

# **COPLAND ROAD CAPITAL CORPORATION**

**Formerly Nabis Holdings Inc.**

**Management's Discussion and Analysis**

For the year December 31, 2021

(Expressed in Canadian dollars unless stated otherwise)

COPLAND ROAD CAPITAL CORPORATION (FORMERLY NABIS HOLDINGS INC.)  
MANAGEMENT DISCUSSION AND ANALYSIS  
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## **GENERAL**

The following Management’s Discussion and Analysis (“MD&A”) has been prepared by management and is provided to enable readers to assess the results of operations and financial condition of Copland Road Capital Corporation (formerly Nabis Holdings Inc.) (“CRCC”) for the year ended December 31, 2021. This MD&A should be read in conjunction with the Company’s annual audited consolidated financial statements and related notes for the year ended December 31, 2021. The terms “CRCC”, the “Company”, “we”, “us”, and “our” in the following MD&A refer to Copland Road Capital Corporation. All amounts, unless noted otherwise, are presented in Canadian dollars and are based on financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements, along with additional information on the Company, are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Board of Directors of the Company under the recommendation of its Audit Committee has approved the contents of this MD&A, and this report covers other relevant information available up to May 2, 2022.

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains certain information that may constitute forward-looking statements or forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements are frequently, but not always, identified by words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions or statements (including negative and grammatical variations thereof) suggesting that events, conditions or results “will”, “may”, “could”, or “should” occur or be achieved. Forward-looking statements are statements concerning the Company’s current beliefs, estimates, plans, projections, assumptions and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions used in management estimates turn out to be incorrect, incomplete or flawed in any respect; (ii) operations are disrupted or suspended due to acts of god, unforeseen government actions or other events; (iii) the Company experiences the loss of key personnel; (iv) the Company’s operations are adversely affected by other political, military or terrorist activities; (v) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vi) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver their services in a timely manner. Other risks are more fully described under the heading “Financial Risk Management” below. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. For the reasons set forth above, investors should not place undue reliance on the Company’s forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **NON-IFRS FINANCIAL MEASURES**

The Company’s financial statements are prepared using IFRS; whereas, this MD&A refers to certain non-IFRS measures such as Adjusted EBITDA and EBITDA (defined under the “Non-IFRS Financial Measures” section of this report). Non-IFRS measures are used externally to provide a supplemental measure of the Company’s operating

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performance, facilitate comparisons, and enable analysis of the Company's ability to meet future capital and working capital requirements. Management uses them internally to prepare operating budgets and assess performance. These measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

## COMPANY OVERVIEW

The Company was formed by amalgamation under the Canada Business Corporations Act on October 31, 2002. The amalgamated entity was named "Innovative Properties Inc." and its common shares became listed and posted for trading on the TSX Venture Exchange under the symbol "INR".

On September 2, 2014, the Company announced that it had received final approval to list its common shares on the Canadian Securities Exchange ("CSE"). The Company's common shares commenced trading on the CSE effective September 3, 2014, under the symbol "INR". It received consent from the TSX Venture Exchange to voluntarily delist its shares effective upon the closing of markets on September 5, 2014.

On May 29, 2019, the Company changed its name to Nabis Holdings Inc. and CSE ticker symbol to "NAB" and continued into British Columbia.

In October 2020, the Company entered into a support agreement (the "Support Agreement") with certain holders (the "Debentureholders") of the Company's \$35,088,000 principal amount of 8% unsecured convertible debentures ("Debentures"). Pursuant to the Support Agreement, the Debentureholders agreed to support a recapitalization plan for the Company that, subject to required approval of the Company's creditors and the Ontario Superior Court of Justice, resulting in the recapitalization of the Debentures and all other debts of the Company, including the June 30 and September 30 missed interest payments (the "Recapitalization"). The Recapitalization was implemented pursuant to a proposal ("Proposal") under the Bankruptcy and Insolvency Act of Canada (the "BIA") which was filed with the Official Receiver on November 23, 2020 and became effective on January 26, 2021.

