



STATEHOUSE

H O L D I N G S

STATEHOUSE HOLDINGS INC.
(formerly Harborside Inc.)

Annual Information Form

For the year ended December 31, 2021

Dated November 14, 2022

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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, 2021. Unless the context otherwise requires, references in this AIF to the “Company”, “we”, “us” or “our” refers to **StateHouse Holdings Inc. (formerly Harborside Inc.)** and its subsidiaries. Certain capitalized terms used in this AIF are defined in the “Glossary” beginning on page 93.

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, 2021 and 2020. 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 directly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal marketplace in the United States. 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 CSA, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis. 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 timing and closing of an additional 50.1% interest in FGW (as defined herein) through conversion of the FGW Note (as defined herein); the timing of and closing of the acquisition of an additional 29.9% interest in FGW; 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; expectations regarding the Company’s position in the California cannabis sector following the Mergers (as defined herein); expectations of improved efficiencies, financial flexibility, future product offerings and integration opportunities; comparisons of the Company to other cannabis issuers in California; the ability of the board of directors (the “Board”) of the Company to oversee the Company’s business strategy following completion of the Mergers and safeguard the interests of all shareholders and preserve and enhance shareholder value; expectations regarding the evolution of the regulatory landscape for cannabis and cannabis derivative products; the competitive conditions of the cannabis industry and the competitive and business strategies of

the Company following completion of the Mergers; expectations that increased scale and vertical integration will drive margin expansion; 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 on which the Company's strategies are based; the impact of COVID-19 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 the Company's retail footprint in the Bay Area, elsewhere within California or in other geographic locations; the scale and improvement of the Company's cannabis cultivation, production, manufacturing and/or distribution capabilities; expansion of the Company's wholesale and business-to-business sales of its cannabis products; launching of new branded products, the success in maintaining 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 other external events; 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 COVID-19. The nature and scope of COVID-19 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 the Company'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

The Company, through its affiliated entities, is a fully licensed, vertically integrated omni-channel cannabis company, with its business consisting of three primary segments: (i) retail sales, including direct to consumer and delivery, (ii) cannabis processing, extraction and product manufacturing including “white label” production of cannabis packaged goods for other cannabis companies, and (iii) wholesale sales, including the sale of bulk cannabis flower and trim into the wholesale market. 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 high quality integrated seed-to-sale operations are focused on building winning brands which are supported by its omni-channel ecosystem. The Company owns a number of different cannabis brands, including: “Fuzzies”, “Loudpack”, “King Pen”, “King Roll”, “Dimebag” “Harborside”, “Harborside Farms”, “KEY”, “Terpene Station”, “Sublime”, and “Urbn Leaf”. In addition, the Company exclusively licenses the “Smokiez” brand in California. The operational footprint of the Company spans cultivation, extraction, manufacturing, branding,

distribution, retail and delivery. The Company's integrated supply chain and omni-channel platform allows for higher product margins due to the creation of cannabis packaged goods using Company produced source materials from its cultivation and manufacturing operations, which are then sold into the wholesale market to other retail dispensaries, delivery services and distributors (collectively, "**Retailers**") throughout the state of California, as well as directly to the consumer through Company owned or controlled retail and delivery operations.

On March 31, 2022, the Company completed the mandatory conversion of all of its issued and outstanding multiple voting shares to subordinate voting shares (the "**Mandatory Conversion**"), resulting in each holder being entitled to 100 SVS for each MVS held.

On July 25, 2022, the Company completed its name change from "Harborside Inc." to "StateHouse Holdings Inc." (the "**Name Change**") and completed the reclassification (the "**Reclassification**") of all of its issued and outstanding SVS to common shares ("**Common Shares**"). The Name Change was approved by shareholders of the Company at a special meeting held on February 22, 2022. The Reclassification was approved by shareholders of the Company at the annual and special meeting of shareholders held on June 23, 2022. Effective upon market open on July 25, 2022, the Common Shares began to trade on the Canadian Securities Exchange (the "**CSE**") under the new ticker symbol "STHZ" and on the OTCQX Best Market under the new ticker symbol "STHZF". As a result of the Reclassification, all SVS referenced throughout this MD&A that were issued prior to July 25, 2022 have been reclassified as Common Shares.

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 1295 W Morena Blvd, San Diego, California, 92110.

Retail Dispensaries and Delivery

The Company's retail dispensaries and delivery operations serve both adult-use and medical cannabis customers. The Company's dispensary footprint was initially established in 2006, and today includes the following:

- Four owned and operated Harborside branded retail dispensaries located in Oakland, San Jose, San Leandro and Desert Hot Springs, California;
- Eight owned and operated Urbn Leaf branded retail dispensaries located in San Diego, San Ysidro, Grover Beach, Seaside, La Mesa, Grossmont, San Jose and Vista, California;
- One owned and operated dispensary located in Eugene, Oregon that operates under the Terpene Station brand;
- A 21% interest in FGW, a company with the conditional use approval necessary to operate a retail cannabis dispensary in the Haight Ashbury area of San Francisco. FGW received the necessary approvals and opened the Haight Ashbury San Francisco retail dispensary under the Harborside brand in April 2022; and,
- Direct to consumer retail delivery services which cover the greater San Francisco Bay Area of California (from its Harborside branded retail stores in Oakland and San Jose) and the Grover Beach and San Ysidro areas (from its Urbn Leaf branded stores in each of these areas). The Company's direct to consumer offerings include an integrated e-commerce platform offering in-store pickup, curbside pick-up, express delivery and scheduled delivery, allowing the Company to extend its reach beyond physical retail locations and expand interactions with customers.

The dispensary located in Desert Hot Springs includes one of a handful of permitted cannabis drive-thru order and pick up services in southern California and provides easy access to cannabis in the Coachella Valley.

Cultivation, Wholesale and Distribution

The Company operates a cultivation and production facility in Salinas, California (the "**Salinas Production Campus**"), which covers an area of approximately 47 acres, of which approximately 11 acres is devoted to five 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, providing approximately one acre of growing space in a facility that is equipped with solid glass roof paneling, a customizable automated LED lighting system, radiant heated floors, computerized environmental controls and automated fertigation systems. The Salinas Production Campus also includes approximately 20,000 sq. ft. of building space allocated to processing, product

distribution, warehousing, storage and offices. In 2021, the Company completed certain upgrades to the Salinas 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. All cannabis flower grown at the Salinas Production Campus is cultivated using sustainable practices and the facility adheres to California's rigorous horticulture and harvesting standards. The Salinas Production Campus also processes and distributes branded cannabis products in various consumer formats. These products are sold at the Company's Harborside branded retail dispensaries along with other Retailers throughout California.

Through the acquisition of 100% of the equity interests of Sublimation Inc. ("**Sublime**") in July 2021 (the "**Sublime Acquisition**"), and 100% of the equity interests of LPF JV Corporation ("**Loudpack**") in April 2022 (the "**Loudpack Acquisition**"), the Company has distribution hubs in San Jose, Greenfield and Los Angeles, California. The Company is leveraging the existing statewide Sublime and Loudpack product distribution networks to expand its portfolio of branded products throughout California, and thereby expects to gain synergies and further economies of scale.

Through the Loudpack Acquisition, the Company owns and operates a cultivation and manufacturing facility in Greenfield, California (the "Greenfield Campus"). The Greenfield Campus includes approximately 30,000 sq. ft. of light deprivation greenhouse cultivation and approximately 55,000 sq. ft. of manufacturing and processing along with distribution, warehouse, and office space. The Greenfield Campus is capable of manufacturing and processing all of the products the Company currently offers. Loudpack has permits to develop approximately 60,000 sq. ft. of additional cultivation, manufacturing, processing, distribution and dispensary space at the Greenfield Campus and owns undeveloped land within one mile of the Greenfield Campus where it is locally permitted to develop approximately 400,000 sq. ft. of cultivation, manufacturing, processing and distribution space. In addition, Loudpack has statewide wholesale distribution capabilities.

The Greenfield Campus is one of the largest cannabis manufacturing facilities in California, from which the Company produces and distributes multiple cannabis brands, including: (i) Loudpack branded cannabis, pre-roll products and concentrates, (ii) Smokiez branded edibles, (iii) King Roll cannabis and pre-roll products, (iv) Dimebag branded cannabis and pre-roll products, (v) King Pen branded vape products and cannabis batteries and (vi) Fuzzies branded infused pre-rolls and cannabis flower products. The Company expects to gain significant synergies and economies of scale from the Loudpack Acquisition.

Name, Address and Incorporation

The Company 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.

On February 25, 2022, the Company filed articles of amendment (the “**Amendment**”) to remove conversion restrictions in place on the Multiple Voting Shares to facilitate a mandatory conversion of all of its issued and outstanding Multiple Voting Shares into Subordinate Voting Shares (the “**Mandatory Conversion**”), which was completed on March 31, 2022.

On July 25, 2022, the Company filed articles of amendment to change its name to “StateHouse Holdings Inc.” and to reclassify its Subordinate Voting Shares as Common Shares of the Company (the “**Reclassification**”). The Reclassification was approved by shareholders of the Company at the annual and special meeting of the Company held on June 23, 2022.

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 1295 W. Morena Blvd, San Diego, CA 92110.

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 (%)
Statehouse Holdings Inc. (formerly Harborside Inc.)	Ontario, Canada	Parent	100
658 East San Ysidro Blvd LLC	California, U.S.	Real Estate Holding Company	100
680 Broadway Master, LLC	California, U.S.	Operating Company	100
909 West Vista Way LLC	California, U.S.	Real Estate Holding Company	100
Accucanna Holdings Inc.	California, U.S.	Holding Company	100
Accucanna LLC	California, U.S.	Operating Company	100
Accucanna RE, LLC	California, U.S.	Operating Company	100
Auric Valley, Inc.	California, U.S.	Holding Company	100
Banana LLC	California, U.S.	Operating Company	75
Belling Distribution, Inc.	California, U.S.	Operating Company	100
Benmore LPFN, LLC	Delaware, U.S.	Holding Company	100
Calgen Trading Inc.	California, U.S.	Operating Company	100
CDRS Investor LLC	California, U.S.	Holding Company	100
CDRS Owner LLC	Delaware, U.S.	Holding Company	100
Encinal Productions RE, LLC	California, U.S.	Operating Company	100
Evergreen LPFN, LLC	Delaware, U.S.	Holding Company	100
FFC1, LLC	California, U.S.	Holding Company	100
FGW Haight Inc.	California, U.S.	Operating Company	21
FLRish Farms Cultivation 2, LLC	California, U.S.	Operating Company	100
FLRish Farms Management & Security Services, LLC	California, U.S.	Management Company	100
FLRish, Inc.	California, U.S.	Management Company	100
FLRish IP, LLC	California, U.S.	Holding Company	100
FLRish Retail, LLC	California, U.S.	Holding Company	100
FLRish Retail Management & Security Services, LLC	California, U.S.	Management Company	100
Gilded Creek Partners Inc.	California, U.S.	Holding Company	100
Greenfield Organix, Inc.	California, U.S.	Operating Company	100
Greenfield Prop Owner, LLC	Delaware, U.S.	Real Estate Holding Company	100
Greenfield Prop Owner II, LLC	Delaware, U.S.	Real Estate Holding Company	100
Haight Acquisition Corporation	Delaware, U.S.	Holding Company	100
JLM Investment Group, LLC	California, U.S.	Holding Company	67
Lafayette Street Property Management LLC	California, U.S.	Operating Company	90
LGC Holdings USA, Inc.	Nevada, U.S.	Holding Company	100
LGC LOR DIS 1, LLC	Oregon, U.S.	Operating Company	100

Name	Jurisdiction	Purpose	Percentage Owned (%)
LGC LOR DIS 2, LLC	Oregon, U.S.	Operating Company	100
Lineage GCL California, LLC	California, U.S.	Holding Company	100
Lineage GCL Oregon Corporation	Oregon, U.S.	Holding Company	100
LPF 4th Street, LLC	Delaware, U.S.	Holding Company	100
LPF Bellflower, LLC	Delaware, U.S.	Holding Company	100
LPF Consulting Group, LLC	California, U.S.	Holding Company	100
LPF Michigan LLC	Delaware, U.S.	Holding Company	100
LPF Ohio, LLC	Delaware, U.S.	Holding Company	100
LPF RE Manager, LLC	California, U.S.	Management Company	100
LP-KP IP Holdings, LLC	California, U.S.	Holding Company	100
Lunar Management, LLC	New York, U.S.	Holding Company	100
Oakland Machining Supply SLB LLC	California, U.S.	Holding Company	100
Ocean Ranch LPFN, LLC	Delaware, U.S.	Holding Company	100
Patients Mutual Assistance Collective Corporation	California, U.S.	Operating Company	100
Redhunt Corporation	California, U.S.	Holding Company	100
San Jose Wellness Solutions Corp.	California, U.S.	Operating Company	100
San Leandro Wellness Solutions Inc.	California, U.S.	Operating Company	100
SaVaCa, LLC	California, U.S.	Holding Company	100
Savature Inc.	California, U.S.	Operating Company	100
SBC Management LLC	California, U.S.	Management Company	100
Sublimation Inc.	Delaware, U.S.	Holding Company	100
ULBP Inc.	California, U.S.	Operating Company	100
ULRB LLC	California, U.S.	Operating Company	80
UL Benicia LLC	California, U.S.	Operating Company	70
UL Chula Two LLC	California, U.S.	Operating Company	51
UL Holdings Inc.	California, U.S.	Holding Company	100
UL Kenamar LLC	California, U.S.	Operating Company	100
UL La Mesa LLC	California, U.S.	Operating Company	60
UL Management LLC	California, U.S.	Management Company	100
UL San Jose LLC	California, U.S.	Operating Company	100
UL Visalia LLC	California, U.S.	Operating Company	80
Unite Capital Corp.	Ontario, Canada	Holding Company	100
Uprooted, Inc.	California, U.S.	Operating Company	100
Uprooted LM LLC	California, U.S.	Operating Company	100

Background and Corporate History

On February 8, 2019, the Company and FLRish entered into a merger agreement (as amended on April 17, 2019, the “**RTO Merger Agreement**”) pursuant to which they agreed to complete a reverse takeover transaction (the “**RTO Transaction**”). Prior to the RTO 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 Salinas 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; (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 shares 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. The Company purchased the remaining 50% of SLWS in October 2019.

