to provide raw materials and cannabis derived active pharmaceutical ingredients to global manufacturing partners. Prior to that, Mike was VP Legal & International Business Affairs at Canadian Licensed Producer MedReleaf Corp. He held this position with MedReleaf through a variety of industry pioneering milestones both operationally and in the capital markets through to its acquisition by Aurora Cannabis for C$3.2 billion, the largest cannabis industry exit to date. Mike has been licensed to practice law in Canada and Israel where he articled in the IP and Technology Licensing department of Meitar, Israel's leading international law firm where he worked with some of the world's leading technology companies and is a former international law clerk to the Hon. Justice Asher Grunis at Supreme Court of Israel.

Peter Kampian – Director

Mr. Kampian CPA, CA, ICD.D, has a long track record as a financial executive with a number of Canadian public companies and has over 30 years of financial management experience. Mr. Kampian is currently the Chief Executive Officer of Edge Financial Consulting Services Corp. where he acted as Chief Restructuring Officer for PharmHouse Inc., a Canadian Cannabis Licensed Producer. Mr. Kampian has served as Chief Financial Officer of DionyMed Brands Inc. and Chief Financial Officer of Mettrum Health Corp., which was acquired by Canopy Growth Corp. in early 2017. Previously Mr. Kampian was Chief Financial Officer of Algonquin Income Fund (now Algonquin Power and Utilities) where he led and supported debt and equity capital raising. Mr. Kampian also served on the Board of James E. Wagner Cultivation Corporation, where he was on the special committee during its restructuring process. Mr Kampian is also

on the Board of Aduro Clean Technologies Inc. where he is Chair of the Audit Committee. He previously served on the boards of Grenville Strategic Royalty Corp. (currently Flow Capital Corp.), CannaRoyalty Corp. and Red Pine Exploration Inc., where he was the Chair of the Audit Committee for all three companies. Mr. Kampian is a Chartered Accountant and a member of the Chartered Professional Accountants of Ontario and the Institute of Corporate Directors.

Alexander Norman – Director

Alex is focused on building the Canadian technology ecosystem and has several active roles. Alex is the Canadian Partner of AngelList, the most successful start-up investing platform in the world with over $2 billion of assets under management. Alex launched the platform in Canada in early 2017 and is responsible for $90 million in assets under management. Alex is the founder and managing director of Tech Toronto, an organization that develops the technology and innovation economy in Canada. Alex is also the Managing Partner of N49P, a venture fund that invests in early stage Canadian technology companies. Prior to his current activities, Alex has extensive operating experience having worked for technology companies in Canada, the United States and the United Kingdom. This includes co-founding HomeSav which was acquired by Rebellion Media, and helping launch Simply Business which was acquired by The Travelers Cos. Alex also has significant professional services experience having worked for McKinsey & Company and for Lehman Brothers in their technology mergers and acquisition group. Alex has a Bachelor of Commerce from McGill University and an MBA from The Wharton School of the University of Pennsylvania.

James E. Scott – Director

Jim Scott is an entrepreneur and investor with a unique blend of transaction, operating and leadership experience and a passion for business. Since 1998, Jim has been the Managing Partner of Denver-based The Scott Company LLC, a boutique advisory firm and merchant bank. Throughout his career, Jim has completed successful transactions for clients of all sizes – from startup to multibillion dollars. He has also served as the President and CEO of two operating businesses – Qube Visual, a full service signage and graphics company, and Receptra Naturals, a fully-integrated CBD and wellness products business. Jim began his career in investment banking in 1992 with Salomon Brothers Inc. in their domestic mergers and acquisitions group. He also worked for SBC Warburg in their global chemicals investment banking and M&A groups in London. Jim graduated Summa Cum Laude from Boston University School of Management in finance and operations management.

Andrew Sturner – Director

Andrew Sturner is the co-founder and managing principal of Entourage Effect Capital, LLC, a private investment firm focused specifically on investing in the legalized cannabis industry. Andy is also an investor in, and advisor to, Cresco Capital Management, LLC. Prior to the co-founding of Entourage Effect Capital, Andy has been a seasoned senior executive, C-suite officer, founder, serial entrepreneur, consultant, angel investor and board member with nearly 30 years of success across technology, media, internet, real estate, cannabis and nonprofits. A seasoned executive with a proven track record of creating innovative partnerships and joint ventures, he has significant experience growing and expanding companies with an emphasis on leadership development. In his executive career, Andy has founded, co-founded and held leadership positions at many successful venture backed companies including two publicly traded companies: CBS SportsLine.com (NASDAQ: SPLN) and MovieFone (NASDAQ: MOFN). Andrew earned a B.S. in Business Administration from Washington University, Saint Louis; and a Juris Doctor (J.D.) from Brooklyn Law School. While no longer a practicing attorney, he worked as a workout and restructuring attorney at Stroock & Stroock & Lavan LLP a US-based law firm providing transactional and litigation guidance to leading multinational corporations, investment banks and private equity firms in the U.S. and abroad and was admitted to the New York, Connecticut, and Washington, D.C. bar associations.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed herein, to the best of the Company's knowledge, none of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, been a director or officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

On June 8, 2020, the OSC issued a CTO against the Company in connection with the Company's refiling of certain historical financial statements of FLRish for the fiscal years ended December 31, 2017 and 2018 and the interim period ended March 31, 2019, and financial statements and related management's discussion and analysis for the interim periods ended June 30, 2019 and September 30, 2019 due primarily to changes in the application of accounting treatments related to certain transactions by FLRish. On June 16, 2020, the OSC issued an MCTO against the Company in respect of the delayed filing of its Financial Statements and MD&A. The MCTO was subsequently revoked and, on July 15, 2020, the OSC issued a CTO against the Company in connection with the Company's failure to file its Financial Statements and MD&A by the prescribed deadline. The CTOs were revoked on August 31, 2020.

Peter Bilodeau was Chief Executive Officer and a director of Onco, a company listed on the CNQ (now the CSE), from September 2008 to April 2011. In July 2008, prior to Mr. Bilodeau assuming his position with Onco, a cease trade order was issued against Onco for failing to file financial statements.

Except as disclosed herein, to the best of the Company's knowledge, none of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to, or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director or executive officer, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Peter Bilodeau was CEO and director of Onco from September 2008 to April 2011. On March 30, 2010, a receiver was appointed for Onco by the Ontario Superior Court and Onco's assets were sold off. Energex Petroleum Inc., a company founded by Mr. Bilodeau, filed for bankruptcy in June 2016. Due to his heavy investment in the aforementioned companies, Mr. Bilodeau filed a creditor proposal in June 2016. It was discharged in February 2017.

Peter Kampian was CFO of DionyMed from November 2018 to March 2020. A receiver was appointed for DionyMed by the Supreme Court of British Columbia on October 29, 2019.

Peter Kampian was a director of JWC and also a member of the special committee of the board of JWC, which was mandated to restructure the financial affairs of JWC. JWC filed for protection under the Companies' Creditor Arrangement Act on April 1, 2020. On August 28, 2020, the sale of the JWC assets was completed and Mr. Kampian resigned from the board of JWC.

To the best of the Company's knowledge, no director or executive officer of the Company has: (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing information, not being within the knowledge of the Company, has been furnished by the directors and executive officers of the Company.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. They also invest and may invest in businesses, including in the cannabis sector, that compete directly or indirectly with the Company or act as customers or suppliers of the Company. Some of the individuals that are directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under OBCA.

To the best of the Company's knowledge, other than as disclosed below and elsewhere in this AIF, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company as a result of their outside business interests except that: (i) certain of the Company's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies, and (ii) certain of the Company's or its subsidiaries' directors and officers have portfolio investments consisting of minority stakes in businesses that may compete directly or indirectly with the Company or act as a customer of, or supplier to, the Company.

Peter Bilodeau was formerly the Interim CEO of the Company, President and a director of Lineage, and previously the Chairman of the Board. Mr. Bilodeau resigned as interim CEO and Chairman of the Board on July 19, 2021. Mr. Bilodeau is also currently the President and Chief Executive Officer of FMICA and FMI, who acted as advisors to Lineage and FLRish receiving various compensation in connection with the RTO Transaction, and the President and Director of Quinsam, a merchant bank that was entitled to receive Lineage Shares in connection with the RTO Transaction.

Concurrent with the Company's investment in the Loudpack Debentures, Andrew Sturner, a director of the Company, was appointed as a board member by Loudpack in connection with the Company's investment in 15% Senior Secured Convertible Debentures of Loudpack. Mr. Sturner resigned from the Loudpack board effective September 22, 2021.

PROMOTERS

No person or company has been within the two years immediately preceding the date of this Annual Information Form, a promoter of the Company within the meaning of applicable securities laws.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company may from time to time be involved in legal administrative and other proceedings of a nature considered normal to our business. Other than the legal proceedings described below, we believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year is, individually or in the aggregate, material to our combined financial condition or results of operations. For further discussion, see "*Risk Factors".*

Section 280E Tax Cases

PMACC

PMACC is currently involved in two separate tax proceedings. The first, *PMACC v. Commissioner*, is an appeal to the United States Court of Appeals for the Ninth Circuit of an adverse Tax Court decision that was issued on November 29, 2018. In that decision, the Tax Court disallowed PMACC's allocation of certain items of expense to cost of goods sold, holding that they were instead deductions barred by IRC Section 280E. At issue are PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012. The Tax Court held that the expenses were ordinary and substantiated business expenses but, because PMACC's business consists of trafficking in a Schedule I controlled substance, the expenses must be disallowed. On October 21, 2019, after a review process under Rule 155,

the Tax Court determined that PMACC's total liability was approximately $11.0 million plus accrued interest. In its ruling, the Tax Court rejected the assertion of penalties by the IRS, finding that the unsettled state of the law and the fact that PMACC acted reasonably and in good faith, meant that penalties under IRC 6661(a) would be inappropriate. Accordingly, management has not included penalties in the estimated provision at year end. In December 2019, PMACC appealed the Tax Court decision to the United States Court of Appeals for the Ninth Circuit, which heard oral arguments in the case on February 9, 2021 and affirmed the Tax Court decision on April 22, 2021.

In a second Tax Court proceeding related to deductions barred by IRC Section 280E, the IRS issued a notice of deficiency asserting that PMACC owed approximately $16.0 million in additional taxes and penalties for fiscal 2016, by disallowing all deductions. The Company filed its initial petition in this case to the Tax Court on February 13, 2020. As the Ninth Circuit has ruled on the earlier PMACC tax case, this matter is expected to be put back on the calendar later this year.