The substantive effect of the Proposal was to: (i) cancel all of the existing equity claims on the capital of the Company; (ii) to satisfy unsecured creditors' claims by issuing to each unsecured creditor its pro rata share of (a) 3,700,000 new common shares in the capital of the Company; and (b) \$23,000,000 in new 5.3% Senior Unsecured Notes due in 2023 (the "Notes"); and (iii) to release the Company, its affiliates, and the Debentureholders who were parties to the Support Agreement and each of their current and former officers, directors, principals, and employees from certain claims pursuant to the BIA.

In March 2021, the Company disposed of its principal asset, the Emerald Dispensary in Phoenix, Arizona, for \$11,250,000 in cash, 541,994 Class A Subordinate Voting Shares ("Verano Shares") of Verano Holdings Inc., and a Promissory Note of \$6,125,000. The Promissory Note was satisfied in May of 2021 by the issuance of a further 350,644 Verano Shares.

In December 2021 the Company completed a Plan of Arrangement under the *British Columbia Business Corporations Act* that had the effect of selling the Verano Shares to a third party and using the proceeds from such sale to repurchase all of the \$23 million Notes for \$14,720,000.

Subsequent to year end, the Company changed its name to Copland Road Capital Corporation and changed its trading symbol on the CSE to "CRCC".

## GOING CONCERN

The Company has incurred losses and has had negative cash flows from operations from inception that have primarily been funded through financing activities. As at December 31, 2021, the Company had working capital of \$1,197,183 and an accumulated deficit of \$1,445,367. The Company currently has no business operations that generate revenue

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or net income. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, through the private placement of common shares, issuance of loans and convertible loans.

**OVERALL PERFORMANCE**

During the year ended December 31, 2021, the Company's primary focus was to maximize and realize upon the value of its assets in order to discharge its liabilities and to position itself so as to be able to create tangible value for its shareholders.

Retail and wholesale revenues for the year ended December 31, 2021 were \$nil due to the Emerald Dispensary being classified as discontinued operations in 2021 and disposed of effective March 10, 2021 (December 31, 2020 - \$13,914,844). Gross profit for the year ended December 31, 2021 was \$nil (2020 - \$5,821,510). The Company also reported reduced operating expenses of \$1,437,916 during the year, a decrease of 86% from the 2020 period of \$10,239,308.

Net income for the year was \$21,421,039 compared to the loss of \$18,372,926 for the period ended December 31, 2020. Basic and diluted loss per share improved from a loss of \$0.16 per share in the 2020 period to a gain of \$1.72 per share for the year ended December 31, 2021.

**SELECTED ANNUAL INFORMATION**

	2021	2020	2019
Revenue	\$ 2,919,338 <sup>1</sup>	\$ 13,914,844	\$ 2,232,396
Net income (loss)	21,421,039	(18,372,926)	(26,290,647)
Total assets	1,399,120	20,609,831	37,506,023
Total current financial liabilities	(201,937)	-	-
Total non-current financial liabilities	-	-	26,042,253
Basic and diluted loss per share	\$ 1.72	\$ (0.16)	\$ (0.24)

- Revenue for the year ended December 31, 2021 was \$nil compared to \$13,914,814 in fiscal 2020 and \$2,232,396 in 2019. Revenue earned in 2021 was earned from the Company's dispensary in Arizona which was classified as discontinued operations during the period. Fiscal 2019 represents the results of operations from October 11, 2019 to December 31, 2019. The Company did not have any operational assets in fiscal 2018.
- Net income in 2021 was \$21,421,039 due to one-time gains on the sale of the Emerald Dispensary and the restructuring of the Company's debt obligations.
- Net loss in fiscal 2020 decreased significantly compared to 2019 as the Company conducted a fulsome cost containment exercise and reduced discretionary spend on consulting and management fees, sales and marketing, travel and business development and investor relations costs.
- Total assets of the Company decreased in 2021 compared to 2020 as the Company disposed of the Emerald Dispensary and used the proceeds to discharge indebtedness.