On July 1, 2021, the Company completed its acquisition of 100% of the issued and outstanding shares of Sublime. On March 1, 2022, the Company completed the acquisition of 100% of the equity interests of Urbn Leaf (the “**Urbn Leaf Acquisition**”). The Urbn Leaf Acquisition was completed by way of a merger between Urbn Leaf and Saturn Merger Sub, Inc., a wholly-owned subsidiary of Urbn Leaf, in accordance with the requirements of the California General Corporations Law and pursuant to the terms of the Urbn Leaf Agreement. On April 4, 2022, the Company completed the acquisition of 100% of the equity interest of Loudpack (the “**Loudpack Acquisition**” and, collectively with the Urbn Leaf Acquisition, the “**Mergers**”). The Loudpack Acquisition was completed by way of a merger between Loudpack and LPF Merger Sub, Inc, a wholly-owned subsidiary of Loudpack, in accordance with the requirements of the Delaware General Corporation Law and pursuant to the terms of the Loudpack Agreement. Upon completion of the Mergers, (a) existing Shareholders, shareholders of Loudpack and shareholders of Urbn Leaf, beneficially owned approximately 35%, 39% and 26% of the Company, respectively, on a non-diluted basis; and (b) each of Loudpack and Urbn Leaf became a wholly-owned subsidiary of the Company.

Further details regarding the Company, RTO Transaction and the Mergers are disclosed in the Company’s listing statement dated May 30, 2019 (the “**Listing Statement**”), the Company’s management information circular dated January 18, 2022 (the “**Management Information Circular**”) and the Company’s Financial Statements and MD&A for the period ended December 31, 2021, copies of which are available under the Company’s profile on SEDAR at www.sedar.com. See “*Three Year History*” below for more information.

Recent Developments

COVID-19 Pandemic¹

The novel strain of coronavirus commonly referred to as COVID-19 was identified in December 2019, and has since spread globally, including to every state in the United States. The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries including Canada and the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. As a result, the COVID-19 pandemic is negatively impacting many industries directly or indirectly, including the regulated cannabis industry. The Company has taken responsible measures with respect to the COVID-19 pandemic to maximize the safety of employees working at its facilities and continues to closely monitor the impacts of COVID-19, with a focus on the health and safety of both its employees and customers and business continuity. Because the state of California designated the cannabis industry as essential in its governing COVID policies, the industry avoided the significant adverse impact that cannabis businesses incurred in other states. However, given the uncertainties associated with the COVID-19 pandemic, including those related to the distribution and acceptance of the vaccines and their effectiveness with respect to new variants of the virus, disruptions to the global and local economies due to related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending, the Company is unable to estimate the future impact of the COVID-19 pandemic on the business, financial conditions, results of operations, and/or cash flows.

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.

Term Loan Financing

On February 10, 2022, the Company closed the first tranche of its previously announced \$77.3 million of debt financing (the “**Term Loan**”) with Pelorus Fund REIT, LLC (“**Pelorus**”), whereby Pelorus funded a total of \$45.4 million

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”.

through three separate loans to the Company, Loudpack and Urbn Leaf. The Company received approximately \$15.5 million, Loudpack received approximately \$16.4 million, and Urbn Leaf received approximately \$13.5 million of the aggregate amount funded under the first tranche. From its share of the proceeds of the Term Loan, the Company repaid the \$12 million which was previously outstanding under its \$12 million senior secured revolving facility with a federally regulated commercial bank, as amended on June 29, 2021 and December 6, 2021 (the “**Facility**”). The second tranche of the Term Loan was disbursed to the Company on April 8, 2022, following the close of the Company’s acquisitions of Loudpack and Urbn Leaf. The Company received approximately \$32 million from the second tranche. The Term Loan contains a nominal interest rate of 10.25% and is secured by certain real estate assets, cannabis licenses and other assets of the Company, Urbn Leaf and Loudpack. The Term Loan is 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.

Repayment and Termination of the Facility

In conjunction with receiving the funds from the first tranche of the Term Loan, the Company repaid and terminated the Facility on February 10, 2022.

FGW Subsequent Agreement

On February 15, 2022, the Company entered into a securities purchase agreement (the “**FGW Subsequent Agreement**”), whereby a further 29.9% interest in FGW would be acquired, subject to certain material closing conditions, including approvals from regulatory authorities (the “**Subsequent Shares**”). The acquisition of the Subsequent Shares will increase the Company’s interest in FGW to 80% (subject to the receipt of certain regulatory approvals and conversion of a convertible note issued to the Company (the “**FGW Note**”). The Company also retains the right of first refusal to purchase, at its discretion, in whole or in part and in one or more closings, the remaining 20% of FGW, subject to regulatory approvals. Pursuant to the FGW Subsequent Agreement, the Company will pay an aggregate purchase price of \$1,300,650 for the Subsequent Shares. The purchase price of the Subsequent Shares was to be satisfied through the issuance of MVS in accordance with the FGW Subsequent Agreement, valued 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 multiplied by 100; (ii) C\$150 per MVS; or (iii) such other price as may be approved by the CSE. Prior to the closing of the acquisition of the Subsequent Shares, the FGW Subsequent Agreement will be amended to reflect the occurrence of the Mandatory Conversion and Reclassification, as applicable.

Special Meeting

On February 22, 2022, the Company held a special meeting (the “**Special Meeting**”) of holders of its Subordinate Voting Shares and Multiple Voting Shares (collectively, “**Shareholders**”) at which Shareholders approved, among other things, resolutions regarding the Mergers, Mandatory Conversion, Name Change and Consolidation.

Details of all matters considered and approved at the Special Meeting are disclosed in the Management Information Circular, a copy of which is available under the Company’s profile on SEDAR at www.sedar.com.

Urbn Leaf Acquisition

On March 1, 2022, pursuant to the terms of the definitive agreement announced on November 29, 2021, the Company completed the Urbn Leaf Acquisition. Pursuant to the terms of the Urbn Leaf Acquisition, The Company acquired 100% of the equity interests of Urbn Leaf through the issuance of 60,000,000 SVS, and the restructuring and assumption of debt.

In connection with the Urbn Leaf Acquisition, the Company announced the resignation of Matthew Hawkins as interim Chief Executive Officer and the appointment of Edward Schmults as Chief Executive Officer of the Company. Mr. Schmults also joined the Board, filling a vacancy created by the resignation of Alexander Norman. Will Senn was also appointed Chief Corporate Development Officer of the Company.

In connection with their appointments, the Company granted Mr. Schmults and Mr. Senn, in the aggregate: (i) options (each, an “**Option**”) to purchase 5,758,797 SVS; and (ii) restricted share units (each, an “**RSU**”) representing the right

to receive up to 912,599 SVS, subject to the satisfaction of certain vesting conditions. Each such Option is exercisable into one SVS at an exercise price of C\$0.70 per SVS for a period of five years following the date of grant.

LUX Settlement Agreement

On March 24, 2022, the Company entered into a \$1,250,000 settlement agreement with Altai Partnership, LLC in relation to the acquisition by the Company of Lucrum Enterprises Inc. d/b/a LUX Cannabis Dispensary (refer to Note 9 of the Financial Statements). In April 2022, the Company received the first installment payment of \$500,000. On May 1, 2022, the Company entered into a convertible secured promissory note for the remaining \$750,000 due under the settlement agreement. The principal is payable over 36 months beginning on May 15, 2022.

Mandatory Conversion of MVS to SVS

On March 31, 2022, the Company completed the Mandatory Conversion. The Mandatory Conversion has resulted in each holder of MVS being issued 100 SVS for each MVS previously held. In addition, all warrants previously exercisable into MVS (the “MVS Warrants”), are now exercisable into SVS. In particular, each holder of MVS Warrants will now receive, upon exercise of the MVS Warrants, one hundred (100) SVS per MVS Warrant at an exercise price of C\$369 per MVS Warrant.

Loudpack Acquisition

On April 4, 2022, pursuant to the terms of the definitive agreement announced on November 29, 2021, the Company completed the Loudpack Acquisition. Pursuant to the terms of the Loudpack Acquisition, The Company acquired 100% of the equity interests of Loudpack through (a) the issuance of 90,752,140 SVS valued at approximately \$42.5 million, (b) the issuance of 2,000,000 warrants, valued at approximately \$0.6 million, (c) cash consideration of approximately \$1.2 million, (d) the settlement of the convertible debenture valued at approximately \$3.2 million, and (e) approximately \$0.4 million for the settlement of receivables and payables from the pre-existing relationship. In addition, the Company paid approximately \$3.8 million of acquisition-related costs on behalf of Loudpack.

The warrants issued are exercisable to purchase SVS at a price of \$2.50 per SVS, anytime within five years of the closing date. The Company has the option to accelerate the expiration date of the warrants in the event that the volume weighted average trading price of the SVS is equal to or greater than \$5.00. As a result of the Reclassification, all SVS issued pursuant to the Loudpack Acquisition have been reclassified as Common Shares and all warrants issued pursuant to the Loudpack Acquisition are now exercisable to acquire Common Shares.

In connection with the Loudpack Acquisition, the Company appointed Marc Ravner for a six-month transition period as President of Integration of the Company. Mr. Ravner also joined the Board.

Integration of Sublime, Urbn Leaf and Loudpack

As announced on May 31, 2022, the Company began numerous integration efforts aimed at maximizing the expected synergies to be gained from the Sublime Acquisition, the Company’s acquisition of 100% of the equity interest of UL Holdings Inc. (“Urbn Leaf”) on March 1, 2022, pursuant to the terms of the definitive agreement announced on November 29, 2021 (the “Urbn Leaf Acquisition”) and the Loudpack Acquisition. Synergies are ultimately expected to include increased gross profits realized from the Company producing and distributing more consumer packaged cannabis products that are made from flower which is grown at Company owned facilities and sold at Company owned retail stores and other Retailers throughout California; cost savings realized from strategic reductions in staff and expenses; and, economies of scale gained through allocating a relatively stable amount of ongoing corporate overhead costs across a larger revenue base. Specific efforts completed or underway as of the date of this MD&A include:

- Relocating Urbn Leaf’s manufacturing and distribution operations to the Greenfield Campus;
- Consolidating the management of the cultivation operations at the Greenfield Campus with the cultivation operations at the Salinas Campus and implementing best practices to increase yield and output;
- Closure and sale of the Sublime production facility in Oakland and relocating Sublime’s manufacturing and distribution operations to the Greenfield Campus;

- Increasing, on a year over year basis, the amount of flower and trim used in the Company's cannabis manufacturing operations from 11.8% to 41.9% of flower and trim produced;
- Implementing changes to corporate, manufacturing, wholesale sales and retail store operations to further reduce costs, including adopting best-in-class manufacturing processes and procedures;
- Developing new cannabis products which are expected to increase sales as they are introduced into the California market;
- Reviewing existing manufactured products and removing low margin and low volume items to better focus manufacturing and sales efforts on more profitable items;
- Implementing new financial software and new cultivation software, both of which are expected to streamline operations, provide more usable data and lower operating costs; and
- Adopting uniform point of sale and inventory management software across the Company's entire retail operations footprint, which is expected to provide more actionable customer data and improved retail inventory management.

Name Change to StateHouse Holdings Inc. and Share Consolidation

On April 4, 2022, the Company announced that it planned to complete the Name Change, Reclassification and to effect the consolidation (the "**Consolidation**") of all of its issued and outstanding SVS. Pursuant to the Consolidation, shareholders are expected to receive one post-Consolidation SVS, SVS warrant, option or RSU for every six pre-Consolidation SVS, SVS warrant, option or RSU (the "**Consolidation Ratio**"), subject to the Company continuing to meet minimum listing requirements of the CSE. The Company subsequently postponed the Consolidation, but completed the Name Change and Reclassification on July 25, 2022.

Changes to the Board of Directors and Appointment of New Officers

On April 4, 2022, Kevin Albert, Andrew Sturner and Peter Kampian departed the Board to create vacancies for new members (the "**Resignations**"). On the same day, the Company announced that Marc Ravner, Tiffany Liff and Jonathon Roy Pottle had joined the Board, effective immediately, as approved by the shareholders of the Company on February 22, 2022. Mr. Sturner transitioned into the role of a Board observer, alongside Roger Jenkins and Will Senn, who retained their existing roles as Board observers.

Concurrently, the Company also announced that Robert Bacchi had been appointed Chief Technology Officer of the Company.

On May 26, 2022, the Company appointed Felicia Snyder to the Board. The appointment of Ms. Snyder to the Board filled a vacancy created by the previously announced resignation of Michael Dacks.

Grant of Incentive Options and RSUs to the Board and Management

On April 4, 2022, following closing of the Loudpack Acquisition, the Company granted, in the aggregate: (i) options to purchase 9,401,203 SVS; and (ii) restricted share units ("**RSUs**") representing the right to receive up to 787,401 SVS, subject to the satisfaction of certain vesting conditions, to certain employees of the Company. In addition, the Company granted RSUs to members of its newly reconstituted Board representing the right to receive up to 1,950,000 SVS, subject to the satisfaction of certain vesting conditions.

Each option granted is exercisable into one SVS at an exercise price of C\$0.75 per SVS for a period of five years following the date of grant. All options and RSUs were granted in accordance with the Company's equity incentive plan adopted by the Board on January 17, 2022 and approved by shareholders on February 22, 2022.

As a result of the Reclassification, all options and RSUs issued are now exercisable or represent the right to acquire Common Shares and all SVS have been reclassified as Common Shares.

On April 29, 2022, the Company also announced the grant of Options to certain members of management to purchase up to an aggregate 1,540,000 SVS. The Options are exercisable at the greater of C\$0.75 per SVS and the closing market

price of the SVS on the date of grant of Options. 25% of the total number of Options granted will become fully vested on each of the first, second, third and fourth anniversary of the date of grant.

On June 29, 2022, the Company granted Options to certain members of management and employees to purchase up to an aggregate of 4,200,000 SVS. The Company also granted RSUs representing the right to receive up to an aggregate of 450,000 SVS, subject to the satisfaction of certain vesting conditions, to Felicia Snyder in connection with her appointment to the Board.

All Options and RSUs were granted in accordance with the Company's amended and restated equity incentive plan adopted by the Board on January 17, 2022 and approved by shareholders on February 22, 2022 (the "A&R Plan"). A copy of the A&R Plan is available under the Company's SEDAR profile at www.sedar.com.