SJW

SJW is involved in two separate tax proceedings. The first involves the 2010, 2011, and 2012 tax years, and in this case, the IRS asserted a tax deficiency of approximately $2.1 million. The second proceeding involves the 2014 and 2015 tax years and in the second case the IRS asserted that SJW owed approximately $2.1 million in additional taxes and penalties. Both of these proceedings involve substantially the same issues as the PMACC cases.

On February 17, 2021, the U.S. Tax Court ruled in favor of the Commissioner of Internal Revenue with respect to SJW to disallow all of SJW's deductions pursuant to IRC Section 280E for all of the years at issue. On May 14, 2021, the Company appealed the Tax Court ruling. In an effort to resolve the matter as part of a global settlement, the Company withdrew the appeal.

Mediation with former employee

On October 28, 2019, the Company was contacted by an attorney representing a former employee, who has alleged being subjected to discrimination and retaliation, on the basis of both gender and having the status of a whistleblower with respect to alleged violations of Company policies reported to Company management and has demanded monetary damages in the amount of $400,000, along with specified equitable relief. On September 30, 2020, the Company and the former employee mediated the matter. With no determination on merits of the action whatsoever, in order to avoid additional cost and the uncertainty of litigation, both parties agreed to resolve any and all claims. Pursuant to the terms of the settlement agreement reached between the parties, the Company agreed to pay the former employee $106,000 to resolve all claims.

Moothery v. Patients Mutual Assistance Collective Corp dba Harborside Health et al.

In June 2018, a former employee asserted claims against the Company alleging six causes of action including discrimination on the basis of sex, race, and/or age; failure to prevent discrimination; retaliation for reporting harassment; hostile work environment harassment; defamation; and wrongful termination in violation of public policy. The claims were resolved and settled in June, 2021, with no admissions of wrongdoing on the part of the Company. Pursuant to the settlement agreement, the Company made a one-time payment, net of insurance coverage, of approximately $1.5 million to settle all aspects of the litigation.

SLWS

On August 21, 2020, the Company's subsidiary, SLWS, pursuant to a prior agreement, commenced a demand for arbitration and relief against Agustin J. Lopez, Diana G. Lopez and KSJ Development LLC ("**Defendants**") with respect to a number of alleged violations of the terms and conditions of the property lease between SLWS and the Defendants. On September 8, 2020, the Defendants filed its response to SLWS's demand for arbitration, and also asserted a number of counterclaims against SLWS. Defendants also interposed an action for unlawful detainer in relation to its counterclaims against the Company. Arbitration of the matter was scheduled for March 29, 2021, with the parties each undertaking pre-arbitral discovery prior to arbitration. On March 30, 2021, the court ruled against SLWS and entered a judgment. On April 1, 2021, the Company filed a request for temporary stay of eviction. The request for a stay was granted and the parties mutually agreed to stay the eviction until May 15, 2021. On April 26,

2021, the Company entered into a settlement agreement with the landlord which included extending the lease until October 31, 2021 and authorizing adult use retail sales on the premises for the duration of the lease. The Company has negotiated an additional six-month extension with an optional three months available if mutually agreed by the parties to the lease.

Gia Calhoun v. FLRish, Inc.

On January 6, 2020, the Company's subsidiary FLRish, Inc. was served with a complaint filed by plaintiff and putative class representative Ms. Gia Calhoun. The complaint, filed on December 17, 2019 in the U.S. Federal District Court for the Northern District of California (the "**Court**"), alleges violations of the TCPA and seeks class certification with respect to a group of individual plaintiffs alleged to be similarly situated to Ms. Calhoun. The Company believes that the complaint fails to state any claim upon which relief can be granted, and that it has meritorious defenses to the alleged causes of action. The Company further believes that Ms. Calhoun's allegations fail to adequately represent the claims of any alleged class of similarly situated plaintiffs. On April 6, 2020, the Company filed a motion to stay all proceedings in the matter pending a ruling by the U.S. Supreme Court in the case Barr v. Am. Ass'n of Political Consultants, Inc., No. 19-631, concerning the constitutionality of Section 227(b) of the TCPA. On May 13, 2020, the Court granted Company's motion to stay all proceedings in the matter pending the U.S. Supreme Court's decision in the Barr case. The Court further informed the parties that it would be willing to entertain another motion to stay pending the Supreme Court's granting review on the issue of what constitutes an "automatic telephone dialing system" ("**ATDS**") in the Duguid v. Facebook petition. On July 6, 2020, the U.S. Supreme Court ruled on Barr and invalidated the government-debt call exception, but severed that provision and did not strike down the entire automated call restriction of the TCPA. With respect to the Company's litigation, per the Court's order the parties filed a joint status report on July 13, 2020. On July 17, 2020, the parties appeared before the Court for a case management conference. In the interim, the Supreme Court granted review on the issue of what constitutes an ATDS in the *Duguid v. Facebook* petition, and the Company subsequently proposed that the Court extend the stay until the Supreme Court issues a decision on Facebook's petition.

At the case management conference on July 17, 2020, the Court ruled:

1. No class-related discovery is permitted;
2. Within the next 90 days, the Company may take discovery on plaintiff's DNC claim; and
3. Within the next 90 days, plaintiff may take discovery on the issue of whether an ATDS was used to call Plaintiff. However, the court expressly ruled that the parties may not engage in any expert discovery on the ATDS issue.

On April 1, 2021 the Supreme Court issued its decision in the Facebook case, narrowly interpreting ATDS. The Court held, "Congress' definition of an autodialer requires that in all cases, whether storing or producing numbers to be called, the equipment in question must use a random or sequential number generator." Though not dispositive, the Company believes the ruling is favorable to its defense. The parties participated in another case management conference on May 7, 2021. At the May 7, 2021 case management conference, the Court lifted the stay on class-related discovery that the court had previously imposed on July 17, 2020. By mutual agreement of the parties, the Court imposed a stay of the case for 90 days and set a case management conference for December 17, 2021.

Michael Adams v. Patients Mutual Assistance Collective Corp dba Harborside Health et al.

On or about January 10, 2020, PMACC was served with a complaint filed by plaintiff and putative class representative Mr. Michael Adams. The complaint, filed on January 7, 2020 in Superior Court of the State of California for Alameda County, alleges violations of California Business and Professions Code §17200 with respect to PMACC's employee wage payment practices, and seeks class certification with respect to a group of individual plaintiffs alleged to be similarly situated to Mr. Adams. The Company believes that the complaint fails to state any claim upon which relief can be granted, and that it has meritorious defenses to the alleged causes of action. The Company further believes that Mr. Adams' allegations fail to adequately represent the claims of any alleged class of similarly situated plaintiffs. In late April 2020, the Company filed a demurrer/motion to strike as to plaintiff's complaint; the Court granted the Company's demurrer/motion to strike in part, with leave for the plaintiffs to amend and refile their original complaint. On or about October 6, 2020, plaintiff and the Company agreed to mediation of the case, with mediation scheduled for May 4, 2021. At the May 4, 2021 mediation, the parties did not reach a settlement agreement, however, the parties

agreed to continue discovery. As of the date of this AIF, no follow-up mediation date has been set. The parties continue to engage in pre-trial discovery. A trial date remains to be set.

Shahrohkimanesh v. Harborside, Inc. et al.

In September 2020, the Company became aware of a complaint filed by putative class representative Ms. Rihanna Shahrohkimanesh in the U.S. Federal District Court for the District of Oregon. On October 13, 2020, the Company was formally served with a complaint and related summons. The complaint alleges violations of the U.S. Securities Exchange Act of 1934 (15 USC §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder (17 CFR § 240.10b-5)) and seeks class certification with respect to a group of individual plaintiffs alleged to be similarly situated to Ms. Shahrohkimanesh. On January 21, 2021, the Company announced that the complaint filed by Ms. Shahrohkimanesh was voluntarily dismissed by the plaintiff in its entirety without prejudice.

Potential Dispute

On December 13, 2021, the Company received notice that a yet to be certified class action lawsuit had been filed against several of its subsidiaries alleging that protected health information had been disclosed in violation of the California Medical Information Act and demanding unspecified damages. The Company does not believe that the claim has any merit and intends to vigorously defend itself.

From time to time, the Company may become defendants in legal actions and the Company intends to take appropriate action with respect to any such legal actions, including defending itself against such legal claims as necessary. As the Company's growth continues, it may become party to an increasing number of litigation matters and claims. The outcomes of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect the Company's financial position, results of operations or cash flows.

Regulatory Actions

Other than as disclosed herein, there have been no material penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this AIF no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting securities of the Company, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years before the date of this AIF which has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Armanino LLP and the transfer agent and registrar for the Subordinate Voting Shares and Multiple Voting Shares is Odyssey Trust Company at its principal offices in Toronto, Ontario.

AUDIT COMMITTEE DISCLOSURE

The Audit Committee's Charter

The Audit Committee Charter is reproduced as Schedule "A" to this Annual Information Form.

Composition of Audit Committee

The Audit Committee is composed of Peter Kampian (Chair), Kevin K. Albert and James E. Scott, each of whom is a director of the Company. None of the Audit Committee members are employees, executive officers or control persons of the Company, in accordance with the composition requirements for venture issuers under NI 52-110.

All members of the Audit Committee are considered "independent" as such term is defined in NI 52-110. Regardless, as a venture issuer, the Company is exempt from the requirement under NI 52-110 that every member of the Audit Committee must be independent. See "*Venture Issuer Exemption*" below.

The Company is of the opinion that all members of the Audit Committee are "financially literate" as such term is defined in NI 52-110. As a venture issuer, the Company is exempt from the requirement under NI 52-110 that every member of the Audit Committee must be financially literate. See "*Venture Issuer Exemption*" below.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

Peter Kampian (Chair) – Mr. Kampian CPA, CA, ICD.D, has a long track record as a financial executive with a number of Canadian public companies and has over 30 years of financial management experience. Mr. Kampian is currently the Chief Executive Officer of Edge Financial Consulting Services Corp. where he acted as Chief Restructuring Officer for PharmHouse Inc., a Canadian Cannabis Licensed Producer. Mr. Kampian has served as Chief Financial Officer of DionyMed Brands Inc. and Chief Financial Officer of Mettrum Health Corp., which was acquired by Canopy Growth Corp. in early 2017. Previously Mr. Kampian was Chief Financial Officer of Algonquin Income Fund (now Algonquin Power and Utilities) where he led and supported debt and equity capital raising. Mr. Kampian also served on the Board of James E. Wagner Cultivation Corporation, where he was on the special committee during its restructuring process. Mr Kampian is also on the Board of Aduro Clean Technologies Inc. where he is Chair of the Audit Committee. He previously served on the boards of Grenville Strategic Royalty Corp. (currently Flow Capital Corp.), CannaRoyalty Corp. and Red Pine Exploration Inc., where he was the Chair of the Audit Committee for all three companies. Mr. Kampian is a Chartered Accountant and a member of the Chartered Professional Accountants of Ontario and the Institute of Corporate Directors.