<sup>1</sup> 2021 Revenue arose as a result of discontinued operations but is included in this table for comparability with the prior period.

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**SUMMARY OF QUARTERLY RESULTS**

	December 31 2021	September 30, 2021	June 30, 2021	March 31, 2021 <sup>2</sup>
Revenue	nil	nil	nil	2,919,338
Cost of goods sold	nil	nil	nil	(1,707,538)
Gross profit	nil	nil	nil	1,243,338
Total operating expenses	(32,702)	(449,079)	(350,452)	(1,778,653)
Other income (expenses)	7,778,348	(6,166,952)	(5,046,887)	26,787,023
Net income (loss)	7,745,646	(6,616,031)	(5,397,339)	25,688,763
Weighted-average number of shares outstanding	5,187,228	5,100,000	4,453,846	33,813,734
Earnings (Loss) per share	1.49	(1.30)	(1.21)	0.76

  

	December 31 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	3,470,161	4,149,947	3,987,777	2,306,959
Cost of goods sold	(2,327,266)	(2,290,375)	(2,144,880)	(1,330,813)
Gross profit	1,142,895	1,859,572	1,842,897	976,146
Total operating expenses	(4,952,705)	(2,434,653)	(2,195,626)	(2,411,815)
Other income (expenses)	(2,711,759)	(5,112,127)	(1,849,101)	(2,253,599)
Net loss	(6,794,620)	(5,687,208)	(2,201,830)	(3,689,268)
Weighted-average number of shares outstanding	121,729,441	120,790,309	118,129,437	118,085,479
Loss per share	(0.04)	(0.06)	(0.2)	(0.03)

**Results of Operations for the year ended December 31, 2021**

The Company reported \$nil revenue (2020 – \$13,914,844) and \$nil gross profit (2020 - \$5,821,510) for the year ended 2021. The Company’s operating business was sold during the period and was classified as discontinued operations in all reporting periods.

During the year ended December 31, 2021, the Company incurred \$1,930,493 in operating expenses compared to \$6,964,342 for the comparative period in fiscal 2020. The Company recognized \$nil in share-based compensation expenses (2020 – 243,757) and \$492,577 (2020 -\$1,474,642) in depreciation and amortization expenses.

**OUTLOOK**

**Impact of Covid-19**

The rapid spread of COVID-19 has affected both people and global operations and may continue to do so for the foreseeable future. The extent of the financial and operational impact of COVID-19 has yet to be fully determined. The Company operates in a remote work environment and currently views the risks presented by COVID-19 to be manageable.

The Company has recently discharged its remaining liabilities and is currently evaluating certain transactions with the goal of creating tangible and sustainable value for its shareholders. Management can offer no assurances that any of these transactions will be executed, on favourable terms or at all.

<sup>2</sup> Quarterly results for the period ending March 31, 2021 include the results of discontinued operations for comparability purposes.

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**LIQUIDITY AND CAPITAL RESOURCES**

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements.

At December 31, 2021, the Company had \$201,937 in current liabilities, consisting of trade payables and accrued liabilities (December 31, 2020 - \$43,476,237)

	December 31, 2021		December 31, 2020	
Current assets	\$	1,399,120	\$	2,734,626
Current liabilities		(201,937)		(43,476,235)
Working capital (deficit)	\$	\$1,197,183	\$	(40,741,609)

The Company had net income of \$21,421,039 for the year ended December 31, 2021 compared to a net loss of \$18,372,926 for the year ended December 31, 2020. At December 31, 2021, the Company has an accumulated deficit of \$1,445,367 (December 31, 2020 - \$47,971,674).

The Company's ability to continue as a going concern is dependent upon its ability to finance operations with cash inflows derived from capital raises and new business opportunities. Future development of the Company will depend on the Company's ability to obtain additional capital through one or more financings. The Company has historically financed its operations primarily through the sale of share capital by way of private placements and through debenture issuances. Funding for potential future development obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through debt and equity financing, or other means. There can be no assurances that the Company will be successful in obtaining such financing on attractive terms, or at all. Failure to obtain such additional financing could result in the delay or indefinite postponement of further development of the Company's operations.