Shares for Debt

On April 4, 2022, the Company agreed to issue an aggregate of 1,443,493 SVS at a deemed issuance price of approximately C\$0.72 per SVS to settle C\$1,035,647 owing to certain advisors of the Company (the "Indebtedness") for certain advisory services provided to the Company in connection with the Urbn Leaf Acquisition and the Loudpack Acquisition. The Company chose to satisfy the Indebtedness with SVS in order to preserve its cash for development of its business.

New retail store openings

On April 2, 2022, the Urbn Leaf branded dispensary located in Grossmont, California, commenced operations and on April 28, 2022, the Haight Ashbury San Francisco retail dispensary operating under the Harborside brand commenced operations.

Cachee Gold Mines Corp.

On April 27, 2022, the Company entered into an amendment to the share purchase agreement with Cachee (refer to Note 9 of the Financial Statements). The amendment removed certain obligations of Cachee and replaced them with a cash payment of \$50,000, payable as follows: (i) \$15,000, not later than April 29, 2022, (ii) \$15,000, not later than July 29, 2022; and (iii) \$20,000, not later than October 31, 2022. As of the date of this report, the Company has received the first two installment payments.

Repayment of Bridge Financing

On April 29, 2022, the Company announced that a promissory note in the amount of \$6.23 million (the "Note") had been repaid by: (i) a cash payment in the amount of \$358,541; and (ii) the issuance of approximately \$5,870,000 worth of SVS at a price of C\$0.45 per SVS (16,660,993 SVS). The Note, which was issued in July 2021 by Urbn Leaf in relation to a bridge financing and assumed by the Company as part of the Urbn Leaf Acquisition, is now considered to be paid in full and no longer outstanding.

Seaside California Store Acquisition

On May 19, 2022, the Company announced that it reached an agreement to acquire (the "Seaside Acquisition") a further 50% ownership interest in its Seaside, California store (the "Seaside Store"). The Seaside Acquisition resulted in the Company owning all of the issued and outstanding securities of 680 Broadway Master, LLC, which owns the Seaside retail store, bringing the Company's interest in the Seaside store to 100%. The Seaside Acquisition was the result of a legal settlement with the Company's former partner in the Seaside retail store. The total cost of the Seaside Acquisition was \$440,000, with \$100,000 paid within 45 days of signing the agreement (the "First Installment") and the balance payable over seven years, with \$50,000 being paid on the first to sixth anniversaries of the First Installment, and \$40,000 being paid on the seventh anniversary of the First Installment.

Sale of Sublime Machining, Inc.

As part of the integration with Loudpack, in May 2022 the Company moved Sublime's manufacturing operations from Oakland to the Greenfield Campus. Accordingly, on June 13, 2022, the Company sold the remaining assets in the Oakland facility along with the associated state and local cannabis manufacturing licenses required to operate a cannabis business at the facility for total cash consideration of \$200,000. The Company recognized a loss upon sale of the business of approximately \$7.1 million.

Name Change and Share Reclassification

On July 25, 2022, the Company completed its Name Change from "Harborside Inc." to "StateHouse Holdings Inc." and the Reclassification of all of its issued and outstanding SVS to Common Shares. Effective upon market open on July 25, 2022, the Common Shares began to trade on the CSE under the new ticker symbol "STHZ" and on the OTCQX Best Market under the new ticker symbol "STHZF".

IRC §280E Provision Partial Payment and Installment Agreement

On July 28, 2022, the Company entered into a partial payment and installment agreement with the IRS related to PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012 and the year ended December 31, 2020.

Management Departure

Effective September 30, 2022, Ahmer Iqbal, Chief Operating Officer, left the Company.

Distribution Partnership with Nabis

On October 3, 2022, the Company announced that it has entered into a strategic partnership with Nabis, California's largest cannabis distributor, under which the Company is outsourcing all of its cannabis distribution.

Three Year History

2021

Departure of Chief Operating Officer

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

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 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.

All MVS issued pursuant to the Offering, or issuable pursuant to the MVS Warrants, were subject to the Mandatory Conversion and Reclassification.

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.

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, The Company 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**”). 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.

Upon closing of the Loudpack Acquisition, the Loudpack Debentures were converted into 2,932,388 Class B Units issued by each of LPF Waterfall I, LLC and LPF Waterfall II, LLC (together the “**Waterfall Subs**”), representing approximately 7.9176% of the class within each of the Waterfall Subs. In addition, 1,820,306 SVS were registered to the Company at the close of the Loudpack Acquisition as part of the allocation of shares registered to holders of the Loudpack Debentures. The SVS (now reclassified as Common Shares) are to be held in escrow subject to specified lockup periods and post-closing escrow calculations. The lockups fully expire 18 months after closing of the Loudpack Acquisition, at which time any Common Shares released to the Company are expected to be returned to Treasury and retired. The Loudpack Debentures were applied towards the purchase consideration in the Loudpack Acquisition. Effective July 25, 2022, the Company completed the Reclassification of its SVS to Common Shares.

Facility

On March 19, 2021, the Company entered into the Facility with a federally regulated commercial bank (the “**Bank**”).

On May 28, 2021, the Company drew down approximately \$11.5 million on the Facility. The net proceeds of the Facility were deposited into an escrow account and used to repurchase the Salinas Production Campus. In conjunction with the Term Loan, the Facility was paid in full and terminated in February 2022.

The Facility was due March 2023 and had a variable interest rate based on the prime rate charged by the Bank plus a 2.5% premium, with a minimum rate 5.75%, and was secured by a first priority security interest on substantially all of the Company's assets. As consideration for the Facility, the Company, among other things: (i) delivered to the Bank a commercial security agreement, an assignment of deposit accounts, and a security agreement in respect of cash collateral; (ii) made an upfront cash payment to the Bank as an original issue discount, based on the principal amount of the Facility; and (iii) issued 4,100 warrants to the Bank to purchase MVS (the "**Bank Warrants**"), each of which entitled the Bank to purchase one MVS of the Company at a price of C\$369, at any time prior to March 19, 2023. As a result of the Mandatory Conversion and Reclassification, the Bank Warrants are now exercisable to acquire Common Shares on economically equivalent terms.

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 the San Leandro retail location 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 Department of Cannabis Control (the "**DCC**"). The agreement with the landlord also provided a six-month lease extension, which was expected to give the Company 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 Bureau of Cannabis Control ("**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.

Sublime Acquisition

On June 1, 2021, as part of its objective to expand the wholesale distribution of its branded consumer packaged goods to other licensed retailers and distributors throughout California, 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.

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 \$44.7 million, comprised of (a) approximately \$38.4 million payable through the issuance of 207,579.66 MVS; (b) approximately \$5.4 million payable in cash and settlement of debt; and (c) approximately \$0.9 million attributable to a working capital surplus, reduced for accounting purposes for the settlement of receivables and payables from pre-existing relationships. In addition, concurrent with the closing of the Sublime Acquisition, the Company granted Options to purchase an aggregate of 536,875 SVS to certain employees of Sublime, who are now employees of the Company. Each 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 stock 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.

All MVS issued pursuant to the Sublime Acquisition were subject to the Mandatory Conversion and Reclassification.

Departure of Interim Chief Executive Officer

On July 19, 2021, the Company announced that Peter Bilodeau had resigned as Interim CEO. 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 the Company.

DHS Acquisition

On September 2, 2021, the Company completed the acquisition of 100% of the issued and outstanding equity interest of Accucanna, the license holder of the Company's Desert Hot Springs retail dispensary location, together with the real property (the "**Property**") relating to the Desert Hot Springs (the "**DHS Acquisition**") for total consideration of approximately \$6.3 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; (b) approximately \$2.6 million payable in cash for the Property; and (c) approximately \$0.4 million for the conversion of a call option and approximately \$1.0 million for the settlement of receivables and payables from pre-existing relationships. Prior to closing on the DHS Acquisition, the Company, since December 2019, had been operating the Desert Hot Springs dispensary under a management services agreement. All MVS issued pursuant to the DHS Acquisition were subject to the Mandatory Conversion and Reclassification.

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 intended to amend its articles to remove conversion restrictions in place on the MVS. The Company anticipated that this change would eventually result in more than 50% of the Company's issued and outstanding Common Shares being directly or indirectly owned by shareholders of record domiciled in the U.S., which would have the effect of the Company no longer meeting the definition of "foreign private issuer" under U.S. securities laws and would require the Company to register under the Securities Exchange Act of 1934, as amended (the "**Transition**"). 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 necessitate, among other things, the Company's financial statements and financial data to be presented under U.S. GAAP.

On February 22, 2022, the Company held the Special Meeting at which the Amendment was approved to remove the conversion restrictions placed on the MVS. Following approval of the Amendment, articles of amendment were filed to remove the conversion restrictions and, on February 23, 2022, the Company announced that it was undergoing the Mandatory Conversion and on March 31, 2022, the Mandatory Conversion was completed.

Energy Efficiency Project

On October 12, 2021, the Company announced plans to install an onsite renewable energy microgrid that is expected to include 3.4 MW of single axis tracker solar panels and 4.5 MWh of battery storage tied to advanced system and load management controls (the "**Project**") at the Company's Salinas Production Campus located in Salinas, California. Upon its expected completion in the second half of 2023, the cutting-edge microgrid energy system is expected to produce approximately 8,600,000 kWh of electricity each year, which is enough clean renewable energy to offset up to 100% of the Company's current power consumption at the Salinas Production Campus and is anticipated to enable the Company to avoid purchasing carbon offset credits which, beginning in 2023, would otherwise be required by California regulations. According to figures provided by the US Environmental Protection Agency's greenhouse gas equivalencies calculator, the Project will negate approximately 6,095 tons of atmospheric CO₂ emissions annually, which is the same carbon offset as approximately 11.7 square miles (7,467 acres) of forest and is equivalent to avoiding more than 15.3 million miles of passenger car driving each year.

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 both Urbn Leaf and Loudpack. See "*Recent Developments*" above for more information.

Term Loan Financing

On November 29, 2021, in connection with the intended Mergers, the Company announced that it had signed a non-binding term sheet with Pelorus related to the Term Loan, which would be used primarily to retire certain existing loans and provide additional working capital to the Company, Urbn Leaf and Loudpack. The Term Loan contains a nominal interest rate of 10.25%, along with specified origination, closing and other transaction fees, and is secured by certain real estate assets, cannabis licenses of the Company, Urbn Leaf and Loudpack, and other assets. It is also 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 first tranche of the Term Loan closed in February 2022. The second tranche was disbursed to the Company in April 2022, following completion of the Mergers. See "*Recent Developments*" above for more information.

Departure of Director

On December 30, 2021, the Company announced that Michael Dacks had resigned from the Board effective December 31, 2021.

2020

San Leandro Retail Store

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

FGW Transaction

On December 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 had 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 FGW Note, valued at approximately \$1.2 million.

FGW received the necessary approvals and opened the Haight Ashbury San Francisco retail dispensary under the Harborside brand in April 2022. As of the date of this AIF, the Company had not yet converted the FGW Note.

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 upon receipt of certain additional regulatory approvals from the city of San Francisco.

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 the 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.

On February 15, 2022, the Company entered into the FGW Subsequent Agreement relating to the purchase of the Subsequent Shares. Upon receipt of certain regulatory approvals from the City of San Francisco relating to the FGW Subsequent Agreement, the Company’s total ownership in FGW will increase to 80%. The aggregate purchase price for the Subsequent Shares is \$1,300,650, which will be satisfied through the issuance of multiple voting shares of the Company, valued at the greater of: (i) the 30-day VWAP of the subordinate voting shares of the Company on the CSE at the time of issuance less a 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. Prior to closing of the acquisition of the Subsequent Shares, the FGW Subsequent Agreement will be amended to reflect the occurrence of the Mandatory Conversion and Reclassification, and in particular the issuance of Common Shares instead of MVS as consideration for the Subsequent Shares.

Changes to the Board of Directors

On October 26, 2020, the Company announced that, in response to feedback from a group of shareholders, including its 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 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 the Company.

Disposition of Lakeside Minerals Corp.

On October 29, 2020, the Company entered into a share purchase agreement with 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. The Company subsequently entered into an amendment to the share purchase agreement. See "*Recent Developments*" above for more information.

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 Salinas 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 Salinas Production Campus. The enhancements at the Salinas 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 the Company 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.

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 the Company.

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.

RTO Merger Agreement

On February 8, 2019, the Company and FLRish entered into the RTO Merger Agreement, which was amended on April 17, 2019, pursuant to which the parties agreed to complete the RTO Transaction. Pursuant to the RTO 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 RTO Merger Agreement is available on SEDAR at www.sedar.com. See “*RTO Transaction*” for further details.

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. Foundation Markets Inc. (“**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, FMI Capital Advisory Services Inc. (“**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.

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 the Company, 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 Salinas 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, the Company 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 the Company 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 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 the Company’s 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 the Company. 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.

Harborside Desert Hot Springs

On December 7, 2019, the Company and Accucanna formally opened Harborside Desert Hot Springs, a drive-thru cannabis dispensary in southern California, and also the Company'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 the Company's own Fuzzies, KEY and Harborside Farms branded cannabis products. The Company 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.

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. On July 28, 2022, the Company entered into a partial payment and installment agreement with the IRS for PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012 and the year ended December 31, 2020 (the "IRS Agreement"). Through the IRS Agreement, the Company is resolving the tax proceeding through the payment of approximately \$5,800,000 to be made through \$50,000 per month payments over an expected period of 116 months, beginning in August 2022. The monthly payment amount is subject to IRS review every two years. With each review, the payments may adjust up or down depending on PMACC's ability to pay at that time. The Company does not anticipate that these biennial reviews will result in a material increase to the payment plan.

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.

DESCRIPTION OF THE BUSINESS

About the Company

The Company, 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, the Company has played an instrumental role in making cannabis safe and accessible to a broad and diverse community of California consumers.

The Company is one of the oldest and largest cannabis companies in California, operating 13 retail dispensaries, two cultivation/production facilities, a manufacturing facility and two distribution facilities in California, along with a dispensary in Oregon. The Company, through its ownership interest in FGW, operates a retail dispensary in the Haight Ashbury area of San Francisco, California, which is adjacent to Golden Gate Park. FGW received the necessary approvals and opened the Haight Ashbury San Francisco retail dispensary under the Harborside brand in April 2022.