Kevin K. Albert – From 1981 until 2005, Kevin worked in a variety of roles in the investment banking division of Merrill Lynch & Co. servicing the private equity industry. Subsequent to Merrill Lynch he was a founding Partner of Elevation Partners from 2005 until 2010 and from September 2010 through December 2019, Kevin was a Senior Partner of Pantheon Ventures LLC and a member of its six-person Partnership Board. For most of his nine-year Pantheon tenure, he was responsible for the firm's global business development and during this time Pantheon's assets under management increased from approximately $25 billion to approximately $50 billion. Now retired, he is currently managing a portfolio of private investments, the majority of which are in the legal cannabis industry. From 2006 until 2017, he also served as an independent director on the board of Merrill Lynch Ventures, LLC, a series of private equity partnerships offered to Merrill Lynch employees aggregating over $1.8 billion. He currently serves as an independent director on the board of three cannabis companies in addition to Harborside: Osiris Ventures, Inc. dba NorCal Cannabis Company, Octavius Holdings, Inc. dba Flow Cannabis and Achari Ventures Holding Corp. I, a blank check company targeting non-plant touching cannabis acquisitions. In addition, he is a director of Neighborhood Holdings, Inc., a private real estate management company which enables renters to build financial equity in their homes and neighborhoods. Kevin has a BA and an MBA from the University of California, Los Angeles where he continues to be involved as the Chair of the Board of Visitors of the Economics Department.

James E. Scott – Jim Scott is an entrepreneur and investor with a unique blend of transaction, operating and leadership experience and a passion for business. Since 1998, Jim has been the Managing Partner of Denver-based The Scott Company LLC, a boutique advisory firm and merchant bank. Jim is also the Managing Partner of Littlehorn Investments, LLC, a Denver-based investment fund focused on investing in private, lower market operating businesses. Throughout his career, Jim has completed successful transactions for clients of all sizes – from startup to multibillion

dollars. He has also served as the President and CEO of two operating businesses – Qube Visual, a full service signage and graphics company, and Receptra Naturals, a fully-integrated CBD and wellness products business. Jim began his career in investment banking in 1992 with Salomon Brothers Inc. in their domestic mergers and acquisitions group. He also worked for SBC Warburg in London in their global chemicals investment banking and M&A groups. Jim graduated Summa Cum Laude from Boston University School of Management in finance and operations management..

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Company's external auditors not been adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on exemptions in relation to *"De Minimis Non-audit Services"* or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor.

External Auditor Service Fees (By Category)

Audit Fees – The Company's external auditor invoiced approximately CAD$845,000 for the financial year ended December 31, 2020 and CAD$1,039,007 for the financial year ended December 31, 2019.

Audit-Related Fees – The Company's external auditor invoiced CAD$89,100 for the financial year ended December 31, 2020 and nil for the financial year ended December 31, 2019. These fees related to work performed in relation to the RTO.

Tax Fees – The Company's external auditor invoiced CAD$30,200 for the financial year ended December 31, 2020 and nil for the financial year ended December 31, 2019.

All Other Fees – The Company's external auditor invoiced no other fees for the financial year ended December 31, 2020 and for the financial year ended December 31, 2019.

Venture Issuer Exemption

The Company is relying upon the exemption in section 6.1 of NI 52-110.

MATERIAL CONTRACTS

The Company is a party to the following material contracts:

- the Warrant Indenture;
- the Agency Agreement;
- the Escrow Agreement;
- the Rights Plan;
- the Credit Facility;
- the Sublime Agreement,
- the Urbn Leaf Agreement; and
- the Loudpack Agreement.

Electronic copies of the contracts set out above may be accessed on the Company's profile on SEDAR at www.sedar.com. Particulars of the contracts are disclosed elsewhere in this Annual Information Form.

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of Harborside or of an associate or affiliate of Harborside and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of Harborside or of an associate or affiliate of Harborside and no such person is a promoter of Harborside or an associate or affiliate of Harborside.

RISK FACTORS

MARIJUANA IS ILLEGAL UNDER U.S. FEDERAL LAW AND ENFORCEMENT OF RELEVANT LAWS IS A SIGNIFICANT RISK.

READERS ARE STRONGLY ENCOURAGED TO CAREFULLY READ ALL OF THE RISK FACTORS CONTAINED IN THIS SECTION.

The Company faces exposure to risk factors and uncertainties relating to its business that could significantly negatively impact the Company's operations and financial results. The Staff Notice provides specific disclosure expectations for issuers that currently face risks from their cannabis-related activities in the U.S., and these risks are clearly and prominently disclosed on this document, under the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*". Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company may also impair the Company's operations. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could also be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. Significant business risk factors related to the business of the Company are described below and in the Company's Listing Statement dated May 30, 2019, under the heading "Risk Factors" and in the Company's other public filings, all of which are available under the Company's SEDAR profile at www.sedar.com.

The following is a summary of certain risk factors that could be applicable to the business of the Company. Certain risk factors arising as a result of the Schedule I status of cannabis under the U.S. FCSA are discussed in greater detail under the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*":

U.S. Federal Laws pertaining to cannabis

Cannabis is illegal under U.S. federal laws and enforcement of relevant laws is a significant risk. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, asset forfeiture, cessation of business activities or divestiture. This could have a material adverse effect on the operations and financial position of the Company, including (but not limited to) its ability to conduct business, material loss of profitability or liquidity, or material reduction in the market price of the Company's publicly-traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation or adjudication of any such matters, as 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.

The business operations of the Company are dependent on state laws pertaining to the cannabis industry. These state laws are in conflict with the U.S. FCSA, which makes marijuana use and possession illegal on a national level. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The Obama administration made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those abiding by state-designated laws allowing the use and distribution of medical marijuana. There is no guarantee that the Biden Presidential administration will maintain the government's stated

policy regarding the low-priority enforcement of federal laws, and may decide to enforce the federal laws to the fullest extent possible. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level. Any number of factors could slow or halt progress in this area. Further progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacture and sale of cannabis, which would negatively impact the business of the Company.

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company's operations. Local, state, and federal cannabis laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and may ultimately require the Company to alter its business plan, or to discontinue business operations entirely. Furthermore, violations of these laws, or even alleged violations, could materially disrupt the business of the Company and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations, or applications, and it is possible that regulations may be enacted in the future that will be materially detrimental to the business of the Company.

Risk of civil asset forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned or leased by the Company, which are either used in the course of conducting business, or were purchased using the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture proceedings. Such potential proceedings could involve significant deprivations of property being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

Anti-money laundering laws and regulations

The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. 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 Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the SVS in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Enforcement of cannabis laws could change

On August 29, 2013, per the Cole Memo, the U.S. DOJ acknowledged that certain U.S. states had enacted laws relating to the use of cannabis and outlined the U.S. federal government's enforcement priorities with respect to cannabis notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of cannabis. The Cole Memo was addressed to "All United States Attorneys" from James M. Cole, former Deputy Attorney General of the U.S., indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

1. Distribution of cannabis to minors;
2. Criminal enterprises, gangs, and cartels from receiving revenue from the sale of cannabis;
3. Transfer of cannabis from states where it is legal to states where it is illegal;
4. Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity;
5. Violence or use of firearms in cannabis cultivation and distribution;
6. Drugged driving and adverse public health consequences from cannabis use;
7. Growth of cannabis on federal lands; and
8. Cannabis possession or use on federal property.

On January 4, 2018, the Cole Memo was rescinded by former Attorney General Jeff Sessions. As such, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could also have an adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation and prospects, even if such proceedings were concluded successfully in favor of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of its corporate assets.

Local, state, and federal laws in the U.S.

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses or permits to operate its businesses, or that the financial cost of the procurement of such licenses will not be material.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and could have a material adverse effect on the Company's business.

The Company is aware that multiple states are considering special taxes or fees on businesses operating in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This implementation of such special taxes or fees on the Company could have a material adverse effect upon the Company's business, results of operations, financial condition, or prospects.

Legality of cannabis could be reversed in one or more states of operations

The voters or legislatures of states in which cannabis has been legalized could potentially repeal applicable laws which permit both the operation of medical and retail cannabis businesses. These actions might force the Company to cease some or all of the Company's business.

If no additional U.S. states, territories or other countries allow the legal use of cannabis, or if one or more jurisdictions which currently allow it were to reverse position, the Company may not be able to grow, or the market for the Company's products and services may decline. There can be no assurance that the number of jurisdictions which allow the use of cannabis will grow, and if it does not, there can be no assurance that the existing jurisdictions will not reverse position and disallow such use. If either of these events were to occur, not only would the growth of the Company's business be materially impacted in an adverse manner, but the Company may experience declining revenue as the market for the Company's products and services declines.

Local regulations could change and negatively impact the Company's operations

Most U.S. states that permit cannabis for adult-use or medical use provide local municipalities with the authority to prevent the establishment of cannabis businesses in their jurisdictions. If local municipalities where the Company or its Licensed Operators have established facilities decide to prohibit cannabis businesses from operating, the Company or its Licensed Operators could be forced to relocate operations at great cost to the Company, and the Company or its Licensed Operators may have to cease operations in such state entirely if alternative facilities cannot be secured.

Regulations may hinder the Company's ability to establish and maintain bank accounts, materially affecting the finances and operations of the Company

Businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. This lack of access may make it difficult for the Company to maintain cash holdings and liquidity, and there can be no assurance that this will not result in a material adverse effect on the Company's finances, operations, or liquidity. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

The U.S. federal prohibitions on the sale of cannabis may result in cannabis manufacturers and retailers being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally-chartered banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from licensed operators. Licensed operators at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and licensed operators. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*". Additionally, similar risks are associated with large amounts of cash at cannabis businesses. These businesses require enhanced security with respect to holding and transport of cash, whether or not they have bank accounts.

In the event that financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that licensed operators may seek alternative payment solutions, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably volatility and security issues. Currently most cryptocurrency platforms comply with KYC requirements and other federal anti-money laundering laws and regulations that foreclose processing payments in cryptocurrency using an exchange to convert volatile cryptocurrencies into U.S. dollars, so finding a compliant platform may prove challenging in and of itself.