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, and any other component of Shareholder's equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to fund expenses for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach from the year ended December 31, 2021.

The Company's capital transactions during the year ended December 31, 2021 are as follows:

In January 2021, the Company implemented the Proposal, which cancelled all of the equity claims on the capital of the Company for no consideration and satisfied all of the unsecured claims of the Company by issuing to each its pro rata share of 3,700,000 new common shares and \$23,000,000 in the Notes.

In May 2021, the Company issued 1,400,000 common shares in a private placement for gross proceeds of \$252,000.

In December 2021, the Company completed a Plan of Arrangement between the Company, the holders of the Notes, and Odyssey Trust as Trustee for the Notes that had the effect of cancelling the Notes for an aggregate payment of \$14,720,000.

In December, 2021, the Company issued 2,675,000 common shares in a private placement for gross proceeds of \$535,000.

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The Company expects that cash on hand, along with any future private and/or public financing, will be adequate to meet the Company’s operational needs for the next 12 months.

**OUTSTANDING SHARE DATA**

DESCRIPTION	AUTHORIZED CAPITAL OF THE COMPANY	OUTSTANDING AS OF THE DATE OF THIS MD&A
Common Shares		7,775,000
Restricted Share Units	Up to 10% of the I/O Common Shares	Nil
Performance Share Units	Up to 10% of the I/O Common Shares	Nil
Stock Options	Up to 10% of the I/O Common Shares	Nil

The authorized share capital of the Company consists of an unlimited number of common shares. At year end, the Company had 7,775,000 common shares issued and outstanding. As of the date of this MD&A, the Company has 7,775,000 common shares outstanding.

**Restricted Stock Units (“RSUs”)**

During fiscal 2021, the Company adopted an omnibus Long-Term Incentive Plan (“LTIP”) which provides for the issuance to executive officers, employees and consultants certain Restricted Share Units (“RSUs”), Performance Share Units (“PSUs”) and Common Share Purchase Options (“Options”). As of the date of this MD&A, there are nil RSUs, nil PSUs, and nil Options issued and outstanding.

**RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

	December 31, 2021	December 31, 2020
Management and consulting fees	\$190,941	\$152,536
Salaries and wages	-	978,521
Share-based compensation	-	227,743
	<b>\$190,941</b>	<b>\$1,358,800</b>

At December 31, 2021, \$nil (December 31, 2020 - \$nil) is included in trade payables and accrued liabilities for amounts owing to related parties.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.

**FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The fair value of the Company’s financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1      Unadjusted quoted prices in active markets for identical assets or liabilities

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Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk

There were no transfers between the levels of the fair value hierarchy during the year.

### **Financial Risk Factors**

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### ***Market risk***

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

#### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and its trade receivables. Cash deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and convertible debenture financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

#### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign currency risk.

#### ***Asset forfeiture risk***

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such



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business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property is 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. The Company no longer has any interests in cannabis assets as of May 12, 2021.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

***Banking risk***

Notwithstanding that many states have legalized recreational cannabis, 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 U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses. The Company no longer has any funds derived from activities related to cannabis activity as of May 12, 2021.

**CRITICAL ACCOUNTING ESTIMATES**

***Significant estimates and assumptions***

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future periods include the recoverability and measurement of deferred tax assets, the valuation of marketable securities, the recoverability of receivables, the impairment of non-financial assets, and the useful life of property, plant and equipment.

***Significant judgments***

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether the collection of revenue is reasonably assured, the determination of the functional currency, and the determination of asset acquisition vs business combination.

**RISKS AND UNCERTAINTIES**

The following are certain risk factors relating to the business and securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Company could be materially adversely affected.

### **The COVID-19 outbreak and its effect on the Company's business**

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent weeks. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Company's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Company's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.