The Company owns one of the largest retail platforms in California, top-ranked brands in the pre-roll, edible and flower segments and a deep roster of products at a variety of price points to create a wide range of appeal to all customer types. Consolidating the cannabis sector in California is also expected to provide the Company with significant value creation opportunities through synergies and other business improvement initiatives. The Company expects to have a cultivation platform that can be scaled to meet its production needs and limit its reliance on the wholesale market, with additional expansion capacity of more than 100,000 square feet of canopy.²

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 cannabis products.

Retail Dispensaries

The Company's retail dispensaries serve both adult-use and medical cannabis customers. The Company's retail presence was initially established in 2006, and today includes Harborside branded dispensaries located in Oakland, San Jose, San Leandro, San Francisco and Desert Hot Springs, California, as well as Urbn Leaf branded dispensaries in Bay Park, San Ysidro, Grover Beach, Seaside, La Mesa, Grossmont, San Jose and Vista, California. The dispensary located in Desert Hot Springs includes one of a handful of permitted cannabis drive-thru order and pick up services in southern California. In addition, the Company operates the Terpene Station Dispensary in Eugene, Oregon.

In addition to its "brick and mortar" store locations, the Company operates retail delivery services which cover the greater San Francisco Bay Area of California (from its Harborside branded retail stores in Oakland and San Jose) and the Grover Beach and San Ysidro areas (from its Urbn Leaf branded stores in each of those jurisdictions).

Cultivation, Wholesale and Distribution

The Company operates the Salinas Production Campus in Salinas, California, which covers approximately 47 total acres, of which approximately 11 acres is devoted to five light deprivation greenhouses containing approximately 200,000 total 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, providing approximately one acre of growing space in a facility that is equipped with solid glass roof paneling, a customizable automated LED lighting system, radiant heated floors, computerized environmental controls and automated fertigation systems. The Salinas Production Campus also includes approximately 20,000 sq. ft. of

² 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".

building space allocated to processing, product distribution, warehousing, storage and offices. In 2021, the Company completed certain upgrades to the Salinas 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. All cannabis flower grown at the Salinas Production Campus is cultivated using sustainable practices and the facility adheres to California's rigorous horticulture and harvesting standards. The Salinas Production Campus also processes and distributes branded cannabis products in various consumer formats. These products are sold at the Company's Harborside branded retail dispensaries along with other Retailers throughout California.

Through the acquisitions of Sublime in July 2021 and Loudpack in April 2022, the Company has distribution hubs in both San Jose, Greenfield and Los Angeles, California. The Company is leveraging the existing statewide Sublime and Loudpack product distribution networks to expand its portfolio of branded products throughout California, and thereby expects to gain synergies and further economies of scale.

Through the Loudpack Acquisition, the Company owns and operates a cultivation and manufacturing facility in Greenfield California (the "**Greenfield Campus**"). The Greenfield Campus includes approximately 30,000 sq. ft. of light deprivation greenhouse cultivation and approximately 55,000 sq. ft. of manufacturing and processing along with distribution, storage and office space. The Greenfield Campus is capable of manufacturing and processing all of the products Loudpack offers.

Loudpack has permits to develop approximately 60,000 sq. ft. of additional cultivation, manufacturing, processing, distribution and dispensary space at the Greenfield Campus and owns undeveloped land within one mile of the Greenfield Campus where it is locally permitted to develop approximately 400,000 sq. ft. of cultivation, manufacturing, processing and distribution space.

The Greenfield Campus is one of the largest cannabis manufacturing facilities in California, from which Loudpack produces and distributes five cannabis brands, including: (i) Loudpack branded cannabis, pre-roll products and concentrates, (ii) Smokiez branded edibles, (iii) King Roll cannabis and pre-roll products, (iv) Dimebag branded cannabis and pre-roll products, and (v) King Pen branded vape products and cannabis batteries. The Company expects to gain significant synergies and economies of scale from the Loudpack Acquisition.

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 Salinas Production Campus in the fourth quarter of 2021.

Production and Sales

The Company's annual cultivation production from its Salinas Production Campus and Greenfield Campus includes cannabis flower which can be sold to both the wholesale bulk market as well as used in Harborside, Urbn Leaf and Loudpack 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 offers direct to consumer retail delivery services which cover the greater San Francisco Bay Area of California (from its Harborside branded retail stores in Oakland and San Jose) and the Grover Beach and San Ysidro areas (from its Urbn Leaf branded stores in each of these areas). The Company's direct to consumer offerings include an integrated e-commerce platform offering in-store pickup, curbside pick-up, express delivery and scheduled delivery, allowing the Company to extend its reach beyond physical retail locations and expand interactions with customers.

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 continues to be additional competition from unlicensed dispensaries and delivery services, which are operating in violation of both state and federal laws.

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, 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, the Company sells consumer packaged goods throughout the state of California under several brands, including Dimebag, Kingroll, Kingpen, Smokiez, Loudpack, Fuzzies, Sublime, Harborside Farms and KEY. 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 broad 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, from time to time the Company 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 the Company’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 and withdraws funds using multiple banks. 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 currently has the ability to accept and process cash, checks, debit cards, ACH (Automated Clearing House) and wire transfer transactions. It is anticipated that as federal banking laws change over time, additional forms of banking, including credit cards, will become available to the Company.

Changes to Contracts

The Company was subject to covenant clauses as part of the Facility, whereby the Company was 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. The Company repaid the \$12.0 million outstanding under the Facility using proceeds from the first tranche of the Term Loan in February 2022.

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 the Company'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 the Company's retail locations, manufacturing facility and cultivation facilities. 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, 2021, the Company had approximately 230 employees. As a result of the recent Mergers, as of the date of this AIF the Company has approximately 620 employees.

Specialized Skill and Knowledge

To remain a leader in its field, the Company relies on a motivated and experienced team that is focused on offering the highest-quality products in accordance with the appropriate regulations. 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

The Company'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. 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 the Company operates.

The Company's compliance program includes an in-house QC team dedicated to ensuring ongoing compliance with applicable U.S. state and federal laws. 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. As new rules or regulations are adopted, the QC team updates policies and procedures as appropriate and disseminates written guidance to all of the Company’s entities.

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 it conducts 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 form³ and 43% of the population lives in states where it is fully legalized for adult use.⁴

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 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.⁵ 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.⁶

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.⁷ In addition, 68% of the U.S. public supports legalizing cannabis for adult recreational use.⁸ 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 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 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 CSA. Although the

³ 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>

⁴ 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/>

⁵ Grant, Igor MD (2015). *Medical Use of Cannabinoids*. *Journal of American Medical Association*, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

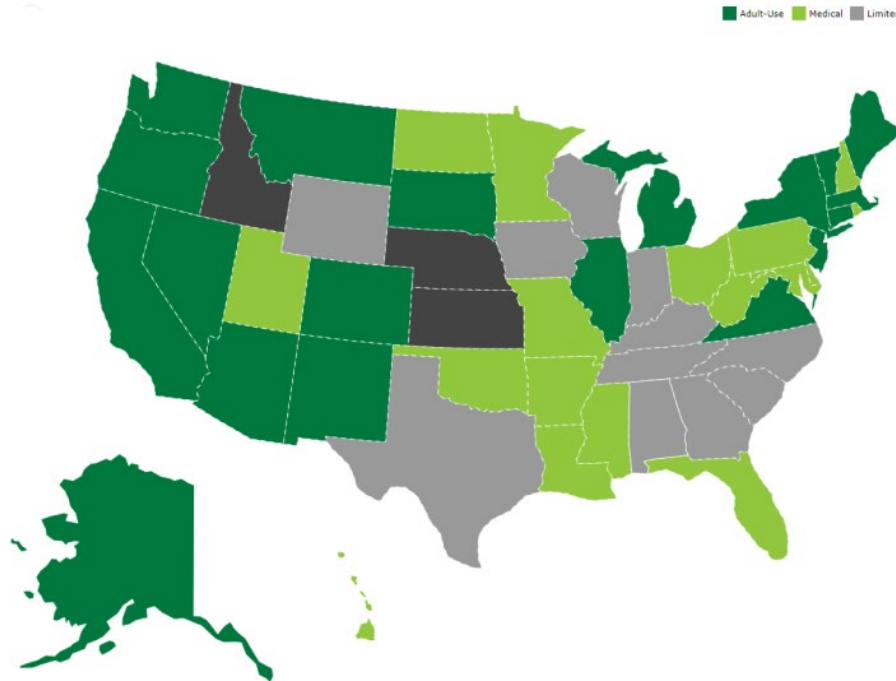
⁶ Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. *JAMA Intern Med*. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

⁷ 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/>

⁸ 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>

Company'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 the Company 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 the Company or its subsidiaries.

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 2020.⁹ 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 2024.¹⁰ By 2030, the size of the U.S. cannabis market is projected to be approximately \$63 billion.¹¹ 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.

⁹ Marijuana Business Daily. (2020). *Marijuana Business Factbook*, 2020. Available from <https://mjbizdaily.com/factbook/>.

¹⁰ Marijuana Business Daily. (2020). *Marijuana Business Factbook*, 2020. Available from <https://mjbizdaily.com/factbook/>.

¹¹ Eight Capital. (2018). What's Going on Down There? A \$63 B Market Cannot be Ignored.

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:

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
<p>All Issuers with U.S. Marijuana-Related Activities</p>	<p>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.</p>	<p><i>Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (i) Nature of the Company’s direct involvement in the U.S. cannabis industry (p. 33)</i></p>
	<p>Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.</p>	<p><i>Risk Factors (p. 70)</i></p>
	<p>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.</p>	<p><i>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 and enforcement is a significant risk (p. 34)</i></p> <p><i>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 the Company operates (p. 34)</i></p>
	<p>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.</p>	<p><i>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 the Company’s ability to operate in the U.S. (p. 38)</i></p> <p><i>Risk Factors – U.S. Federal Laws pertaining to cannabis (p. 71)</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		<p><i>Risk Factors – Risk of civil asset forfeiture (p. 71)</i></p> <p><i>Risk Factors – Anti-money laundering laws and regulations (p. 72)</i></p> <p><i>Risk Factors – Enforcement of cannabis laws could change (p. 72)</i></p> <p><i>Risk Factors – Local, state, and federal laws in the U.S. (p. 72)</i></p> <p><i>Risk Factors – Legality of cannabis could be reversed in one or more states of operations (p. 73)</i></p> <p><i>Risk Factors – Local regulations could change and negatively impact the Company’s operations (p. 73)</i></p> <p><i>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. 73)</i></p> <p><i>Risk Factors – Lack of access to U.S. bankruptcy protections (p. 75)</i></p> <p><i>Risk Factors – Heightened scrutiny by Canadian regulatory authorities (p. 76)</i></p> <p><i>Risk Factors – Legality of contracts (p. 76)</i></p> <p><i>Risk Factors – U.S. border crossing (p. 76)</i></p> <p><i>Risk Factors – There are risks associated with the removal of U.S. Federal Budget Rider Protections (p. 77)</i></p> <p><i>Risk Factors – Regulatory or agency proceedings (p. 80)</i></p> <p><i>Risk Factors – Limited trademark protections (p. 81)</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		<p><i>Risk Factors – Enforcement of other intellectual property rights (p. 81)</i></p> <p><i>Risk Factors – Constraints on marketing products (p. 85)</i></p> <p><i>Risk Factors – Reliance on third-party service providers (p. 86)</i></p>
	<p>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.</p>	<p><i>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. 39)</i></p>
	<p>Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p><i>Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (vii) The Company’s balance sheet and operating statement exposure to U.S. marijuana related activities (p. 40)</i></p> <p>Note: at the time of this AIF, the major operations of the Company are only in the United States</p>
	<p>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.</p>	<p><i>Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (vi) The Company’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. 40)</i></p>
<p>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</p>	<p>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.</p>	<p><i>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. 41)</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		<i>Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (ix) How the Company complies with applicable licensing requirements and regulations in California and Oregon (p. 44)</i>
	<p>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.</p>	<p><i>Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (x) The Company’s program for monitoring ongoing compliance with California and Oregon cannabis laws and the Company’s internal compliance procedures (p. 47)</i></p> <p><i>Description of the Business – Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related Assets – (xi) Confirmation that the Company is in compliance with applicable licensing requirements and regulations in California and Oregon (p. 48)</i></p> <p><i>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 the Company’s license, business activities or operations (p. 48)</i></p>
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	<p>Outline the regulations for U.S. states in which the issuer’s investee(s) operate.</p>	Not applicable.
	<p>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.</p>	Not applicable.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
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 licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Not applicable.

Currently, the Company’s involvement in the U.S. cannabis industry is “direct”. 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 the Company’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. The Company’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. The Company also owns the Terpene Station Dispensary located in Eugene, Oregon. The Company also holds a 21% ownership interest in FGW, a company that operates a retail cannabis dispensary in the Haight Ashbury area of San Francisco. FGW received the necessary approvals and opened the Haight Ashbury San Francisco retail dispensary under the Harborside brand in April 2022. Under the terms of the FGW Subsequent Agreement, the Company’s ownership interest in FGW is expected to increase to 80%. Following the Urbn Leaf Acquisition, the Company holds a 100% ownership interest in Urbn Leaf, which operates retail dispensaries in San Diego, San Ysidro, La Mesa, Grossmont, Vista, Grover Beach, Seaside and San Jose. The Company’s retail dispensary business has operated for over 15 continuous years.

The Company owns and operates the Salinas 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.

As a result of the Loudpack Acquisition, the Company also owns the Greenfield Campus, one of the largest cannabis manufacturing facilities in the state of California, which focuses primarily on the creation, production and distribution of brands that are sold and shipped to other Retailers throughout the state of California including the Company's own stores.

The Company owns or controls a number of different cannabis brands, including: "Fuzzies", "Loudpack", "King Pen", "King Roll", "Dimebag", "Harborside", "Harborside Farms", "KEY", "Terpene Station", "Sublime", and "Urbn Leaf". In addition, the Company exclusively licenses the "Smokiez" brand in California.

(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 CSA 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.)

(ii) *Available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the jurisdictions where the Company 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. Subsequently, a number of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, while several have indicated that will continue to investigate and prosecute "cases involving organized crime, violent and gun threats, and financial crimes related to marijuana". Under the Rohrabacher-Farr Amendment, federal prosecutors are prohibited from expending federal funds against medical cannabis activities that are in compliance with state law. 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 CSA.