If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency, the Company would have to adopt policies and protocols to manage volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Uncertainty related to the regulation of vaporization products and certain other consumption accessories

The Company is engaged in distributing vaporizer hardware and cannabis-related accessories. However, there is uncertainty regarding whether, in what circumstances, how and when the U.S. FDA will seek to enforce regulations under the TCA relative to vaporizer hardware and accessories that can be used to vaporize cannabis and other material, including electronic cigarettes, rolling papers and glassware, in light of the potential for dual use with tobacco. The TCA, enacted in 2009, established by statute that the U.S. FDA has oversight over specific types of tobacco products (cigarettes, cigarette tobacco, roll-your-own tobacco, and smokeless tobacco), and granted the U.S. FDA the authority to "deem" other types of tobacco products as subject to the statutory requirements.

In addition to establishing authority, defining key terminology, and setting adulteration and misbranding standards, the TCA established authority over tobacco products in a number of areas such as: submission of health information to the U.S. FDA; registration with the U.S. FDA; requirements prior to marketing products; good manufacturing practice requirements; tobacco product standards; notification, recall, corrections, and removals; records and reports; marketing considerations and restrictions; post-market surveillance and studies; labeling and warnings; and record keeping and tracking.

In December 2010, the U.S. Court of Appeals for the D.C. Circuit held that the U.S. FDA is permitted to regulate vaporizer devices containing tobacco-derived nicotine as "tobacco products" under the TCA. In a final rule effective August 8, 2016, the U.S. FDA "deemed" all products that meet the TCA's definition of "tobacco product," including components and parts but excluding accessories of the newly deemed products, to be subjected to the tobacco control requirements of the Food, Drug, and Cosmetic Act and the U.S. FDA's implementing regulations. This includes among other things: products such as electronic cigarettes, electronic cigars, electronic hookahs, vape pens, vaporizers and e-liquids and their components or parts (such as tanks, coils and batteries) (hereinafter referred to as "Electronic Nicotine Delivery Systems"). The U.S. FDA's interpretation of components and parts of a tobacco product includes any assembly of materials intended or reasonably expected to be used with or for the human consumption of a tobacco product. In a 2017 decision of the D.C. Circuit, the court upheld the U.S. FDA's authority to regulate the Electronic Nicotine Delivery Systems even though they do not actually contain tobacco, and even if the products could be used with nicotine-free e-liquids. The U.S. Congress later codified this expansive definition through the Preventing Online Sales of E-Cigarettes to Children Act ("POSECCA") in 2020, which amended the definition of "Electronic Nicotine Delivery Systems" and "cigarettes" in the Prevent All Cigarette Trafficking Act of 2009 (the PACT Act, aka the Jenkins Act, 15 U.S.C. 375 *et seq*.) to capture cannabis vaporizers, and subject manufacturers and distributors to new regulatory requirements. The TCA and implementing regulations restrict the way tobacco product manufacturers, retailers, and distributors can advertise and promote tobacco products, including a prohibition against free samples or the use of vending machines, requirements for presentation of warning information, and age verification of purchasers.

In light of the laws noted above, the Company anticipates that authorizations will be necessary in order for it to continue its distribution of certain vaporizer hardware and accessories that can be used to vaporize cannabis and other material. The TCA compliance dates vary depending upon type of application submitted, but all newly-deemed products that were marketed before August 8, 2016 require an application no later than August 8, 2022 for "non-combustible" products (e.g. vapor products), unless the U.S. FDA grants extensions to these compliance periods. Products entering the market after August 8, 2016 are not covered by the U.S. FDA compliance policy described above and will be subject to enforcement if marketed without authorization. We expect our suppliers to timely file for the appropriate authorizations to allow us to sell their products in the U.S. However, the Company has no assurance that the outcome of such processes will result in these products receiving marketing authorizations from the U.S. FDA. Furthermore, if the U.S. FDA establishes regulatory processes that our suppliers are unable or unwilling to comply with, our business, results of operations, financial condition and prospects could be adversely affected. The anticipated costs to our suppliers of complying with future FDA regulations will be dependent on the rules issued by the U.S. FDA, the timing and clarity of any new rules or guidance documents, incorporating these rules, the reliability and simplicity (or complexity) of the electronic systems utilized by the U.S. FDA for information and reports to be submitted, and the details required by the U.S. FDA for such information and reports with respect to each regulated product (which have yet to be issued by the U.S. FDA). Any failure to comply with existing or new FDA regulatory requirements could result in significant financial penalties to us or our suppliers, which could ultimately have a material adverse effect on our business, results of operations, financial condition, and ability to market and sell our products. Compliance and related costs could be substantial and could significantly increase the costs of operating in the vaporization products and certain other consumption accessories markets. In addition, failure to comply with the TCA and with FDA regulatory requirements could result in litigation, criminal convictions or significant financial penalties and could impair our ability to market and sell some or all of our vaporizer products.

At present, we are not able to predict whether the TCA will impact our business to a greater degree than competitors in the industry, thus affecting our competitive position. There has also been increasing activity on the state and local levels with respect to scrutiny of vaporizer products. State and local governmental bodies across the U.S. have indicated that vaporization products and certain other consumption accessories may become subject to new laws and regulations at the state and local levels. For example, in January 2015, the California Department of Health declared electronic cigarettes and certain other vaporizer products a health threat that should be strictly regulated like tobacco products. Further, some states and cities, including the State of Iowa, have enacted regulations that require retailers to obtain a tobacco retail license in order to sell electronic cigarettes and vaporizer products. Many states and cities have passed laws restricting the sale of electronic cigarettes and certain other vaporizer products. If one or more states from which we generate or anticipate generating significant sales of vaporizer products move to regulate the sale of vaporizer products such that we are required to obtain certain licenses, approvals or permits, and if we are not able to obtain the necessary licenses, approvals or permits for financial reasons or otherwise and/or any such license, approval or permit is determined to be overly burdensome to us, then we may be required to cease sales and distribution of our vaporizer

products to those states, which could have a material adverse effect on our business, results of operations and financial condition.

Certain states and cities have already restricted the use of electronic cigarettes and vaporizer products in smoke-free venues. Additional city, state and federal regulators may enact rules and regulations restricting the use of electronic cigarettes and vaporizer products in those same places where cigarettes cannot be smoked. Because of these restrictions, our customers may reduce or otherwise cease using our vaporization products or certain other consumption accessories, which could have a material adverse effect on our business, results of operations and financial condition. At the state level, over 25 U.S. states have implemented statewide regulations that prohibit vaping in public places. Some cities have also implemented more restrictive measures than their state counterparts, such as San Francisco, which in June 2018 approved a new ban on the sale of flavored tobacco products, including vaping liquids and menthol cigarettes. There may in the future also be increased regulation of additives in smokeless products and internet sales of vaporization products and certain other consumption accessories. The application of any new laws or regulations which may be adopted in the future at a federal, state, provincial or local level to vaporization products, consumption accessories or such additives could result in additional expenses and require us to change our advertising and labeling, and methods of marketing and distribution of our products, any of which could have a material adverse effect on our business, results of operations and financial condition.

Lack of access to U.S. bankruptcy protections

Because the use and distribution of cannabis is illegal under U.S. federal law, many U.S. federal courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company was to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company's U.S. operations, which would have a material adverse effect on the Company, its lenders, and other stakeholders.

Loss of foreign private issuer status

The Company is a "foreign private issuer" as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act. If, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the U.S., the Company will no longer meet the definition of a foreign private issuer, which may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's foreign private issuer status may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations. The term "foreign private issuer" is defined as any non-U.S. corporation, other than a foreign government, except any issuer meeting the following conditions:

(a) more than 50% of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the U.S.; and
(b) any one of the following:
    (i) the majority of the executive officers or directors are U.S. citizens or residents, or
    (ii) more than 50% of the assets of the issuer are located in the U.S., or
    (iii) the business of the issuer is administered principally in the U.S.

A "holder of record" is defined by Rule 12g5-1 under the U.S. Exchange Act. Generally speaking, the holder identified on the record of security holders is considered as the record holder. In December 2016, the U.S. Securities and Exchange Commission (the "SEC") issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with this threshold, examine either (i) the combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding MVS is counted as one voting security and each issued and outstanding SVS is counted as one voting security for the purposes of determining the 50% U.S. resident threshold and the Company is a "foreign private issuer." Should the SEC's guidance and interpretation change, it is likely the Company will lose its foreign private issuer status. See "*Recent Developments – Transition to Domestic Issuer Status in United States*".

Heightened scrutiny by Canadian regulatory authorities

The Company's existing operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the U.S. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the U.S. or any other jurisdiction.

In 2017, there were concerns that the Canadian Depository for Securities Limited, through its subsidiary, CDS, Canada's central securities depository, would refuse to settle trades for cannabis issuers that have investments in the U.S. However, The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the U.S. CSA and recognized Canadian securities exchanges, the TMX Group announced the signing of an MOU with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV. The 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 U.S. The 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 U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the SVS are listed on a stock exchange, it would have a material adverse effect on the ability of holders of SVS to make and settle trades. In particular, the SVS would become highly illiquid until an alternative was implemented, and investors would have no ability to effect a trade of the SVS through the facilities of the applicable Canadian stock exchange.

Legality of contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts outside California and Oregon.

U.S. border crossing

Foreign investors in the Company and the Company's non-U.S. citizen directors, officers and employees may be subject to travel and entry bans into the U.S. by the CBP. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*". If any of the Company's directors, officers or other service providers from Canada are denied entry into the U.S., such action may have a material adverse effect on the Company's operations and finances.

Travel restrictions associated with COVID-19

The transmission of COVID-19 and efforts to contain its spread have resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand, service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty. The overall severity and duration of COVID-19 related impacts on the Company will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which suppliers and logistics providers can return to full production, the status of labor availability, the ability to staff operations and facilities, and the impact of supplier prioritization of order backlogs. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse effects to its businesses as a result of the global economic impact of COVID-19, including any related economic recession or retraction, as well as lingering impacts on demand for, or oversupply of, our products, our suppliers, third-party service providers and/or customers.