### **Failure to manage growth**

If the Company's is unable to manage its continued growth successfully, its business and results of operations could suffer. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal and operational and financial controls significantly so that it can maintain control over operations; and
- attract and retain qualified personnel in order to continue to evaluate investments that respond to evolving market conditions.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

### **Disruption due to Acts of God**

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations are not possible, the Company is likely to experience a decline in its revenue, and may suffer additional disruptions in the form of lack of access to its workforce, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

### **Profitability**

There is no assurance that the Company will be able to reach or sustain profitability. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

### **Dependence on management and key personnel**

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The Company depends on the business and technical expertise of its management team and its board of directors. It is unlikely that this dependence will decrease in the near term. The Company's success largely depends on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Contributions made by the existing management team and additions made to the management team are of central importance to the Company's immediate and near-term operations. In addition, the competition for qualified personnel in the Company's industry is significant and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

### **Dilution**

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of the Company's securities which may be dilutive to the existing shareholders.

### **Price volatility of publicly traded securities**

In recent years, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. Any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in generating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Common Shares at any given time, which presence is dependent on the individual decisions of investors over which the Company has no control. There can be no assurance that an active trading market in Common Shares will be established and sustained. The market price for Common Shares could be subject to wide fluctuations, which could have an adverse effect on the market price the Common Shares. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for Common Shares does not develop or is not maintained, the liquidity of a shareholder's investment may be limited and the Common Share price may decline.

### **Conflicts of interest**

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have interests that conflict with those of the Company. The Company will, in the event such a conflict arises, require the conflicted director to recuse himself from voting on the matter giving rise to the conflict.

### **Debt levels**

While the Company currently has no indebtedness, its ability to attract debt capital will depend on the Company's future operating performance and to a certain extent, economic, financial, competitive and other factors beyond the Company's control.

If the Company is unable to generate sufficient cash flow in the future to service its debt, it may be required to refinance all or a portion of its existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on attractive terms or at all. The inability to obtain additional financing could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. Any additional equity financing would result in the dilution of shareholders.

### **Leverage**

The degree to which the Company is leveraged could have important consequences on shareholders, including: (i) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions may be limited; (ii) a significant portion of the Company's cash flow from operations may be dedicated to the payment of the

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principal of, and interest on, its indebtedness, thereby reducing funds available for future operations; and (iii) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

### **Competition**

The Company competes with other companies for financing and investment opportunities. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to enter into desirable strategic agreements or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors, including competitors to the Company's investments, could materially and adversely affect the business, financial condition and results of operations of the Company.

### **Dependence on management information systems**

The Company depends on its management information systems in each stage of its operations. These management information systems also form the basis of its financial reporting. Irreparable damage to the Company's management information systems and databases, or loss of the information contained therein, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations or future prospects.

### **More stringent government regulations**

The Company is subject to various federal, provincial and municipal laws and regulations. Such laws, regulations and related rules and policies are administered by various federal, provincial and municipal agencies and other governmental authorities. New laws governing the Company's business could be enacted and changes to any existing laws could have a significant impact on the Company's business. The Company's failure to comply with applicable laws and regulations may subject it to civil or regulatory proceedings which may have a material adverse effect on the Company's business, financial condition, liquidity, results of operations or future prospects.

## **RISK FACTORS RELATED TO ISSUERS WITH U.S. CANNABIS-RELATED ACTIVITIES**

While the Company has divested all of its interests in the U.S. cannabis industry, during the financial year ended December 31, 2021 it owned and operated U.S. cannabis assets.

On February 8, 2018, following the Sessions Memorandum (as defined below), the Canadian Securities Administrators published CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Cannabis-Related Activities* (the “**Staff Notice 51-352**”) 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 prospectus filings and other required disclosure documents.

As of the date of this MD&A, the Company no longer holds investments in entities that are involved in the United States cannabis industry, and takes the position that it is no longer subject to Staff Notice 51-352. In relation to such now discontinued cannabis activity, the following risk factor is included below.