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 2020 budget, 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 CSA, 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 CSA 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 CAO A 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 CSA, 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 CAO A.

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 CSA 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 CSA, 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 CSA 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 the Company operates.

(iv) Related risks, including disruption of third party provided services and the imposition of certain restrictions by regulatory bodies on the Company’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 CSA) 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 business. A result of Section 280E is that an otherwise profitable business may 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 CSA, 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. Beginning in 2018, media articles have reported that certain Canadian citizens have 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 CSA, 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) *The Company'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, the Company 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, the Company 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 the Company conducts its operations in full compliance with applicable local and state cannabis laws and regulations in Oregon and California.

(vii) *The Company's statement of financial position and statement of loss and comprehensive loss exposure to U.S. marijuana-related activities*

The following represents the portion of certain assets on the Company's consolidated statements of financial position that pertain to U.S. cannabis activities as at December 31, 2021:

Statement of Financial Position Line Items	Percentage (%) related to holdings with U.S. cannabis-related activities
Cash	88%
Restricted cash	100%
Accounts receivable, net	90%
Inventories	100%
Biological assets	100%
Prepaid expenses	93%
Note receivable	100%
Other current assets	100%
Investments and advances	100%
Property, plant and equipment, net	100%
Right-of-use assets	100%
Deposits and other assets	100%
Intangible assets	100%
Goodwill	100%

The following represents the operating exposure on the Company's consolidated statements of loss and comprehensive loss that pertain to U.S. cannabis activities for the year ended December 31, 2021:

Statement of Income (Loss) and Comprehensive Income (Loss) Line	Percentage (%) related to holdings with U.S. cannabis-related activities
Retail revenue, net	100%
Wholesale revenue, net	100%
Manufacturing revenue, net	100%
Cost of goods sold – retail	100%
Cost of goods sold – wholesale	100%
Cost of goods sold – manufacturing	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	94%

Professional fees	60%
Share-based compensation	100%
Allowance for expected credit losses	100%
Write-downs (recovery) of receivables and investments and advances	100%
Depreciation and amortization	100%
Interest income (expense), net	100%
Other income (expense)	100%
Provisions	100%
Fair value gain in other current assets, derivative liabilities and preferred	100%
Foreign exchange gain (loss)	-

(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 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 the Company 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 the Company 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. The Company 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 of the Company's 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 Company 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)
LGCLORDIS2, LLC	050 1011403433E	Eugene, Oregon	Recreational Retailer	9/23/2023
Patients Mutual Assistance Collective Corporation	CEO14-0000093-LIC	Oakland, California	Event Organizer	9/05/2023
Patients Mutual Assistance Collective Corporation	C11-0000846-LIC	Oakland, California	A&M Distributor	7/17/2023
Patients Mutual Assistance Collective Corporation	C10-0000463-LIC	Oakland, California	A&M Retailer	7/17/2023
San Jose Wellness	C10-0000435-LIC	San Jose, California	A&M Retailer	7/15/2023
San Jose Wellness	C11-0000815-LIC	San Jose, California	A&M Distributor	7/15/2023
San Leandro Wellness Solutions Inc.	C10-0000681-LIC	San Leandro, California	A&M Retailer	1/16/2023
FLRish Farms Cultivation 2, LLC	C11-0000207-LIC	Salinas, California	A&M Distributor	5/30/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000667	Salinas, California	M- Small Mixed Light Tier 2	3/20/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000665	Salinas, California	A- Small Mixed Light Tier 2	3/20/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000444	Salinas, California	A- Nursery	3/9/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000445	Salinas, California	A- Processor	3/9/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000708	Salinas, California	A- Small Mixed Light Tier 2	3/20/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000914	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000917	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000919	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023

FLRish Farms Cultivation 2, LLC	CCL18-0000911	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000922	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000984	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000915	Salinas, California	A- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000913	Salinas, California	M- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000912	Salinas, California	M- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000910	Salinas, California	M- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000916	Salinas, California	M- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL18-0000923	Salinas, California	M- Small Mixed Light Tier 2	3/29/2023
FLRish Farms Cultivation 2, LLC	CCL19-0001468	Salinas, California	A- Small Mixed Light Tier 2	8/15/2023
FLRish Farms Cultivation 2, LLC	CCL19-0001467	Salinas, California	A- Small Mixed Light Tier 2	8/15/2023
FLRish Farms Cultivation 2, LLC	CCL19-0001466	Salinas, California	A- Small Mixed Light Tier 2	8/15/2023
FLRish Farms Cultivation 2, LLC	CCL19-0001465	Salinas, California	A- Small Mixed Light Tier 2	8/15/2023
FLRish Farms Cultivation 2, LLC	CCL19-0001454	Salinas, California	A- Small Mixed Light Tier 2	8/15/2023
Accucanna, LLC	C10-0000396-LIC	Desert Hot Springs, California	A&M Retailer	7/8/2023
FGW Haight, Inc	C10-0000982-LIC	San Francisco, California	A&M Retailer	3/9/2023
ULBP Inc	C10-0000246-LIC	San Diego, California	A&M Retailer	6/18/2023
ULBP Inc	C11-0000678-LIC	San Diego, California	A Distributor	7/4/2023
Uprooted Inc	C10-0000464-LIC	San Diego, California	A&M Retailer	7/17/2023
680 Broadway Master, LLC	C10-0000590-LIC	Seaside, California	A&M Retailer	8/26/2023
Banana, LLC	C10-0000618-LIC	Grover Beach, California	A&M Retailer	9/15/2023

Uprooted LM, LLC	C10-0000731-LIC	La Mesa, California	A&M Retailer	6/18/2023
UL San Jose, LLC	C10-0000333-LIC	San Jose, California	A&M Microbusiness	12/9/2022
Calgen Trading, Inc	C10-0000776-LIC	Vista, California	A&M Retailer	1/15/2023
Belling Distribution, Inc	C9-0000634-LIC	Redwood City, California	A&M Retailer Non storefront	6/29/2023
UL La Mesa, LLC	C10-0000946-LIC	La Mesa, California	A&M Retailer	2/1/2023
UL Visalia LLC	C10-0000657-LIC	Visalia, CA	M Retailer	11/17/2022
Greenfield Organix	CDPH-10002329	Greenfield, California	A&M Manufacturing Type 7	4/8/2023
Greenfield Organix	C11-0000939-LIC	Greenfield, California	A&M Distributor	7/30/2023
Greenfield Organix	CCL19-0001691	Greenfield, California	A - Small Mixed-Light Tier 2	8/19/2023
Greenfield Organix	CCL19-0001690	Greenfield, California	A - Small Mixed-Light Tier 2	7/26/2023
Greenfield Organix	CCL19-0001692	Greenfield, California	A - Small Mixed-Light Tier 2	6/11/2023
Greenfield Organix	CCL19-0001693	Greenfield, California	A - Nursery	6/11/2023
Greenfield Organix	CCL19-0001694	Greenfield, California	A -Processor	6/11/2023

(x) *The Company's program for monitoring ongoing compliance with California and Oregon cannabis laws and the Company'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 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 Company 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 the Company is in compliance with applicable licensing requirements and regulations in California and Oregon

As of the date of this AIF, the Company 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 the Company'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 the Company'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 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 Common Shares. As of the date of this AIF, the Company had issued and outstanding: 252,589,611 Common Shares, representing approximately 100% of the voting rights attached to the outstanding voting securities of the Company.

Common Shares

Restricted Securities	The Common Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws.
Right to Notice and Vote	Holders of Common 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 Common Shares will be entitled to one vote in respect of each Common Share held.
Class Rights; Pre-Emptive Rights	As long as any Common Shares remain outstanding, the Company will not, without the consent of the holders of the Common Shares by separate special resolution, prejudice or interfere with any right attached to the Common Shares. Holders of Common Shares will not

be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Common Shares, or bonds, debentures or other securities of the Company.

Dividends	Holders of Common Shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.
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 Common Shares will be entitled to participate ratably along with all other holders of Common Shares.
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 Common Shares shall occur unless, simultaneously, the Common Shares are subdivided or consolidated in the same manner.

Redemption

At the option of the Company, Common 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. Common 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 Common 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 Company amended and restated the Rights Plan on February 22, 2022, following receipt of shareholder approval at the Special Meeting. 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.

As a result of the Reclassification on July 25, 2022, all Subordinate Voting Shares referenced throughout the Rights Plan that were issued prior to July 25, 2022, have been reclassified as Common Shares.

General

To implement the Rights Plan, the Board 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 shall not include: (i) (A) the Company or a subsidiary of the Company, or (B) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the Subordinate Voting Shares in connection with a distribution of securities of the Company; (ii) any Person who becomes a Beneficial Owner of 20% or more of the outstanding Subordinate Voting Shares as a result of one or any combination of: (A) a Subordinate Voting Share reduction through an acquisition or redemption of Subordinate Voting Shares by the Company, (B) an acquisition of Subordinate Voting Shares made pursuant to a Permitted Bid (as defined below), (C) an acquisition of Subordinate Voting Shares made pursuant to an Exempt Acquisition (as defined in the Rights Plan), (D) a Pro Rata Acquisition (as defined in the Rights Plan), or (E) a Convertible Security Acquisition (as defined in the Rights Plan); and (iii) for a period of ten days after the Disqualification Date (as defined below), any Person who becomes the Beneficial Owner of 20% or more of the outstanding Subordinate Voting Shares as a result of such person becoming disqualified from relying on paragraph (v) under the definition of “Beneficial Owner” solely because such Person or the Beneficial Owner of such Subordinate Voting Shares is making or has announced an intention to make a Take-over Bid, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, “Disqualification Date” means the first date of public announcement that any Person is making or has announced an intention to make a Take-over Bid.

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;

provided that, should a Permitted Bid cease to be a Permitted Bid because it ceases to meet any or all of the requirements mentioned above prior to the time it expires (after giving effect to any extension) or is withdrawn, then any acquisition of Subordinate Voting Shares made pursuant to such Permitted Bid, including any acquisition of Subordinate Voting Shares made prior to such time, shall not be a Permitted Bid Acquisition. The term “Permitted Bid” shall include a Competing Permitted Bid (as defined in the Rights Plan).

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 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 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 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. The Board may also, subject to certain conditions, waive the application of the Rights Plan to a Flip-in Event triggered by inadvertence.

Redemption

The Board, 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.

Multiple Voting Shares⁽¹⁾

<u>Date of Issue</u>	<u>Number of MVS</u>	<u>Issue Price</u>
January 27, 2021 ⁽²⁾	1,600.00	Nil
February 18, 2021 ⁽³⁾	79,592.00	C\$255.00
July 2, 2021 ⁽⁴⁾	207,579.66	C\$178.00
September 2, 2021 ⁽⁵⁾	15,793.40	C\$122.00

Options

<u>Date of Issue</u>	<u>Number of SVS Issuable on Exercise</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
June 11, 2021 ⁽⁶⁾	684,985	C\$2.21	June 11, 2026
July 2, 2021 ⁽⁶⁾	536,875	C\$1.78	July 2, 2026

Notes:

- (1) All MVS issued in the most recently completed financial year were subject to the Mandatory Conversion.
- (2) Issued upon settlement of contingent stock grants.
- (3) Issued in connection with the Offering. See “*General Development of the Business – Three Year History – February 2021 Private Placement*”.
- (4) Issued in connection with the Sublime Acquisition. See “*General Development of the Business – Three Year History – Sublime Acquisition*”.
- (5) Issued in connection with the DHS Acquisition. See “*General Development of the Business – Three Year History – DHS Acquisition*”.
- (6) Granted to certain directors, officers, consultants and employees under the Company’s equity incentive plan.

Trading Price and Volume

Following the Reclassification, the issued and outstanding Common Shares are listed and posted for trading on the CSE under the symbol “STHZ”

The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares from January 1, 2021 up to December 31, 2021.

Month	High (\$)	Low (\$)	Volume
January 2021	\$3.08	\$1.91	3,101,908
February 2021	\$3.19	\$2.29	3,651,813
March 2021	\$2.65	\$2.03	2,440,565
April 2021	\$2.48	\$2.08	688,668
May 2021	\$2.37	\$2.05	1,337,134
June 2021	\$2.50	\$1.79	1,433,431
July 2021	\$1.98	\$1.39	2,039,914
August 2021	\$1.55	\$1.02	1,880,462
September 2021	\$1.14	\$0.97	1,208,120
October 2021	\$1.08	\$0.79	1,173,031
November 2021	\$1.02	\$0.67	1,442,961
December 2021	\$0.76	\$0.415	3,464,372

As the close of business on November 11, 2022, the last trading day prior to the date of this AIF, the price of the Common Shares as quoted by the CSE was \$0.17 per Common 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	Nil	Nil
Subordinate Voting Shares	Nil	Nil
Common Shares	123,939,051	49%

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.

- (2) In connection with the Urbn Leaf Acquisition, the Company entered into lock-up agreements with certain shareholders of Urbn Leaf (the “Urbn Leaf Locked-Up Shareholders”) in respect of the SVS received by such shareholders (the “Urbn Leaf Lock-Up Agreements”). Pursuant to the Urbn Leaf Lock-Up Agreements, the Urbn Leaf Locked-Up Shareholders have agreed not to sell, assign or otherwise transfer the SVS received. The restrictions lapse in three installments, with each one-third of the SVS released from the restrictions six months, 12 months and 18 months from the date of closing of the Urbn Leaf Acquisition, respectively.
- (3) In connection with the Loudpack Acquisition, the Company entered into a lock-up agreement with the stockholders of Loudpack (the “Loudpack Locked-Up Shareholders”) in respect of the SVS received pursuant to the transaction (the “Loudpack Lock-Up Agreement”). Pursuant to the Loudpack Lock-Up Agreement, the Loudpack Locked-Up Shareholders have agreed not to sell, assign or otherwise transfer the SVS received, except to their respective members, who will be required to enter into equivalent lock-up agreements. The restrictions lapse in three installments, with each one-third of the SVS released from the restrictions six months, 12 months and 18 months from the date of closing of the Loudpack Acquisition, respectively.