There are risks associated with the removal of U.S. Federal Budget Rider Protections

The Budget Rider Protections passed by Congress currently prevent the federal government from prosecuting individuals when those individuals comply with applicable state cannabis laws. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. FCSA, any individual or business – even those that have fully complied with applicable state law – could be prosecuted for violations of U.S. federal law. If the U.S. federal government restores funding, the U.S. federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the U.S. FCSA's five-year statute of limitations. There can be no assurance that the U.S. federal government will not restore such funding, and the restoration of such funding may have material adverse effects on the Company's operations and finances. Should the Budget Rider Protections not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan, which in turn is based on assumptions that may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that additional financing, if needed, will be available on acceptable terms, or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, and may need to be subordinated to the Credit Facility and to existing indemnification agreements which encumber the assets of the company to protect certain directors and officers of the company from risks arising out of their service to, and activities on behalf of, the Company and/or its subsidiaries, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, and Company shareholders may experience additional dilution in net book value. Furthermore, the issuance of such new equity securities may have rights, preferences, or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile financial and economic conditions

Current global financial and economic conditions remain extremely volatile. An economic downturn of global capital markets has been shown to make raising capital by equity or debt financing more difficult, and in general, negatively impacts overall share prices and market conditions. Global equity markets have experienced significant volatility and weakness as a result of the COVID-19 outbreak. Such volatility and weakness in the global economy (and equity markets more specifically) may adversely affect the Company's ability to raise necessary capital.

Access to public and private capital and financing also continues to be negatively impacted by many factors, particularly in the cannabis sector. Such factors may also impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global conditions may cause a long-term decrease in asset values. If such volatility and market turmoil continue, the Company's operations and financial condition could be adversely impacted.

Unfavorable tax treatment of cannabis businesses

As discussed earlier in this document, Section 280E of the U.S. Tax Code has a significant impact on the Company's retail sale of cannabis. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets".*

Entities with which the Company does business, including entities owned, controlled, or managed by the Company, may from time to time be disputing and in litigation with the IRS related to any IRS determination that certain expenses of cannabis businesses are not permitted tax deductions under Section 280E. As such, it is possible that the Company could be found to have significant tax liabilities under Section 280E that may become due and payable to the IRS. The Company may not have sufficient reserves to satisfy any such possible future liabilities. Such liabilities would therefore likely result in material adverse effects to the Company's business operations and financial condition.

If the Company's overall business is deemed to be subject to Section 280E of the U.S. Tax Code because of the business activities of the companies over which we exercise control, the resulting disallowance of tax deductions could cause it to incur U.S. federal income tax, which would have a material adverse effect on the Company's business

With respect to Harborside Oakland and Harborside San Jose, the IRS has taken the position that Section 280E prohibits both such entities from taking certain expense deductions. If the IRS were to take the position that through our business operations and in particular control of these entities, the Company is primarily or vicariously liable under federal law for "trafficking" a Schedule I substance (cannabis) under section 280E of the U.S. Tax Code or for any other violations of the U.S. FCSA, the IRS may seek to apply the provisions of Section 280E to our company and disallow certain tax deductions, including for employee salaries, depreciation or interest expense. If such tax deductions are disallowed, this would result in a material adverse effect to our financial results. As the Company may engage in the purchase and/or sale of a controlled substance through the operations of subsidiaries including dispensaries and a cultivation facility, its subsidiaries may be subject to the disallowance provisions of Section 280E. In addition, there is no assurance that the IRS will not take a position that the entire business is subject to Section 280E limitations in the future.

On May 14, 2021, the Company appealed the U.S. Tax Court decisions with respect to the disallowance of all of SJW's deductions pursuant to IRC Section 280E for all years at issue. SJW's management with the advice of counsel subsequently determined that there were no viable issues for appeal and the appeal was voluntarily withdrawn. The SJW Tax Liability has not been assessed and the matter is likely to be referred to a revenue officer once this is complete. At that time, it is anticipated that a payment plan will be presented to the IRS. The prospects of securing such a plan are complicated by a number of factors including, but not limited to, the current IRS protocol for evaluating payment agreements for taxpayers in the cannabis business and the requirement that SJW is current on its IRS tax obligations during the pendency of any possible payment plan. Accordingly, given the fact that discussions with the IRS with respect to a payment plan have not started, the prospects of securing such a plan, the duration of any proposed payment plan, and the timing of securing such a plan presently cannot be accurately predicted.

U.S. tax classification

The Company, which is a Canadian corporation, generally would be classified as a non-U.S. corporation under general rules of U.S. federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-U.S. corporation to be taxed as a U.S. corporation for U.S. federal income tax purposes. Under Section 7874 of the U.S. Tax Code, a corporation created or organized outside the U.S. (i.e., a non-U.S. corporation) will nevertheless be treated as a U.S. corporation for U.S. federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met (i) the non-U.S. corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury Regulations, substantially all of the assets held, directly or indirectly, by a U.S. corporation, (ii) after the acquisition, the former stockholders of the acquired U.S. corporation hold at least 80% (by vote or value) of the shares of the non-U.S. corporation by reason of holding shares of the U.S. acquired corporation, and (iii) after the acquisition, the non-U.S. corporation's expanded affiliated group does not have substantial business activities in the non-U.S. 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-U.S. 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 Company intends to be treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874 of the U.S. Tax Code and is expected to be subject to U.S. federal income tax on its worldwide income. However, for Canadian tax purposes, the Company 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 ITA) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S. which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Company will pay any dividends on the SVS in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-U.S. tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

Because the SVS will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate, and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of SVS.

SHAREHOLDERS SHOULD SEEK TAX ADVICE, BASED ON EACH SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

If our vaporizer products become subject to increased taxes it could adversely affect our business

Purchases by the Company's customers of its products is sensitive to increased sales taxes and economic conditions affecting customer disposable income. Discretionary consumer purchases, such as of vaporization products and consumption accessories, may decline during recessionary periods or at other times when disposable income is lower and taxes may be higher. Presently, the sale of vaporization products and certain other consumption accessories is, in certain jurisdictions, subject to federal, state, and local excise taxes like the sale of conventional cigarettes or other tobacco products, all of which generally have high tax rates and have faced significant increases in the amount of taxes collected on their sales. Other jurisdictions are contemplating similar legislation and other restrictions on electronic cigarettes and certain other vaporizer products. Should federal, state, and local governments and/or other taxing authorities begin or continue to impose excise taxes similar to those levied against conventional cigarettes and tobacco products on vaporization products or consumption accessories, it may have a material adverse effect on the demand for those products, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on the Company's business, results of operations and financial condition.

If our cannabis and cannabis products become subject to increased taxes it could adversely affect our business

Purchases by the Company's customers of its cannabis and cannabis products are sensitive to increased sales taxes, excise taxes and general economic conditions affecting customer disposable income. Discretionary consumer purchases, such as of cannabis and cannabis products, may decline during recessionary periods or at other times when disposable income is lower and taxes may be higher. Presently, the sale of cannabis and cannabis products are subject

to state and local sales and excise taxes. Should federal, state, and local governments and/or other taxing authorities begin or continue to impose additional sales and/or excise taxes, it may have a material adverse effect on the demand, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on the Company's business, results of operations and financial condition.

Regulatory or agency proceedings

The Company may become involved in regulatory or agency proceedings, investigations, and audits. Its business, and the business of the suppliers from which it acquires the products it sells, requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company or its suppliers to regulatory or agency proceedings or investigations and could also lead to damage awards, fines, and penalties. The Company or its suppliers may become involved in a number of government or agency proceedings, investigations, and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation or the reputations of the brands that it sells, require it to take, or refrain from taking, actions that could harm its operations or require it to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, and results of operations.

Limited market for securities

The Company was subject to a CTO in 2020, which prevented trading in the Company's SVS until the Company filed: (i) the Outstanding Annual Filings; and (ii) the Q1 2020 Filings. On August 10, 2020, the Company filed the Outstanding Annual Filings, and on August 25, 2020, the Company filed the Q1 2020 Filings. The Company applied to the OSC to have the CTO revoked. On September 2, 2020, trading resumed on the CSE.

Even though the CTO has since been revoked, the public market for the Company's equity securities may be limited and of low liquidity. There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Concentrated voting control

The concentrated control through the MVS could delay, defer, or prevent a change of control of the Company, an arrangement involving the Company or a sale of all or substantially all of the Company's assets that the Company's other shareholders support. Conversely, this concentrated control could allow the holders of the MVS to consummate such a transaction that the Company's other shareholders do not support. In addition, the holders of MVS may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company's business.

Sales of substantial amounts of SVS may have an adverse effect on their market price

Sales of a substantial number of SVS in the public market could occur at any time either by existing holders of SVS or by holders of the MVS that are convertible into SVS. These sales, or the market perception that the holders of a large number of SVS or MVS intend to sell SVS, could reduce the market price of the SVS. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

Restriction on the ability to convert MVS

The rights of holders of MVS to convert such shares into SVS will be subject to a protective restriction in order to maintain the status of the Company as a "foreign private issuer" under U.S. securities laws. As a result, holders of MVS may not be able to convert such shares into SVS. The Company could lose its status as a "foreign private issuer" if all or a portion of the MVS directly or indirectly held of record by U.S. Residents are converted into SVS. Holders of MVS shall not have the right to convert any portion of the MVS to the extent that after giving effect to all permitted issuances after such conversions of MVS, the aggregate number of SVS and MVS held of record, directly or indirectly, by U.S. Residents would exceed a FPI Threshold. The Board of Directors of the Company by resolution authorized the increase of the FPI Threshold from 40% to 50%. The MVS will not be listed for trading in any market and, as such,

holders of MVS will not be able to trade their shares without conversion. See "*Recent Developments – Transition to Domestic Issuer Status in United States*".

Limited trademark protections

As discussed earlier in this document, the U.S. Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the U.S. states in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks, and growth of the Company's business into other states may be adversely impacted by the Company's inability to pursue U.S. federal trademark registration. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market prices of securities of many companies have experienced substantial volatility and price decline in the past, which may affect the ability of holders of Company equity or debt securities (or derivatives thereof) to sell their securities at an advantageous price. Market price fluctuations in Company equity or debt securities may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of Company equity or debt securities.

Financial markets have historically at times 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 Company's equity or debt securities may decline even if the Company's investment results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in investment 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 Company's operations could be adversely impacted, and the trading price of its equity or debt securities may be materially adversely affected.

Enforcement of other intellectual property rights

The Company may be unable to adequately protect or enforce its intellectual property rights. Its continuing success will likely depend, in part, on its ability to protect internally developed or acquired intellectual property, and to maintain the proprietary nature of its technology through a combination of licenses and other intellectual property arrangements, without infringing the proprietary rights of third parties. There can be no assurance that the intellectual property owned by the Company will be held legally valid at the state or federal level if challenged, or that other parties will not claim rights in or ownership of its intellectual property. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*".