The United States federal government regulates drugs through the federal Controlled Substances Act (21 U.S.C. § 811) (the “**CSA**”), which places controlled substances, including cannabis, in one of five different schedules. Cannabis, except hemp containing less than .3% (on a dry weight basis) of the psychoactive ingredient in cannabis, is classified as a Schedule I drug. As a Schedule I drug, the federal Drug Enforcement Agency considers cannabis to have a high potential for abuse, no currently accepted medical use in treatment in the United States, and a lack of accepted safety for use of the drug under medical supervision.

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The federal position is not necessarily consistent with democratic approval of cannabis at the state government level in the United States. Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act, S.C. 2018, c. 16, (Canada) and Regulations, cannabis is largely regulated at the state and local level in the United States. State laws regulating cannabis conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. Although the Company's activities are compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against the Company. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, federal law shall apply.

Nonetheless, 44 U.S. states, the District of Columbia, and the territories of Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands have legalized some form of cannabis for medical use, while 19 states and the District of Columbia have legalized the adult-use of cannabis for recreational purposes. As more and more states legalized medical and/or adult-use cannabis, the federal government attempted to provide clarity on the incongruity between federal prohibition under the CSA and these state-legal regulatory frameworks. Notwithstanding the foregoing, cannabis remains illegal under U.S. federal law, with cannabis listed as a Schedule I drug under the CSA.

Until 2018, the federal government provided guidance to federal law enforcement agencies and banking institutions regarding cannabis through a series of memoranda from the Department of Justice ("DOJ"). The most recent such memorandum was drafted by former Deputy Attorney General James Cole on August 29, 2013 (the "**Cole Memorandum**"). The Cole Memorandum offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding cannabis in all states, and acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, several states have enacted laws authorizing the use of cannabis. The Cole Memorandum also noted that jurisdictions that have enacted laws legalizing cannabis in some form have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis. As such, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The Cole Memorandum was seen by many state-legal cannabis companies as a safe harbor for their licensed operations that were conducted in full compliance with all applicable state and local regulations. However, on January 4, 2018, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. In the absence of a uniform federal policy, U.S. Attorneys with state-legal cannabis programs within their jurisdictions are responsible for establishing enforcement priorities for their respective offices. For instance, Andrew Lelling, a former U.S. Attorney for the District of Massachusetts, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office's cannabis enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds. Other U.S. attorneys provided less assurance, promising to enforce federal law, including the CSA in appropriate circumstances.

Following his election, President Biden appointed Merrick Garland to serve as the U.S. Attorney General. While Attorney General Garland indicated in his confirmation hearing that he did not feel that enforcement of the federal cannabis prohibition against state-licensed business would not be a priority target of Department of Justice resources, no formal enforcement policy has been issued to date. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

One legislative safeguard for the medical cannabis industry remains in place: Congress has passed a so-called "rider" provision in the FY 2015, 2016, 2017, 2018, 2019, 2020 and 2021 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The rider is known as the "Rohrabacher-

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Farr" Amendment after its original lead sponsors (it is also sometimes referred to as the "Rohrabacher-Blumenauer" or "Joyce-Leahy" Amendment, but it is referred to in this Annual Information Form as "Rohrabacher-Farr Amendment"). In 2021, President Biden became the first president to propose a budget with the Rohrabacher-Farr Amendment included. On February 18, 2022, the amendment was renewed through the signing of a stopgap spending bill, effective through March 11, 2022.

Nevertheless, for the time being, cannabis remains a Schedule I controlled substance at the federal level. The federal government of the U.S. has always reserved the right to enforce federal law regarding the sale and distribution of medical or adult-use cannabis, even if state law sanctions such sale and distribution. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects could be materially adversely affected.