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 Common Shares issuable upon conversion or exercise, as applicable, of such securities):

Designation of Securities	Number of Underlying Common Shares
Common Shares	252,589,611
Options	23,338,631
Restricted Share Units	3,975,000
Warrants	16,175,900
Total Fully Diluted Share Capital	296,079,142

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 ⁽⁴⁾⁽⁵⁾⁽⁷⁾⁽¹⁰⁾ Texas, United States	Chairman and Director	May 2019	Managing Partner of Entourage Effect Capital LLC	26,725,287 ⁽⁸⁾
Peter Bilodeau ⁽⁷⁾ Ontario, Canada	Former Interim CEO	October 2019 – July 2021	President and CEO of Foundation Markets	885,528 ⁽⁹⁾
Edward Schmults ⁽¹⁰⁾ Rhode Island, United States	CEO and Director	March 2022	CEO	8,500,000 ⁽¹¹⁾
Tom DiGiovanni California, United States	CFO	December 2019	CFO	1,351,007 ⁽¹²⁾
Ahmer Iqbal ⁽¹³⁾ California, United States	COO	July 2021	COO	1,675,357 ⁽¹⁴⁾

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⁾
Will Senn ⁽¹⁵⁾ California, United States	CCDO	March 2022	CCDO	6,000,000 ⁽¹⁶⁾
John H. “Jack” Nichols California, United States	General Counsel and Corporate Secretary	May 2019	General Counsel and Corporate Secretary	1,832,631 ⁽¹⁷⁾
Kevin K. Albert ⁽¹⁸⁾ New York, United States	Former Director	November 2020- April 4, 2022	Private Investment Manager	647,477 ⁽¹⁹⁾
Michael Dacks ⁽²⁰⁾ Ontario, Canada	Former Director	November 2020 – December 2021	Founder and President of Type 2 Ventures Ltd.	100,000 ⁽²¹⁾
Peter Kampian ⁽¹⁸⁾ Ontario, Canada	Former Director	August 2020 April 4, 2022	Finance Executive	338,400 ⁽²²⁾
Tiffany Liff ⁽³⁾⁽⁶⁾⁽¹⁸⁾ Florida, United States	Director	April 4, 2022	Head of Underwriting and Portfolio Management of Entourage Effect Capital LLC	500,000 ⁽²³⁾
Alexander Norman ⁽¹⁰⁾ Ontario, Canada	Former Director	November 2020 – April 4, 2022	Investment Manager	100,000 ⁽²⁴⁾
Jonathan Roy Pottle ⁽³⁾⁽⁴⁾⁽¹⁸⁾ Massachusetts, United States	Director	April 4, 2022	Chairman and Chief Executive Officer of American Messaging Services, LLC	500,000 ⁽²⁵⁾
Marc Ravner ⁽¹⁸⁾ New York, United States	Director	April 4, 2022	Chairman and CEO of Loudpack	400,000 ⁽²⁶⁾
James E. Scott ⁽³⁾⁽⁶⁾ Colorado, United States	Director	November 2020	Managing Partner of The Scott Company, LLC	811,600 ⁽²⁷⁾
Felicia Snyder ⁽⁴⁾ Toronto, Canada	Director	May 26, 2022	Co-Founder, Co- CEO of Arcana	450,000 ⁽²⁹⁾
Andrew Sturner ⁽¹⁸⁾ Florida, United States	Former Director	November 2020 – April 4, 2022	Managing Partner of Entourage Effect Capital LLC	26,475,288 ⁽²⁸⁾

Notes:

- (1) For prior occupations of each director and officer for the last five years, please see biographies below.
- (2) Represents Common Shares, 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 M&A 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) Mr. Hawkins controls an aggregate of 25,906,437 Common Shares indirectly through CCP FLRISH, LLC, CCP RARCOZ, LLC, CCP URBN LLC, Cresco Capital Partners II, LLC and Cresco Capital Partners, LLC and holds 350 Common Shares directly. As at the date of this AIF, Mr. Hawkins also holds 333,000 Options and 450,000 RSUs directly and controls 35,500 MVS Warrants indirectly through Cresco Capital Partners II, LLC.
- (9) Mr. Bilodeau holds 115,687 Common Shares, 530,109 Options and 58,800 Warrants directly, as well as 172,265 Common Shares indirectly through Emtra Business Services Inc. and 5,319 Common Shares and 3,348 Warrants indirectly through SMN Corp.
- (10) On March 1, 2022, on closing of the Urbn Leaf Acquisition, Mr. Hawkins resigned as Interim CEO and Mr. Schmults was appointed as CEO of the Company. Further, Mr. Norman resigned as a Director and Mr. Schmults was appointed to fill the vacancy.
- (11) As at the date of this AIF, Mr. Schmults holds 7,000,000 Options and 1,500,000 RSUs directly.
- (12) Mr. DiGiovanni holds 75,700 Common Shares directly. As at the date of this AIF, Mr. DiGiovanni also holds 1,275,000 Options and 307 MVS Warrants directly.
- (13) On July 19, 2021, M. Iqbal was appointed as COO of the Company. Mr. Iqbal formerly served as CEO of Sublime.
- (14) Mr. Iqbal holds 460,357 Common Shares and 1,215,000 Options directly.
- (15) On March 1, 2022, on closing of the Urbn Leaf Acquisition, Mr. Senn was appointed as Chief Corporate Development Officer of the Company.
- (16) Mr. Senn holds 4,500,000 Common Shares and 1,500,000 Options directly.
- (17) Mr. Nichols holds 500,000 Common Shares and 1,332,631 Options directly.
- (18) On April 4, 2022, on closing of the Loudpack Acquisition, Mr. Ravner was appointed as President of Integration of the Company and as a director of the Company, filling the vacancy created by the resignation of Mr. Dacks. In addition, Mr. Albert, Mr. Kampian and Mr. Sturner resigned from the Board and Mr. Pottle, Ms. Liff and Ms. Snyder were appointed to fill each vacancy.
- (19) Mr. Albert holds 547,477 Common Shares and 100,000 Options directly.
- (20) Mr. Dacks resigned from the Board effective December 31, 2021.
- (21) Mr. Dacks holds 100,000 Options directly.
- (22) Mr. Kampian holds 39,200 Common Shares, 260,000 Options and 39,200 Warrants directly.
- (23) Ms. Liff holds 500,000 RSUs directly.
- (24) Mr. Norman holds 100,000 Options directly.
- (25) Mr. Pottle holds 500,000 RSUs directly.
- (26) Mr. Ravner holds 200,000 Options directly, as well as 200,000 RSUs directly.
- (27) Mr. Scott holds 150,000 Options and 500,000 RSUs directly, as well as 160,000 Common Shares and 1,600 MVS Warrants indirectly through Littlehorn Investments LLC.
- (28) Mr. Sturner controls an aggregate of 26,031,537 Common Shares through CCP FLRISH, LLC, CCP RARCOZ, LLC, CCP URBN LLC, Cresco Capital Partners II, LLC, Cresco Capital Partners, LLC and Orange Island Ventures, LLC. As at the date of this AIF, Mr. Sturner also holds 227,000 Common Shares and 180,000 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.
- (29) Ms. Snyder holds 450,000 RSUs directly.

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 84,589,624 Common Shares (or approximately 33% of Common Shares).

Biographies

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

Edward Schmults – CEO and Director

Edward Schmults has more than 30 years of experience in global branded consumer products, omnichannel retail, product development, finance, operations, IT, and green and socially responsible businesses, including CEO roles at FAO Schwarz and Wild Things Gear, and COO roles at Patagonia and Red Envelope, where product quality and customer experience drive the brands' success. In addition, Edward has strong operational experience having set up and improved warehouse, logistics, and technology infrastructure at five different companies. Since 2018, Edward has utilized his extensive knowledge as the CEO of Calyx Peak Companies ("CPC"). In his role at CPC, he set the company vision and direction in multiple states. CPC oversaw licensed facilities for cultivation, manufacturing, and distribution in California; cultivation and manufacturing in Ohio; and cultivation in Nevada. Edward has spoken at numerous cannabis investor conferences as well as at MJBizCon, the cannabis industry annual trade show. Edward began his career in investment banking at Goldman, Sachs & Company. Edward is also on the board of directors for Vera Bradley (Nasdaq: VRA) and Board of Advisors of First Insight, a predictive data analytics company. He is a former Vice

Chairman of the Board of REI, the large national outdoor retail company. Mr. Schmults holds an MBA from Harvard Business School and a BA in Economics and Political Science from Yale University.

Matthew K. Hawkins – 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 \$160 million 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 the Company on July 19, 2021. He resigned in connection with the appointment of Edward M. Schmults as CEO of the Company on March 1, 2022.

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 across various industries which included advertising/marketing, wholesale/retail industrial and consumer goods, solar/renewables and commercial/residential real estate development and financing. 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 the Company 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 the Company. 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. Ahmer is leaving the Company effective September 30, 2022.

Will Senn – CCDO

Will Senn is the founder of Urbn Leaf. Will is one of the cannabis industries’ earliest entrepreneurs. Over the past 14 years, he successfully built 8 early-stage medical cannabis businesses. His focus project, Urbn Leaf, is regarded as one of the most successful cannabis retail brands in California. Urbn Leaf holds licenses in all verticals of the industry and maintains a centralized distribution infrastructure to support its retail operations. Will has also been instrumental in the creation of several highly successful cannabis trade associations. Will is a founding board member of the Global Alliance for Cannabis Commerce (GACC), whose sole focus is federal cannabis reform. He is the Founder of the United Medical Marijuana Association (UMMC), the legal cannabis industry 501c6 non-profit trade organization

representing the licensed and permitted cannabis businesses in the City of San Diego. In 2010, he co-founded the Patient Care Association, one of the first medical marijuana industry associations in the country. He was also a founding member of the Alliance for Responsible Medicinal Access, the trade group instrumental in developing the current San Diego City Medical Marijuana Ordinance. Will is also Founder of Citizens for Patient's Rights, the political action committee responsible for cutting edge change in marijuana policy for San Diego County. Will is an industry leader and an expert in the regulatory and political aspects of cannabis business development. He attended San Diego State University, with an emphasis in business. Originally from the Bay Area, he has lived in San Diego, California since 2003.

Marc Ravner – President of Integration and Director

Marc Ravner was a founding member of Loudpack and is currently the President of Integration of the Company. Marc began his professional career by transforming a legacy family parking business into a \$100 million real estate portfolio by introducing innovative management, capital markets knowledge, and making prudent acquisitions. Following that, Marc joined the leadership team of Magnum Real Estate Group, one of the fastest growing residential real estate development and management companies in New York City. At Magnum, Marc managed numerous multimillion-dollar development projects. Marc holds a Bachelor of Arts degree from Boston University and a Master of Science in real estate development from New York University.

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.

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. Jim is also the Managing Partner of Littlehorn Investments, LLC, a Denver-based investment fund focused on investing in, or buying, lower marketing operating businesses. Jim is an Independent Director of Aduro Clean Technologies Inc. (CSE: ACT) and has served on the boards of several private companies, including Denver-based PaySimple Inc. and Recepta Naturals. He is a Past-President and board member of Entrepreneurs and Organization (EO) Colorado. He served eight years on the Board of Trustees of the YMCA of Metropolitan Denver during which he was the Chair of the Finance Committee, a member of the Executive Committee and ultimately Vice Chairman. Jim also has extensive experience as an operator and leader as the President and CEO of two Denver-based companies: Qube Visual and Recepta Naturals. 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. Jim graduated Summa Cum Laude from Boston University School of Management in finance and operations management.

Tiffany Liff – Director

Tiffany began her career as a commercial financial analyst in 1994 at NationsBank in Miami, Florida. In 1996, she transferred to Atlanta, Georgia into a leveraged finance role and eventually landed at Wachovia Bank, where she provided capital to private equity firms to support their acquisitions. During her tenure at Wachovia Bank from 2000 to 2007, Tiffany was responsible for originating, underwriting, syndicating and closing some of the largest leveraged

loans in the distressed debt sector at the time. Tiffany's coverage of the M&A markets for private equity firms allowed her network to expand to large national and international syndicated transactions where she was responsible for closing over \$1 billion dollars in leveraged loans. In 2014, Tiffany founded her own firm, TPL Analytics, which specializes in real estate and cannabis investments on behalf of private equity, legal and high net worth professionals. Tiffany is responsible for all facets of the deal process, including the cultivation of deal flow, underwriting and deal closings on behalf of her network of investors. Over the last two years, along with real estate investing, Tiffany has focused on the cannabis industry; making several investments in the space and bringing capital to various institutions through her private equity and legal networks. Over the last three years, Tiffany has brought over \$20 million dollars of capital to eight different transactions in the cannabis space. In 2018, Tiffany joined Entourage Effect Capital as Head of Underwriting and Portfolio Management. Tiffany sits on the Company's Investment Committee and on various boards of the Company's portfolio companies. Tiffany attended Florida State University, where she obtained an academic scholarship and played as a student athlete. She graduated in 1993 with a B.S. in Finance.

Jonathan Roy Pottle – Director

Mr. Pottle is a seasoned business executive with over thirty-five years of experience in financing, acquiring and operating private and public companies. He is currently Chairman and Chief Executive Officer of American Messaging Services, LLC, a privately held wireless messaging company he co-founded in 2005 that provides critical messaging services throughout the United States. From February 1998 to November 2004, Mr. Pottle was Executive Vice President and Chief Financial Officer of Arch Wireless, Inc., a large publicly traded wireless messaging company and from October 1994 to February 1998, Mr. Pottle was Vice President and Treasurer of Jones Intercable, Inc., a publicly traded cable television company. Prior to October 1994, Mr. Pottle held a variety of senior positions in both Toronto and New York with the Bank of Nova Scotia where he managed a \$3.5 billion media and telecommunications portfolio. Mr. Pottle has served on the board of several public and private companies, most recently he was Chairman of the Board of Crosswinds Holdings, Inc, a publicly traded asset management company. Mr. Pottle holds both a Bachelor of Commerce and an MBA from Concordia University in Montreal, Quebec.

Felicia Snyder – Director

Felicia Snyder is an entrepreneur, corporate strategist, seasoned cannabis executive and brand builder. She is presently Founder and co-CEO of Arcana, an experiential hospitality brand. Ms. Snyder was a Founding Executive at Tokyo Smoke, one of Canada's most recognized cannabis brands and a leading Canadian cannabis retailer, where she helped scale the business through its merger with Doja Cannabis and eventual sale to Canopy Growth. Post-acquisition, she was Vice President at Canopy Growth, managing Canopy's portfolio of premium cannabis brands across all product categories. Prior to Tokyo Smoke, she worked for several years in South Korea with Samsung Electronics in its Global Strategy Group and Smart TV Services Group where she oversaw a variety of projects related to business strategy, acquisitions, investments, partnerships, and development of new products and services. She was also a Senior Market Manager at Google and a Management Consultant at Oliver Wyman, a global consulting firm. She holds an MBA from The Wharton School at the University of Pennsylvania and earned her Bachelor of Commerce at McGill University where she graduated with Great Distinction.