Infringement or misappropriation claims

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs. The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and

may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Potential FDA regulation

Should the U.S. federal government legalize cannabis, it is possible that Congress would charge the U.S. FDA with regulating cannabis under the Food, Drug and Cosmetics Act of 1938. Indeed, that approach is mandated in pending and draft federal descheduling legislation (including the States Reform Act and CAOA, discussed elsewhere in this AIF). Additionally, the U.S. FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that either Congress or the U.S. FDA would require that facilities where cannabis is grown register with the U.S. FDA 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 unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the U.S. FDA it may have an adverse effect on the Company's business, operating results, and financial condition.

Unfavorable publicity or consumer perception

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. The Company's financial performance will depend on whether customers view its products as effective and safe for use.

Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that is perceived as less favorable, or that questions earlier research reports, findings or other publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have such a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness, criminality, or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

A negative shift in the public's perception of cannabis, including vaping or other forms of cannabis ingestion, in the U.S. or any other applicable jurisdiction could cause U.S. state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Medical alerts by the CDC and state health agencies on vaping related illness and other issues directly related to cannabis consumption could potentially create an inability to fully implement the Company's expansion strategy and may have a material adverse effect on the Company's business, results of operations or prospects.

Securities class action litigation risks

The Company may from time to time be involved in various claims, class actions, legal proceedings, and disputes. In particular, the Company is aware that certain firms have issued press releases announcing that they are investigating potential securities class actions against the Company or are preparing lawsuits on behalf of the Company's shareholders. As of the date of this AIF, the Company is not aware of any such action that has been commenced or

certified. If the Company is unable to resolve any disputes favorably, it may have a material adverse effect on the Company. Even if the Company successfully defends against litigation and wins, litigation can redirect significant company resources, divert management's attention and the legal fees and costs incurred in connection with such activities may be significant. Additionally, the Company may be subject to judgments or enter into settlements or claims for significant monetary damages. Such litigation may also create a negative perception of the Company. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on its financial position.

Risks associated with increased competition

The cannabis industry is highly competitive. The Company competes with numerous other businesses in the medicinal and adult-use cannabis industry, many of which possess greater financial, marketing, and other resources than the Company. The cannabis business is often affected by changes in national and regional economic conditions, demographic trends, disposable income, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw materials and labor, and governmental regulations. Any changes in these factors could materially and adversely affect the Company's operations. The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition, and results of operations.

The Company expects to face additional competition from new entrants. If the number of legal users of cannabis in its target jurisdiction increases, the demand for products will increase and the Company 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 Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company 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 Company.

The success of new and existing products and services is uncertain

The Company expects to commit significant resources and capital to develop and market existing and new products, services, and enhancements. The Company cannot provide any assurance that it will achieve market acceptance for these products and services, or other new products and services that it may offer in the future. Moreover, these and other new products and services may face significant competition with new and existing competitors. In addition, new products, services, and enhancements may pose a variety of technical challenges and require the Company to attract additional qualified employees, and to expend material sums of funds for new product development. The failure to successfully develop and market these new products, services or enhancements could seriously harm the Company's business, financial condition, and results of operations. Moreover, if the Company fails to accurately project demand for new or existing products, it may encounter problems of overproduction or underproduction which would materially and adversely affect its business, financial condition, and results of operations, as well as damage its reputation and brands.

New, well-capitalized entrants may develop large-scale operations

Currently, the cannabis industry is generally comprised of small to medium-sized entities. However, the risk exists that large conglomerates and companies could purchase or assume control of a larger number of dispensaries and cultivation and production facilities. The Company believes that this trend is already underway. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources, and be larger and better capitalized. Larger competitors could establish price setting and cost controls which would effectively eliminate many of the small to medium-sized entities who currently make up the bulk of the participants in the medical and adult-use cannabis industry. While the approach of some state laws and regulations might deter this trend, the industry remains nascent and as indicated above this trend is being observed, so the future competitive landscape in the industry remains largely unknown.

The Company's business and strategic plans are subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company operates. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

Factors which may prevent realization of growth targets

The Company is currently in the early development stage. There is a risk that the additional resources will be needed, and that milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases or unforeseen variances in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes, or storms.

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's revenues and operating results could be adversely affected.

Risks inherent in an agricultural business

The Company's business involves the growing of cannabis, an agricultural product. Cannabis cultivation has the risks inherent in any agricultural business, including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

Given the proximity with which commercially grown cannabis plants are farmed, pest, disease, and crop failures can spread quickly between plants causing material losses. As with any plant crop, quality finished product requires that plants be provided with the correct quantities of clean water, clean air, sunshine, and nutrients, all within a controlled environment. In addition to crop failure due to pest and disease, crop failure can result from sabotage, theft, natural disaster, and human error. Failure of the plant to survive, pass testing requirements or meet industry standards could result in unsaleable finished product. Given the complex series of variables required to produce top quality cannabis, no assurance can be given that production levels will meet estimates or that product will pass required testing or be of a quality that is competitive or acceptable in the market. The failure to produce marketable cannabis product could have a material adverse financial impact on the Company.

Environmental regulation and risk

The Company's operations are subject to environmental regulations that mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which could

result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of cannabis oil and related products, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Reliance on management

The success of the Company is dependent on the performance of its senior management. The loss of services of these persons would have a material adverse effect on the Company's business and prospects in the short-term. There is no assurance the Company can maintain the services of its officers or other personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Reliance on third-party service providers

Third party service providers to the Company may withdraw or suspend their service to the Company under threat of criminal prosecution. Please refer to the section titled "*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets*". Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

Insurance and uninsured risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses, and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Company may be underinsured and there may be difficulties with acquiring and maintaining insurance coverage, which would reduce or eliminate the capability of insurance to serve as a reliable and effective risk management tool. Cannabis-specific insurance is still a small and specialized market. Insurance is often unattainable as it is either not offered, or it is prohibitively expensive given the scarcity of actuarial data and small number of market participants, which both reduce the ability to share risk across entities. Many of the risks faced by the Company are uninsured or uninsurable. Consequently, the Company will be vulnerable to low probability high-impact events. If one or more such events were to occur, it could result in material adverse effects to the financial and operational condition of the Company.

Dependence on suppliers and skilled labor

The ability of the Company to compete and grow is dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts, and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial and operational results of the Company.

Retention and acquisition of skilled personnel

The loss of any member of the Company's management team could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products and services. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures to help ensure the reliability of its financial reports, including those required of the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations, or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the value of the Company's equity securities.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company 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. In addition, the manufacture and sale of cannabis involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer of adult-use and medical cannabis, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, that the Company failed to provide adequate instructions for use of its products, or that the Company provided inadequate warnings concerning its products as to possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely

affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, reputation, financial condition, or prospects of the Company. There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or materially inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

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 labeling disclosure. Such recalls cause material, unexpected expenses, as well as legal and regulatory proceedings that cause material and unexpected expenses. This can cause loss of a significant amount of sales, as well as a significant increase in Company expenses. In addition, a product recall may require significant management attention. Although the Company 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 Company's products were subject to recall, the market reputation of the Company and its products could be materially harmed. Additionally, product recalls can lead to increased ongoing scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product safety and vaping risk

On October 4, 2019, the U.S. FDA issued a warning to the public to stop using vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries. Such warnings appeared to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers. There may be governmental and private sector actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis-containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis-containing vaping liquids, may result in a material reduction in consumer demand for vaporizer products. Regulations or actions that prohibit or restrict the sale of vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the financial condition and results of operations of the Company.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. In December 2019, COVID-19 was reported to have surfaced in Wuhan, China. On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of COVID-19 to a global pandemic. Many governments likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency and have ordered all but certain essential businesses closed and imposed significant limitations on the circulation of the populace. Furthermore, certain illnesses may be transmitted through human or surface contact, and the risk of contracting such illnesses could cause employees and customers to avoid gathering in public places, as has been the case in many places since February 2020 due to concerns about the coronavirus. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines, and a general reduction in consumer activity. The rapid development of the COVID-19 pandemic and the measures being taken by governments and private parties to respond to it are extremely fluid. While the Company has continuously sought to assess the potential impact of the pandemic on its financial and operating results, any assessment is subject to extreme uncertainty as to probability, severity and duration of the pandemic as reflected by infection rates at local, state and regional levels. The Company has attempted to assess the impact of the pandemic by identifying risks in the following principal areas:

- Mandatory Closure: In response to the pandemic, many states and local jurisdictions implemented mandatory closure of, or limitations to, business to prevent the spread of COVID-19. As of the date hereof, the Company's operations have not been significantly impacted as the cannabis industry has been deemed an essential service in the states of California and Oregon since March 2020. Since Governors in the states of Oregon and California have deemed cannabis to be an "essential" service, access to cannabis products from Harborside and other cannabis operators throughout both states has been protected. Harborside's retail store locations and production facilities remain fully operational. However, the Company's ability to generate revenue would be materially impacted by any future shut down of its operations.

- Customer Impact: While the Company has not experienced an overall downturn in demand for its products in connection with the pandemic, if its customers become ill with COVID-19, are forced to quarantine, decide to self-quarantine or not to visit its stores or distribution points to observe "social distancing", it may have material negative impact on demand for its products while the pandemic continues. While the Company has implemented measures, where permitted, such as curbside pick-up and/or drive-thru options to reduce infection risk to our customers, regulators may not permit such measures, or such measures may not prevent a reduction in demand.

- Supply Chain Disruption: The Company relies on third party suppliers for equipment and services to produce its products and keep its operations going. If its suppliers are unable to continue operating due to mandatory closures or other effects of the pandemic, it may negatively impact its own ability to continue operating. At this time, the Company has experienced minimal supply chain disruptions. However, disruptions in our supply chain may affect our ability to continue certain aspects of the Company's operations or may significantly increase the cost of operating its business and significantly reduce its margins**.**

- Staffing Disruption: The Company implemented among its staff where feasible "social distancing" measures recommended by such bodies as the Center of Disease Control, the Presidential Administration, as well as state and local governments. The Company cancelled nonessential travel by employees, implemented remote meetings where possible, and permitted all staff who could work remotely to do so. For those whose duties require them to work on-site, measures have been implemented to reduce infection risk, such as reducing contact with customers, mandating additional cleaning of workspaces and hand disinfection, providing masks and gloves to certain personnel and contact tracing following reports of employee infection. Nevertheless, despite such measures, the Company may find it difficult to ensure that its operations remain staffed due to employees falling ill with COVID-19, becoming subject to quarantine, or deciding not to come to come to work of their own volition to avoid infection.

- Regulatory Backlog: Regulatory authorities, including those that oversee the cannabis industry on the state level, are heavily occupied with their response to the pandemic. These regulators as well as other executive and legislative bodies in the states in which we operate may not be able to provide the level of support and attention to day-to-day regulatory functions as well as to needed regulatory development and reform that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Company's business by delaying such activities as product launches, facility openings and approval of business acquisitions, thus materially impeding development of its business.

- Limited Availability of Vaccine: On December 11, 2020, the U.S. FDA issued an EUA for the Pfizer BioN-Tech COVID-19 vaccine, the first such approval. Additional EUAs were issued on December 18, 2020 for a vaccine created by Moderna, and on February 27, 2021 for a vaccine created by Janssen Biotech (a Johnson & Johnson affiliate). As of October 25, 2021, approximately 415 million doses of the various vaccines have been administered in the U.S., although both the Pfizer and Moderna vaccines require the administration of two doses for full effectiveness. On March 2, 2021, President Biden stated that the U.S. will have sufficient vaccine supply for all adults by the end of May 2021. Actual delivery of the vaccines to individuals, however, is controlled by state and local governments using various prioritization criteria and states continue to impose activity limitations and other precautions on businesses during this period until the vaccine is widely disseminated. In addition, there can be no assurance that all employees will choose to avail themselves of the vaccine or, if so, when they will choose to do so. The same applies to the Company's patients, customers, regulators, and suppliers. Consequently, the COVID-19 risk factors described above continue to be applicable. The Company is actively addressing the risk to business continuity represented by each of the

above factors through the implementation of a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. The above risks individually or collectively may have a material impact on the Company's ability to generate revenue. Implementing measures to remediate the risks identified above may materially increase our costs of doing business, reduce our margins and potentially result in losses. While the Company has not to date experienced any overall material negative impact on its operations or financial results related to the impact of the pandemic, so long as the pandemic and measures taken in response to the pandemic are not abated, substantial risk of such impact remains, which could negatively impact the Company's ability to generate revenue and/or profits, raise capital and complete its development plans.

Liability for activity of employees, contractors, and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors, and consultants, resulting in significant financial losses, claims or regulatory enforcement actions against the Company. The cannabis industry is under strict scrutiny. Failure to comply with relevant laws could result in fines, suspension of licenses, and civil or criminal action being taken against the Company. Consequently, the Company is subject to certain risks, including that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition and operating results of the Company.

Liability for litigation, complaints and inquiries of employees, contractors, and consultants

Litigation, formal or informal complaints, and inquiries by employees, contractors, and consultants against the Company may arise in the course of the Company's operations. Such litigation, formal or informal complaints, and inquiries involving the Company could consume considerable amounts of financial, management and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. Potential proceedings could involve substantial litigation expense, penalties, fines, injunctions, or other restrictions being imposed upon the Company or its business partners, while diverting attention of the key executives. Such proceedings could have a material adverse effect on the Company's business as well as impact its reputation.

Reliance on joint venture partners

The Company is engaged in certain joint ventures or shared management services agreements, and therefore decisions about operations, funding, employment practices, licensing, banking, compliance, and marketing strategy, among others, require the consent of both joint venture partners. Because the Company does not solely control joint ventures or clients of the management services agreements, the Company could fail to obtain the joint venture partner's consent or authorization to fully operate, fund, or license the venture. As such, the lack of full control over joint ventures or management services clients could result in material adverse effects to the financial condition of the Company.

Reliance on information technology and vulnerability to cyber-attacks

The Company is reliant on information technology systems and may be subject to damaging cyber-attacks. Every business is subject to cyber-attacks; however, cannabis businesses are particularly vulnerable given the relatively small size of the market for cannabis-specific information technology providers. As such, cannabis-specific information technology may be less able to thwart attempted breaches and misuses of information technology systems. A breach of the Company's computers or network systems could give rise to liabilities that result in material adverse effects to the financial or operating condition of the Company.

Data breaches and privacy law

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws. The Company has previously provided medical cannabis to patients and maintains patient records. Due to the sensitive nature of this information, the Company could be found liable if a breach of security at its facility resulted in the theft, loss, or mishandling of electronic data.

If such a breach did occur, the Company could be liable for fines, penalties and for any third-party liability which could result in material adverse effects to the financial or operating condition of the Company.

Information technology systems and cyber attacks

The Company's operations depend in part on how well it protects networks, equipment, and information technology systems and software against damage from a number of threats, including but not limited to cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations 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 thereof could, depending on the nature of such failure, adversely impact the Company's reputation, results of operations, and financial condition. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other factors, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Ability to obtain and retain licenses and permits

The Company may not be able to obtain and/or retain all necessary California and Oregon state licenses and permits, which could, among other things, delay or prevent the Company from meeting its financial objectives. The Company's lines of business are reliant on the issuance of required licenses. Failure to acquire or retain necessary licenses required to operate could have a material adverse effect on its financial or operating condition. Due to the nature of licensing, which is at the discretion of state and local governments, it is outside of the Company's control, and therefore it is not possible to assure that the Company will receive the licenses it seeks or requires.

Illegal drug dealers could pose threats

Currently, there are many illegal drug dealers and cartels that cultivate, buy, sell, and trade cannabis in the U.S., Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized cannabis businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

Competition from synthetic production and technological advances

The pharmaceutical industry may attempt to enter the cannabis industry through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume, and profitability of the organic cannabis industry. This could adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of its business.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in progress. There have been relatively few peer-reviewed clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on such articles and reports. Future research studies may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Difficult to forecast demand

The Company 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 in Canada and the U.S. Failure of demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could materially disrupt the Company's and other industry participant's, supply chains, interrupt operations, increase operating expenses, and thereby result in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, drought, tsunami, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness (see also "*Risk Factors – Public health crises*" and "*Risk Factors – Global Economic Conditions*"); (iii) political instability, social and labor unrest, riot, insurrection, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road. The extent to which COVID-19 or any other contagious disease impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of this or any other outbreak and the actions to contain those outbreaks or treat its impact, among others.

Risks related to wildfires

Over the last several years, certain regions of the West Coast of the U.S. including areas of California, Oregon and Washington state were negatively impacted by wildfires, which cause smoke and ash to block essential sunlight from reaching cannabis crops. The wildfires have the potential to materially disrupt the Company's and other industry participant's supply chains, operations, and ability to harvest cannabis crops and could significantly diminish both the size and quality of the crops harvested. The extent to which such wildfires or any other natural disaster impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of this or any other natural disaster and the actions to contain such natural disaster or treat its impact, among others. The historical pattern of supplies increasing in the months of September through December did not occur in 2020 due to wildfires in northern California, which affected the harvests from outdoor growers and constricted overall supply.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found under the Company's profile on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Company's information circular prepared in connection with the annual meeting of Shareholders held on June 24, 2021. Additional financial information is provided in the Financial Statements and MD&A, which is also available on SEDAR.

GLOSSARY

The following is a glossary of certain general terms used in this AIF including in the summary hereof. Terms and abbreviations used in the financial statements appended to this AIF are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**$**" or "**USD**" means United States Dollars.

"**FPI Threshold**" has the meaning ascribed thereto under "*Description of Capital Structure"*.

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**Accucanna**" means Accucanna, LLC.

"**Acquiring Person**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Additional Shares**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Agents**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Agency Agreement**" has the meaning ascribed thereto under *"General Development of the Business".*

"**Agris Farms Acquisition**" has the meaning ascribed thereto under "*General Development of the Business*".

"**AIF**" has the meaning ascribed thereto under "*General*".

"**Airfield**" means Airfield Supply Company.

"Airfield Transaction" has the meaning ascribed thereto under "*General Development of the Business*".

"**Altai**" means Altai Partners LLC.

"**Amendment**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Annual Information Form**" has the meaning ascribed thereto under "*General*".

"**ATDS**" has the meaning ascribed thereto under "*Legal Proceedings and Regulatory Actions"*.

"**Audit Committee**" means the audit committee of the Company.

"**Audit Committee Charter**" means the charter of the Audit Committee, attached as Schedule "A" to this AIF.

"**AUMA**" has the meaning ascribed thereto under "*Description of the Business*".

"**Bank**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Bay Area**" means the San Francisco Bay Area of California.

"**BCC**" means the California Bureau of Cannabis Control (within the California Department of Consumer Affairs).

"**Beneficial Owner**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Beneficially Own**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Board**" or "**Board of Directors**" means the board of directors of the Company.

"**Brokered Concurrent Offering**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Budget Rider Protections**" has the meaning ascribed thereto under "*Description of the Business*".

"**C$**" or "**CAD**" means Canadian Dollars.

"**Cachee"** means the Cachee Gold Mines Corp.

"**Cachee Shares**" has the meaning ascribed thereto under "*General Development of the Business*".

"**CBP**" means Customs and Border Protection.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**CFP**" means CFP Fund I, LLC.

"**Cole Memo**" means the memorandum drafted by former Deputy Attorney General James Cole on August 29, 2013.

"**Company**" has the meaning ascribed thereto under "*General*".

"**Concurrent Offering**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Concurrent Offering Price**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Consolidation**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Conversion Ratio**" has the meaning ascribed thereto under "*Description of Capital Structure*".

"**Court**" has the meaning ascribed thereto under "*Legal Proceedings and Regulatory Actions"*.

"**COVID-19"** means the novel coronavirus, identified in December 2019 in Wuhan, China.

"**Credit Facility**" has the meaning ascribed thereto under "*General Development of the Business*".

"**CSE**" means the Canadian Securities Exchange.

"**CTO**" means cease trade order.

"**CUA**" has the meaning ascribed thereto under "*Description of the Business*".

"**DCC**" means the California Department of Cannabis Control.

"**Defendants**" has the meaning ascribed thereto under "*Legal Proceedings and Regulatory Actions"*.

"**Determination Date**" has the meaning ascribed thereto under "*Description of Capital Structure"*.

"**DHS Acquisition**" has the meaning ascribed thereto under "*General Development of the Business*".

"**DionyMed**" means DionyMed Brands Inc.

"**EBITDA**" means earnings before interest, taxes, depreciation, and amortization as reported in the financial records of the Company, or the financial records of any other company, or segment thereof, against whom the performance of the Company is being compared.

"**EUA**" means emergency use authorization.

"**Farm Bill**" means the United States Agriculture Improvement Act of 2018.

"**FGW**" means FGW Haight, Inc.

"**FGW Agreement**" has the meaning ascribed thereto under "*General Development of the Business*".

"**FGW Note**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Financial Statements**" has the meaning ascribed thereto under "*General*".

"**Flip-in Event**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**FLRish**" means FLRish, Inc.

"**FLRish Farms**" means FLRish Farms, LLC.