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 CTO, an order similar to a CTO, 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 refile 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 a delay in issuing the financial statements and related management's discussion and analysis for the interim periods ended June 30, 2019 and September 30, 2019. The refile and delay were 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, formerly the Interim CEO of the Company, 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 CTO 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, formerly the Interim CEO of the Company, 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, formerly a director of the Company, 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, formerly the Interim CEO of the Company, was President and a director of Lineage, and previously the Chairman of the Board. Mr. Bilodeau resigned as Chairman of the Board in November 2020 and as Interim CEO 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 its business. Other than the legal proceedings described below, management believes that none of the litigation in which the Company is currently involved, or has been involved since the beginning of the most recently completed financial year is, individually or in the aggregate, material to its combined financial condition or results of operations. 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 continues to operate 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.

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*, was 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 §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 \$11.0 million plus accrued interest. In its ruling, the Tax Court rejected the assertion of penalties by the Internal Revenue Service ("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 period 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. On July 28, 2022, the Company entered into a partial payment and installment agreement with the IRS (the "IRS Agreement") for PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012 as well

as the year ended December 31, 2020. Through the IRS Agreement, the Company is resolving the tax proceeding and related uncertain tax position through the payment of approximately \$5,800,000 which is to be accomplished through \$50,000 per month payments over an expected period of 116 months beginning in August 2022. The monthly payment amount is subject to IRS review every two years. With each review, the payments may adjust up or down depending on PMACC's ability to pay at that time. The Company does not currently expect that any such review by the IRS would result in a material increase or decrease in payments.

In a second Tax Court proceeding related to deductions barred by IRC §280E, the IRS issued a notice of deficiency disallowing all deductions taken in their entirety and asserting that PMACC owed approximately \$16 million in additional taxes and penalties for fiscal 2016. 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 Tax Court calendar sometime during the year ended December 31, 2022. In the meantime, the Company continues to seek a negotiated outcome in this matter.

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 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 the cases for SJW. The Company appealed the Tax Court decisions on May 14, 2021. In an effort to resolve the matter as part of a global settlement, the Company has withdrawn its appeal while it continues to negotiate with the IRS.

Michael Adams, Andrew Coleman, and Other Individuals Similarly Situated 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. On March 4, 2022, PMACC received a notice pursuant to the Labor Code Private Attorneys General Act ("**PAGA**") from former employee Andrew Coleman, a similar claim to Adams. Both matters have been assigned to counsel. It is the intent of the Company to prevail or settle the matter, however, given the fact that this matter is in the motions and discovery phase, it is not possible to determine or predict the scope of any resolution at this time.

Gia Calhoun and Other Individuals Similarly Situated v. FLRish, Inc.

On January 6, 2020, FLRish, Inc. ("FLRish") 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, alleges violations of the Telephone Consumer Protection Act (47 USC §227 et seq.) ("**TCPA**") and seeks class certification with respect to a group of individual plaintiffs alleged to be similarly situated to Ms. Calhoun. As previously disclosed, the parties agreed to stay motions and proceeded to mediation on January 19, 2022. The parties did not reach a settlement during mediation but are in the process of negotiating a settlement amount. It is the intent of the Company to prevail or settle the matter, however, given the fact that this matter is in the motions and discovery phase, it is not possible to determine or predict the scope of any resolution at this time.

John Doe and Other Individuals Similarly Situated v. FLRish, Inc.

On December 13, 2021, the Company received a summons and complaint filed in the Alameda Superior Court by a John Doe. Plaintiff, alleging a violation of the California Confidentiality of Medical Information Act and two violations of the California Business & Professions Code by PMACC, FLRish, and FLRish RMCo. It is the intent of the Company to prevail or settle the matter, however, given the fact that this matter is in the motions and discovery phase, it is not possible to determine or predict the scope of any resolution at this time.

Sublime Concentrates Inc. v. Sublime Machining, Inc.

On September 18, 2018, Sublime entered into a trademark assignment agreement with Sublime Concentrates, Inc. (the "**Counterparty**") for use of certain trademarks. The Counterparty filed suit against Sublime alleging breach of contract regarding the nonpayment for the transfer of the trademark assets. No trial date has been set as both parties continue to engage in settlement negotiations. The Company believes it has meritorious defenses to the alleged causes of action and it is the intent of the Company to prevail in this matter.

Alexander Fang v. Sublime Machining, Inc.

On August 27, 2021, the Company was served with a Demand for Arbitration by Mr. Alexander Fang, a former employee and founder of Sublime. The Company filed its counterclaim alleging breach of fiduciary duty and fraudulent misrepresentation. The Company believes that it has meritorious defenses to the alleged causes of action and it is the intent of the Company to prevail in this matter.

Tony Banks, individually and on behalf of the aggrieved employees pursuant to the Private Attorneys General Act v. Sublime Machining, Inc. dba Sublime Canna

On November 3, 2021, the Company received a summons and complaint filed in the Alameda Superior Court on behalf of Sublime. The plaintiff, Tony Banks, a former employee of the Company, filed a complaint alleging wage and hour violations on behalf of himself and all aggrieved employees pursuant to PAGA. It is the intent of the Company to prevail or settle the matter, however, given the fact that this matter is in the discovery phase, it is not possible to determine or predict the scope of any resolution at this time.

Lilu Financials, LLC v. UL Holdings Inc., UL Management LLC, and Will Senn

On September 24, 2021, Urbn Leaf received a summons and complaint filed by Lilu Financials, LLC ("Lilu"). The Complaint alleges violations of a contract between the parties, under which Lilu and its principal, Roopal Patel, performed CFO services for the Company. Alleged violations include inducement to contract; negligent misrepresentation; breach of contract; promissory estoppel; breach of implied covenants; breach of Unruh Civil Rights Act; common counts – accounts stated and common counts – goods and services. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Jeffery Stillwell v. 680 Broadway Master, LLC

On December 23, 2021, Urbn Leaf received a summons and complaint filed by former employee Jeffery Stillwell ("Stillwell") in Monterey County Superior Court alleging certain violations of labor and employment law. 680 Broadway Master LLC entered into a stipulation with Stillwell to refer the matter to binding arbitration. On September 21, 2021, Stillwell refiled the matter in arbitration. This matter is currently in the discovery phase. It is the intent of the Company to prevail in this matter.

Bubba Likes Tortillas, LLC v. New Origins Management, Inc., San Diego Alternative Treatment Center Cooperative d.b.a. Southwest Patient Group, Wayne Alexander Scherer, Rezwan H. Kwan

In 2021, Urbn Leaf received a summons and complaint filed by Bubba Likes Tortillas, LLC alleging violations of a contract between the parties. More specifically, the plaintiff alleged a loss of revenue and income opportunity for violations of local regulations. Southwest Patient Group changed its name to Uprooted Inc. and was subsequently acquired by UL Holdings Inc. These claims occurred prior to UL Holdings Inc. acquiring Uprooted Inc. It is the intent of the Company to prevail in this matter.

Jeffery Rivera and Natasha Heacock on behalf of the State of California as Private Attorney Generals v. ULBP Inc. et al

On April 19, 2022, former employees of Urbn Leaf filed a Representative Action Claim in the Superior Court, County of Santa Clara against ULBP Inc., a subsidiary of Urbn Leaf and other parties. The complaint alleges a violation of PAGA and an award of attorneys' fees and costs. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Joshua Bubeck v. StateHouse Holdings Inc., Harborside Inc., UL Management LLC, UL Holdings Inc., Edward Schmults, and Will Senn

On August 25, 2022, the Company received a complaint on behalf of a former executive and Company co-founder, Joshua Bubeck. The complaint alleges: Breach of Fiduciary Duties; Aiding and Abetting (Breach of Fiduciary Duty); Conversion; Aiding and Abetting (Conversion); Negligent Misrepresentation; Wrongful Termination; Implied In Fact Control; Unjust Enrichment; Violation of Labor Code 432.6; Violation of Labor Code 98.6; Whistleblower Retaliation; Failure to Reimburse; Failure to Pay Wages; Failure to Pay Timely Wages; Failure to Furnish Timely and Accurate Wage Statements; and Business and Professions Code 17200. This matter has been referred to the Company's insurance carrier and counsel. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Denise M. Harbison v. Twyla Williams; and Uprooted, Inc.

On or about September 9, 2022, the Company received a complaint that was filed August 26, 2022 related to a vehicle accident. The complaint alleges two claims- negligence, and negligence per se. This matter has been tendered to the Company's insurance provider. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Norguard Insurance Company v. Calgen Trading, Inc. dba Urbn Leaf and 909 West Vista Way LLC

On September 15, 2022, 909 West Vista Way LLC received a complaint alleging that one of the Company's contracted security guards was injured on the job in May of 2020. Plaintiff, who is the worker's compensation insurance carrier for the contracted security company, is seeking compensatory damages. This matter has been referred to the Company's insurance carrier. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Martin Jauregui and Other Individuals Similarly Situated v. LPF RE Manager, LLC

In October 2019, LPF RE Manager, LLC received a summons regarding wage and hour claims related to Loudpack's security screening procedures (the "Jauregui class action"). The parties have executed a class action settlement agreement (the "Jauregui settlement") and have agreed on a maximum settlement amount. The settlement payments must be paid over biweekly payments starting 30 days after final approval, which is expected to be in late 2023. On June 29, 2022, the court granted preliminary approval of the settlement. The settlement is now moving into the claims administration process.

Maria Adan and Other Individuals Similarly Situated v. LPF RE Manager, LLC

In October 2020, LPF RE Manager LLC received a summons alleging a second wage and hour claim related to the Company's security screening procedures. The parties executed class action settlement agreement and on June 29, 2022, the trial court granted preliminary approval of the class and PAGA settlement. The settlement is now moving into the claims administration process. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Jose Zamudio and Sandra Gasca v. LPF RE Manager, LLC et al

In February 2020, LPF RE Manager, LLC was served with a summons dated February 6, 2020 for a third wage and hour claim related to security screening procedures. This case is currently stayed pending the outcome of the two above mentioned wage and hour cases related to Loudpack's security screenings. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Abigail O'Flaherty v. Greenfield Prop Owner II, LLC and Greenfield Organix

In September 2020, Greenfield Prop Owner II, LLC received a complaint alleging personal injury damages arising from a car accident that occurred in May 2019 involving a Company owned vehicle. Loudpack tendered a claim with its insurance provider and is being defended by panel counsel retained through insurance. Discovery is ongoing. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Gregory Bannon v. Steven Swanson; Greenfield Prop Owner II, LLC

On November 23, 2021, Greenfield Property Owner II, LLC was served a complaint alleging personal injury and property damage. On July 18, 2022, Plaintiff's counsel sent a statutory offer to compromise. The Company was notified that the matter was settled as of September 19, 2022. The Court has scheduled a Compliance Hearing regarding Dismissal for December 12, 2022.

Elliot Espinoza v. Loud Pack Farms, Loudpack Inc., Loud Pack Legendx LLC, Loud Pack Legendz Inc., Greenfield Organix Inc., et al

In September 2021, Loudpack was served with a complaint for compensatory damages alleging claims for product liability, misrepresentation and negligence. The plaintiff has alleged that in January 2019, he ingested Kingpen Skywalker OG and Select Adjustable Pro vaporizer products and had an adverse reaction to the products resulting in serious bodily injury. Loudpack tendered a claim with its insurance carrier to assist in the defense of this matter. The case is currently in the discovery process. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Robby Castillo Ordonez and Jessica Carolina Hernandez Rodriguez de Castillo v. Holistic Healing Alternative, Inc., LP-KP IP Holdings, LLC and Greenfield Organix

On July 25, 2022, the Company was served with a summons and complaint alleging a breach of statutory obligation, negligent exercise of retained control, premises liability, civil harassment, Bane civil rights act and loss of consortium. The Company denies any direct or indirect involvement with the plaintiff's claims, or any potential liability in this matter. This matter has been referred to Company's counsel and insurance carrier. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Monterey County Office of the Assessor v. Greenfield Prop Owner II, LLC

On or about October 4, 2021, the Greenfield Prop Owner II, LLC received a letter from the Monterey County Office of the Assessor regarding an appeal of supplemental assessments due to an increased assessed value for the Cherry Avenue property in Greenfield. This matter has been referred to Company's counsel. It is the intent of the Company to prevail or settle the matter, however, it is not possible to determine or predict the scope of any resolution at this time.

Employment Agreements

Certain of the Company's employees have employment agreements under which the Company is obligated to make severance payments, accelerate vesting of stock options and provide other benefits in the event of the employee's termination, change in role or a change in control as defined in such agreements.

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 Common 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 James E. Scott (Chair), J. Roy Pottle and Tiffany Liff, 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.

James E. Scott (Chair)

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. Jim is also the Managing Partner of Littlehorn Investments, LLC, a Denver-based investment fund focused on investing in, or buying, lower marketing operating businesses. Jim is an Independent Director of Aduro Clean Technologies Inc. (CSE: ACT) and has served on the Board of several private companies, including Denver-based PaySimple Inc. and Recepta Naturals. He is a past President and board member of Entrepreneurs and Organization (EO) Colorado. He served eight years on the board of trustees of the YMCA of Metropolitan Denver during which he was the chair of the finance committee, a member of the executive committee and ultimately Vice Chairman. Jim also has extensive experience as an operator and leader as the President and CEO of two Denver-based companies: Qube Visual and Receptra Naturals. 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. Jim graduated Summa Cum Laude from Boston University School of Management in finance and operations management.