"**FLRish Convertible Debenture**" has the meaning ascribed thereto under "*General Development of the Business*".

"f**orward-looking statements"** has the meaning ascribed thereto under "*Cautionary Note Regarding Forward-Looking Statements".*

"**FPI Protective Restriction**" has the meaning ascribed thereto under "*Description of Capital Structure"*.

"**Harborside**" has the meaning ascribed thereto under "*General*".

"**Harborside Desert Hot Springs**" means the dispensary in Desert Hot Springs, California operating under the Harborside brand.

"**Harborside Oakland**" means the dispensary in Oakland, California operating under the Harborside brand.

"**Harborside San Leandro**" means the dispensary in San Leandro, California operating under the Harborside brand.

"**Harborside San Jose**" means the dispensary in San Jose, California operating under the Harborside brand.

"**House**" means the United States House of Representatives.

"**IFRS**" means International Financial Reporting Standards.

"**Inversion**" has the meaning ascribed thereto under "*Risk Factors"*.

"**Inversion Conditions**" has the meaning ascribed thereto under "*Risk Factors"*.

"**IRS**" means the United States Internal Revenue Service.

"**ITA**" means the *Income Tax Act* (Canada).

"**Joyce Amendment**" has the meaning ascribed thereto under "*Description of the Business*".

"**JWC**" means the James E. Wagner Cultivation Corporation.

"**Leahy Amendment**" has the meaning ascribed thereto under "*Description of the Business*".

"**Legislature**" has the meaning ascribed thereto under "*Description of the Business*".

"**Licensing Agencies**" has the meaning ascribed thereto under "*Description of the Business*".

"**Lineage**" means Lineage Grow Company Ltd.

"**Listing Date**" has the meaning ascribed thereto under "*Description of Capital Structure"*.

"**Listing Statement**" has the meaning ascribed thereto under "*General Development of the Business*".

"**LMS**" means Linnaeus Management Services, LLC.

"**Lock-up Agreement**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Locked-up Person**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Loudpack**" means LPF JV Corporation.

"**Loudpack Agreement**" means the definitive agreement dated November 29, 2021 in respect of the Company's proposed acquisition of Loudpack, the terms of which are described under "*General Development of the Business*".

"**Loudpack Debentures**" has the meaning ascribed thereto under "*General Development of the Business*".

"**LUX**" means Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary.

"**LUX Acquisition**" has the meaning ascribed thereto under "*General Development of the Business*".

"**marijuana**" means cannabis containing greater than 0.3% THC by volume.

"**MAUCRSA**" has the meaning ascribed thereto under "*Description of the Business*".

"**MCRSA**" has the meaning ascribed thereto under "*Description of the Business*".

"**MCSB**" has the meaning ascribed thereto under "*Description of the Business*".

"**MCTO**" means a management cease trade order.

"**MD&A**" has the meaning ascribed thereto under "*General*".

"**Meeting**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Merger Agreement**" has the meaning ascribed thereto under *"General Development of the Business"*.

"**Merger Option Agreements**" has the meaning ascribed thereto under *"General Development of the Business"*.

"**Merger Options**" has the meaning ascribed thereto under *"General Development of the Business"*.

"**Merger Sub**" means Lineage Merger Sub Inc.

"**MI 61-101**" means Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

"**MOU**" means Memorandum of Understanding.

"**Mt. Baker**" means Mt. Baker Greeneries, LLC.

"**Mt. Baker Agreements**" has the meaning ascribed thereto under "*General Development of the Business*".

"**MSA**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Multiple Voting Shares**" or "**MVS**" means the multiple voting shares in the capital of the Company.

"**MVS Unit**" has the meaning ascribed thereto under "*General Development of the Business*".

"**MVS Warrant**" has the meaning ascribed thereto under *"General Development of the Business"*.

"**NI 52-110**" means National Instrument 52-110 – Audit Committees.

"**Notice of Conversion Limitation**" has the meaning ascribed thereto under "*Description of Capital Structure"*.

"**OAR Division 25**" has the meaning ascribed thereto under "*Description of the Business*".

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Offering**" has the meaning ascribed thereto under *"General Development of the Business"*.

"**OLCC**" has the meaning ascribed thereto under "*Description of the Business*".

"**Onco**" means Onco Petroleum Inc.

"**OSC**" means the Ontario Securities Commission.

"**OTCQX"** means the OTCQX® Best Market, an over-the-counter stock exchange, by OTC Markets Group.

"**Outstanding Annual Filings**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Pelorus**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Permitted Bid**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Plan Right**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Plan Rights Certificates**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**PMACC**" means Patients Mutual Assistance Collective Corporation.

"**Private Placement**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Production Campus**" means the cultivation/production facility in Salinas, California.

"**Q1 2020 Filings**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Q3 2021**" has the meaning ascribed thereto under "*General Development of the Business*".

"**QC**" means Quality and Compliance.

"**Qualified Fundamental Transaction**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Qualified Transaction**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Quinsam**" means Quinsam Capital Corp.

"**Rights Plan**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Rohrabacher-Farr Amendment**" has the meaning ascribed thereto under "*Description of the Business*".

"**Roll Up Financing**" has the meaning ascribed thereto under "*General Development of the Business*".

"**RTO Transaction**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Secured Indemnity**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Senate**" means the United States Senate.

"**Separation Time**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**Series B Unit Offering**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Series B Unit Price**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Series B Units**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Series B Warrant**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Series D Share**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Series D Warrant**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Sessions Memo**" has the meaning ascribed thereto under "*Description of the Business*".

"**Significant Interest**" has the meaning ascribed thereto under "*Description of Capital Structure"*.

"**SJW**" means San Jose Wellness Solutions Corp.

"**SLWS**" means San Leandro Wellness Solutions, Inc.

"**Special Shares**" means the Series B and Series C special shares in the capital of the Company.

"**Specified Approval**" has the meaning ascribed thereto under "*General Development of the Business*".

"**SPHO**" has the meaning ascribed thereto under "*Description of the Business*".

"**sq. ft**." means square feet.

"**Staff Notice**" means Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*.

"**StateHouse**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Sublime**" means Sublimation Inc.

"**Sublime Acquisition**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Sublime Agreement**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Subscription Receipt**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Subsequent Shares**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Subordinate Voting Shares**" or "**SVS**" means the subordinate voting shares in the capital of the Company.

"**SVS Unit**" has the meaning ascribed thereto under *"General Development of the Business".*

"**SVS Warrant**" has the meaning ascribed thereto under *"General Development of the Business".*

"**TCA**" means the Tobacco Control Act of the United States of America.

"**TCPA**" means the United States Telephone Consumer Protection Act, as amended.

"**Terpene Station Dispensary**" means the dispensary in Eugene, Oregon operating under the Terpene Station brand.

"**Terpene Station Dispensaries**" means, collectively, the Terpene Station Dispensary and Terpene Station Portland.

"**Terpene Station Portland**" means the dispensary in Portland, Oregon operated under the Terpene Station brand.

"**THC**" means delta-9-tetrahydrocannabinol.

"**Transition**" has the meaning ascribed thereto under "*General Development of the Business*".

"**U.S.**" means the United States of America.

"**U.S. CSA**" means the United States Controlled Substance Act.

"**U.S. DOJ**" means the United States Department of Justice.

"**U.S. Exchange Act**" means the United States Exchange Act of 1934, as amended.

"**U.S. FCSA**" means the United States Federal Controlled Substances Act.

"**U.S. FDA**" means the United States Food and Drug Administration.

"**U.S. Residents**" has the meaning ascribed thereto under *"Description of Capital Structure"*.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**U.S. Tax Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Units**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Unsuitable Person**" has the meaning ascribed thereto under "*Description of Capital Structure".*

"**Urbn Leaf**" means UL Holdings Inc.

"**Urbn Leaf Agreement**" means the definitive agreement dated November 29, 2021 in respect of the Company's proposed acquisition of Urbn Leaf, the terms of which are described under "*General Development of the Business*"..

"**Venlo Greenhouse**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Warrant Agent**" has the meaning ascribed thereto under "*General Development of the Business*".

"**Warrant Indenture**" has the meaning ascribed thereto under "*General Development of the Business*".

"**WHO**" means the World Health Organization.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 – *Audit Committees*)

National Instrument 52-110 – *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every Canadian Securities Exchange (the "**Exchange**") listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as an Exchange listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors of the Corporation (the "**Board**") in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or the Committee to alter or vary procedures in order to comply more fully with the Instrument or any other such requirement of the Exchange, as applicable from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

(a) improve the quality of the Corporation's financial reporting;

(b) assist the Board to properly and fully discharge its responsibilities;

(c) provide an avenue of enhanced communication between the directors and external auditors;

(d) enhance the external auditor's independence;

(e) ensure the credibility and objectivity of financial reports; and

(f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

"**accounting principles**" has the meaning ascribed to it in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"**Affiliate**" means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

"**audit services**" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"**Charter**" means this audit committee charter;

"**Committee**" means the Audit Committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

"**Control Person**" means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

"**financially literate**" has the meaning set forth in Section 1.2;

"**immediate family member**" means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home;

"**Instrument**" means National Instrument 52-110 – *Audit Committees*;

"**MD&A**" has the meaning ascribed to it in National Instrument 51-102;

"**Member**" means a member of the Committee;

"**National Instrument 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*; and

"**non-audit services**" means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

PART 2

2.1 Audit Committee

The Board has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors and Other Parties

The Corporation will require its external auditor to report directly to the Committee and its Members shall ensure that such is the case.

Each Member shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the Board of directors:

   (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and

   (b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

   (a) reviewing the audit plan with management and the external auditor;

(b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

(c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;

(f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

(g) reviewing interim unaudited financial statements before release to the public;

(h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;

(i) reviewing the evaluation of internal controls by the external auditor, together with management's response;

(j) reviewing the terms of reference of the internal auditor, if any;

(k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and

(l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.

6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.

7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.

8. The Committee shall, as applicable, establish procedures for:

(a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.

10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

11. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

2.4 *De Minimis* Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent (5%) of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;

(b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.

2. Every Member shall be a director of the issuer.

3. A majority of the Members shall not be employees, Control Persons or executive officers of the Corporation or any affiliate of the Corporation.

4. If practicable, given the composition of the Board, every Member shall be financially literate.

5. If practicable, given the composition of the Board, every Member shall be independent.

6. The Board shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

PART 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority to:

(a) engage independent legal counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Committee;

(c) communicate directly with the internal and external auditors; and

(d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

4. The quorum for meetings shall be a majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

6.2 Currency of this Charter

This Charter was last approved by the Board on May 30, 2019.