Tiffany Liff

Tiffany began her career as a commercial financial analyst in 1994 at NationsBank in Miami, Florida. In 1996, she transferred to Atlanta, Georgia into a leveraged finance role and eventually landed at Wachovia Bank, where she provided capital to private equity firms to support their acquisitions. During her tenure at Wachovia Bank from 2000 to 2007, Tiffany was responsible for originating, underwriting, syndicating and closing some of the largest leveraged loans in the distressed debt sector at the time. Tiffany’s coverage of the M&A markets for private equity firms allowed her network to expand to large national and international syndicated transactions where she was responsible for closing over \$1 billion dollars in leveraged loans. In 2014, Tiffany founded her own firm, TPL Analytics, which specializes in real estate and cannabis investments on behalf of private equity, legal and high net worth professionals. Tiffany is responsible for all facets of the deal process, including the cultivation of deal flow, underwriting and deal closings on behalf of her network of investors. Over the last two years, along with real estate investing, Tiffany has focused on the cannabis industry; making several investments in the space and bringing capital to various institutions through her private equity and legal networks. Over the last three years, Tiffany has brought over \$20 million dollars of capital to eight different transactions in the cannabis space. In 2018, Tiffany joined Entourage Effect Capital as Head of Underwriting and Portfolio Management. Tiffany sits on the Company’s Investment Committee and on various boards

of the Company's portfolio companies. Tiffany attended Florida State University, where she obtained an academic scholarship and played as a student athlete. She graduated in 1993 with a B.S. in Finance.

Jonathan Roy Pottle

Mr. Pottle is a seasoned business executive with over thirty-five years of experience in financing, acquiring and operating private and public companies. He is currently Chairman and Chief Executive Officer of American Messaging Services, LLC, a privately held wireless messaging company he co-founded in 2005 that provides critical messaging services throughout the United States. From February 1998 to November 2004, Mr. Pottle was Executive Vice President and Chief Financial Officer of Arch Wireless, Inc., a large publicly traded wireless messaging company and from October 1994 to February 1998, Mr. Pottle was Vice President and Treasurer of Jones Intercable, Inc., a publicly traded cable television company. Prior to October 1994, Mr. Pottle held a variety of senior positions in both Toronto and New York with the Bank of Nova Scotia where he managed a \$3.5 billion media and telecommunications portfolio. Mr. Pottle has served on the boards of several public and private companies, most recently he was Chairman of the Board of Crosswinds Holdings, Inc, a publicly traded asset management company. Mr. Pottle holds both a Bachelor of Commerce and an MBA from Concordia University in Montreal, Quebec.

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(s) invoiced approximately \$325,000 for the financial year ended December 31, 2021 and C\$845,000 for the financial year ended December 31, 2020.

Audit-Related Fees – The Company's external auditor(s) invoiced nil for the financial year ended December 31, 2021 and C\$89,100 for the financial year ended December 31, 2020. These fees related to work performed in relation to the RTO Transaction.

Tax Fees – The Company's external auditor(s) invoiced nil for the financial year ended December 31, 2021 and C\$30,200 for the financial year ended December 31, 2020.

All Other Fees – The Company's external auditor invoiced no other audit fees for the financial years ended December 31, 2021 and 2020.

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 Term Loan;
- the Facility;
- the Sublime Agreement,
- the Urbn Leaf Agreement;
- the Loudpack Agreement;
- the Senior and Junior Carryover Notes;
- the Senior Secured Debt Agreement;
- the ACS Agreements; and
- the IRS 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 the Company or of an associate or affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate or affiliate of the Company and no such person is a promoter of the Company or an associate or affiliate of the Company.

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 in 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 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 CSA 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 CSA, 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 record keeping 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 Common Shares 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. 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. Please refer to the section titled “*Mandated Disclosure for Canadian Companies with U.S. Marijuana-Related 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.

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 "know your customer" (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

Following the Mandatory Conversion, the Company no longer meets the definition of 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 and will be required to register under the U.S. Securities Act beginning in 2023. Going forward, the Company will be subject to the U.S. Securities and Exchange Commission's ("SEC") reporting requirements applicable to U.S. domestic companies. The SEC's reporting requirements will require, among other things, the Company to comply with enhanced periodic reporting, proxy requirements, and the Company's officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the U.S. Exchange Act. The Company will be required to file periodic reports and registration statements on U.S. domestic issuer forms containing financial statements and financial data prepared in accordance with U.S. GAAP, which are more detailed and extensive than the forms available to a "foreign private issuer". As a result, the Company's regulatory and compliance costs may be significantly higher once it ceases to be a "foreign private issuer". 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 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 Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid until an alternative was implemented, and investors would have no ability to effect a trade of the Common Shares 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.

More specifically, some courts have determined that contracts relating to state legal cultivation and sale of cannabis are unenforceable on the grounds that they are illegal under federal law and therefore void as a matter of public policy. This could substantially impact the rights of parties making or defending claims involving the Company and any lender or member of the Company.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Notwithstanding that cannabis related businesses operate pursuant to the laws of states in which such activity is legal under state law, judges have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company will be able to legally enforce contracts it enters into if necessary. As the Company cannot be assured that it will have a remedy for breach of contract, investors must bear the risk of the uncertainty in the law. If borrowers fail or refuse to repay loans and the Company is unable to legally enforce its contracts, the Company may suffer substantial losses for which it has no legal remedy.

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 CSA, 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 CSA’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 it has sufficient capital 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 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 additional U.S. federal income tax, which would have a material adverse effect on the Company's business

With respect to PMACC and SJW, 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 its 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 CSA, 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. As part of its strategy to continue to negotiate with the IRS, the appeal was voluntarily withdrawn. The SJW Tax Liability has not yet been formally assessed by the IRS and the matter is likely to be referred to a revenue officer once this is complete. At that time, it is anticipated that a partial installment 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 Common Shares 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 Common Shares 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 Common Shares.

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 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 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.

Controlling shareholder risk

There are certain shareholders that have concentrated control through the number of Common Shares held which 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 Common Shares to consummate such a transaction that the Company's other shareholders do not support. In addition, the holders of Common Shares may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company's business. As well, sales of a substantial number of Common Shares by the concentrated shareholders could cause the market price for the Common Shares to decline.

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

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

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 CAO, 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.

Currency fluctuations

Due to the Company's present operations in the U.S., and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in U.S. dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial position or results of operations.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company becoming more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional Common Shares in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Securities class action litigation risks

The Company may from time to time be involved in various claims, class actions, legal proceedings, and disputes. As of the date of this AIF, the Company is not aware of any such current 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 from 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, pests, diseases 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 pests 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 products. 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 products 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. 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.

Climate Change Risks

Over the past several years, changing weather patterns and climatic conditions due to natural and man-made causes have added to the unpredictability and frequency of extreme weather events such as severe weather, heat waves, wildfires, flooding, hailstorms, snowstorms, and the spread of disease and insect infestations. These events could damage, destroy or hinder the operations at the Company's physical facilities, or the facilities of the Company's suppliers or customers, and adversely affect the financial results of the Company as a result of decreased production output, increased operating costs or reduced availability of transportation.

Government action to address climate change, greenhouse gas (GHG) emissions, water and land use may result in the enactment of additional or more stringent laws and regulations that may require the Company to incur additional capital expenditures, pay higher taxes, increased transportation costs, or could otherwise adversely affect the Company's financial conditions.

In addition, increasingly the Company's employees, customers and investors expect that the Company minimize the negative environmental impacts of its operations. Although the Company makes efforts to create positive impacts where possible and anticipate potential costs associated with climate change, failure to mitigate the risks of climate change and adequately respond to their changing expectations as well as those of governments on environmental matters, could result in missed opportunities, additional regulatory scrutiny, loss of team members, customers and investors, and adverse impact on the Company's brand and reputation.

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 of 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 had 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 COVID-19. 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 have been 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 the Company and other cannabis operators throughout both states has been protected. The Company'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 a 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 U.S. 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 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.

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 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, tsunamis, 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.

Significant demands related to the Mergers

As a result of the pursuit and completion of the Mergers, significant demands will be placed on the managerial, operational and financial personnel and systems of the Company. The Company cannot provide any assurance that its systems, procedures and controls will be adequate to support the expansion of operations and associated increased costs and complexity following and resulting from the Mergers. The future operating results of the Company following completion of the Mergers will be affected by the ability of its officers and key employees to manage changing business conditions, to integrate the acquisition of Loudpack and Urbn Leaf, to complete a new business strategy and to improve its operational and financial controls and reporting systems.

Each of the Loudpack Acquisition and the Urbn Leaf Acquisition have been agreed to with the expectation that its completion will result in enhanced growth opportunities for the Company following completion thereof. These anticipated benefits will depend in part on whether the Company, Loudpack, and Urbn Leaf operations can be integrated in an efficient and effective manner. The extent to which synergies are realized and the timing of such cannot be assured. A number of risks and uncertainties are associated with the development of these types of synergies, including political, regulatory delays, design, labour, operational efficiencies, technical and technological risks, facility design errors, environmental factors, non-performance by third party contractors, failure of equipment, contractor or operator errors, major incidents or catastrophic events, uncertainties relating to capital and other costs and financing risks. It is likely that actual results of the Company will differ from its current estimates and assumptions leading up to the Mergers, and these differences may be material. In addition, experience from actual growing, cultivating, or selling operations in the future may identify new or unexpected conditions which could reduce sales and increase capital and/or operating costs above current estimates. If actual results are less favourable than current estimates, the Company's business, results of operations, financial condition and liquidity could be adversely impacted.

Successful integration of the businesses

The integration of the Company, Loudpack and Urbn Leaf will require the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, the integration process could result in disruption of existing relationships with suppliers, employees, customers and other constituencies of each party. There can be no assurance that management will be able to integrate the operations of each of the businesses successfully or achieve any of the synergies or other benefits that are anticipated as a result of the Mergers. The integration of the Company, Loudpack and Urbn Leaf will present challenges to management, including the integration of systems and personnel of each such party which may be geographically separated and result in unanticipated liabilities and unanticipated costs. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Mergers. The performance of the Company's operations after completion of the Mergers could be adversely affected if the Company cannot retain key employees to assist in the integration and operation of the Company, Loudpack and Urbn Leaf.

The completion of each of the Loudpack Acquisition and Urbn Leaf Acquisition may pose special risks, including one-time write-offs, restructuring charges and unanticipated costs. Although the Company and its advisors have conducted due diligence on the various operations of each of Loudpack and Urbn Leaf, there can be no guarantee that the Company will be aware of any and all liabilities of Loudpack and Urbn Leaf. As a result of these factors, it is possible that certain benefits expected from the Company's acquisition of Loudpack and/or Urbn Leaf may not be realized. Any inability of management to successfully integrate the operations could have an adverse effect on the business, financial condition and results of operations of the Company.

Completion of the Mergers may create contractual risks

The Loudpack Acquisition and the Urbn Leaf Acquisition may be considered a change of control under existing contracts of the Company, Loudpack and Urbn Leaf, as applicable, allowing counterparties to terminate or modify such contracts as a result of the change in ownership. If the counterparty to any such contract were to validly seek to renegotiate or terminate the contract on that basis, this may have a material adverse effect on the financial performance of the Company.

Risks relating to the businesses of Loudpack and Urbn Leaf

While the Company has completed due diligence investigations, including reviewing legal, tax accounting, financial and other matters, on each of Loudpack and Urbn Leaf, certain risks either may not have been uncovered or are not known at this time. Such risks may have an adverse impact on the Company following the Mergers and may have a negative impact on the value of the shares of the Company, including the Common Shares issuable as consideration under the Mergers.

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 can cause smoke and ash to block essential sunlight from reaching cannabis crops. Wildfires have the potential to materially disrupt supply chains, operations, and the 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.

Russia-Ukraine Conflict

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. In addition, certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain.

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 Management Information Circular. 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.

“**A&R Plan**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**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*”.

“**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*”.

“**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*”.

“**Bank Warrants**” has the meaning ascribed thereto under “*Three Year History*”.

“**Bay Area**” means the San Francisco Bay Area of California.

“**BCC**” has the meaning ascribed thereto under “*Description of the Business*”.

“**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.

“**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*”.

“**Common Shares**” means the common shares in the capital of the Company.

“**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*”.

“**Consolidation Ratio**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**Conversion Limitation Officer**” has the meaning ascribed thereto under “*Description of Capital Structure*”.

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

“**Conversion Rights**” 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.

“**CSA**” means the United States Controlled Substance Act.

“**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*”.

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

“**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.

“**Facility**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**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*”.

“**FGW Subsequent Agreement**” 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*”.

“**forward-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*”.

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

“**Greenfield Campus**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**House**” means the United States House of Representatives.

“**IFRS**” means International Financial Reporting Standards.

“**Indebtedness**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**Inversion**” has the meaning ascribed thereto under “*Risk Factors*”.

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

“**IP**” has the meaning ascribed thereto under “*Description of the Business*”.

“**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*”.

“**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 Acquisition**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**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*”.

“**Management Information Circular**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**Mandatory Conversion**” 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*”.

“**Mergers**” 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*”.

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

“**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*”.

“**Name Change**” has the meaning ascribed thereto under “*General Development of the Business*”.

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

“**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*”.

“**OMMP**” has the meaning ascribed thereto under “*Description of the Business*”.

“**Onco**” means Onco Petroleum Inc.

“**Option**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**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**” means Pelorus Fund REIT, LLC.

“**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.

“**Project**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**Salinas Production Campus**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**Q1 2020 Filings**” 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*”.

“**Reclassification**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**Retailers**” has the meaning of other retail dispensaries, delivery services and distributors.

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

“**RSU**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**RTO Merger Agreement**” 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*”.

“**Shareholders**” has the meaning ascribed thereto under “*General Development 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 Meeting**” has the meaning ascribed thereto under “*General Development of the Business*”.

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

“**Specified Amount**” has the meaning ascribed thereto under “*Description of Capital Structure*”.

“**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*.

“**Subject Bid**” has the meaning ascribed thereto under “*Description of Capital Structure*”.

“**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.

“**Term Loan**” has the meaning ascribed thereto under “*General Development of the Business*”.

“**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. DOJ**” means the United States Department of Justice.

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

“**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.

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

“**Urbn Leaf**” means UL Holdings Inc. and its subsidiaries.

“**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*”.

“**Urbn Leaf Acquisition**” has the meaning ascribed thereto 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*”.

“**Waterfall Subs**” has the meaning ascribed thereto under “Three Year History”.

“**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:
 - (c) reviewing the audit plan with management and the external auditor;

- (d) 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;
 - (e) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (f) 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;
 - (g) 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;
 - (h) 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;
 - (i) reviewing interim unaudited financial statements before release to the public;
 - (j) 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;
 - (k) reviewing the evaluation of internal controls by the external auditor, together with management's response;
 - (l) reviewing the terms of reference of the internal auditor, if any;
 - (m) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - (n) 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.