There is a growing consensus among cannabis businesses and numerous members of Congress that prosecutorial discretion is not law and temporary legislative riders, such as the Rohrabacher-Farr Amendment, are an inappropriate way to protect lawful medical cannabis businesses. Numerous bills have been introduced in Congress in recent years to decriminalize aspects of state-legal cannabis trades. The Company has observed that each year more congressmen and congresswomen sign on and cosponsor cannabis legalization bills. In light of all this, it is anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

The most comprehensive proposal for reform of federal legislation on cannabis was introduced on July 14, 2021, by Senate Majority Leader Chuck Schumer (D-NY) along with Cory Booker (D-NJ), and Ron Wyden (D-OR) when they released draft legislation titled the Cannabis Administration and Opportunity Act (the "CAOA"). The CAOA removes cannabis from Schedule 1 of the Controlled Substances Act which would permit its decriminalization and allow the expungement of federal non-violent marijuana crimes. The CAOA would impose a federal tax on cannabis of 10% in its first year of enactment, eventually increasing to 25% in 5% increments. The taxes raised would be used to fund programs to benefit communities disproportionately impacted by the "War on Drugs".

The CAOA enshrines the current state cannabis licensing regimes but introduces additional federal permitting of cannabis wholesalers. Regulatory responsibility for cannabis control would be transferred from the U.S. Drug Enforcement Agency ("DEA") to the Alcohol and Tobacco Tax and Trade Bureau ("TTB"), the Bureau of Alcohol Tobacco Firearms and Explosives ("ATF"). The publication of the CAOA by Democratic congressional leaders represents a significant milestone in the move toward federal legalization of cannabis. While the CAOA indicates that legalization may come with significant federal tax burden, federal legalization will also bring long-awaited benefits to the industry of the removal of the Section 280e tax burden, clarity as to the status of state-licensed cannabis businesses, broad access to the banking and card payment system, increased availability, and reduced cost, of capital.

At the time of the CAOA announcement, Senator Schumer indicated such a bill currently does not have sufficient support in the Congress to pass. Although he originally targeted Spring 2022 for passage of legislation based on the CAOA draft, he is now targeting formal introduction of a revised draft of the CAOA in the Senate for April 2022, and the contents of such revised draft have not yet been disclosed. Therefore, it is unclear whether provisions in the CAOA that are favorable to the cannabis industry, such as preserving the current state regulatory system, will remain in any final legislation. In addition, the CAOA lacks clarity regarding the transition of cannabis control from the DEA to TTB and the FDA, which presents the risk that existing operators may face a period of regulatory uncertainty if legislation similar to the CAOA is enacted. Such uncertainty may impede growth of, and investment in, incumbent cannabis businesses, while exposing them to increased competition from the illicit market.

Another bill, the Marijuana Opportunity Reinvestment and Expungement Act (the "MORE Act"), proposed in the House of Representatives would decriminalize and de-schedule cannabis from the CSA, provide for reinvestment in certain persons adversely impacted by the "War on Drugs," and provide for expungement of certain cannabis offenses, among other things. On November 20, 2019, the U.S. House of Representatives Judiciary Committee voted to advance

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the bill to the full House. Although the House of Representatives voted to pass the MORE Act on December 4, 2020, it failed to pass in the Senate prior to the end of the 2020 legislative session.

There can be no assurance that the CAO, the MORE Act or similar comprehensive legislation that would de-schedule cannabis and de-criminalize will be passed in the near future or at all.

#### *Money Laundering Laws*

Under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Due to the CSA categorization of cannabis as a Schedule I drug, federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the U.S. Currency and Foreign Transactions Reporting Act of 1970 (the "**Bank Secrecy Act**"). Therefore, under the Bank Secrecy Act, banks for other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states that have legalized medical and/or adult-use cannabis, in 2014, the Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued guidance to prosecutors of money laundering and other financial crimes (the "**FinCEN Guidance**") and notified banks that it would not seek enforcement of money laundering laws against banks that service cannabis companies operating under state law, provided that strict due diligence and reporting standards are met.

The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve cannabis-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping cannabis away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to cannabis-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

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

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

Because most banks and other financial institutions are unwilling to provide any banking or financial services to cannabis businesses, these businesses can be forced into becoming "cash-only" businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not increased banks' willingness to provide services to cannabis businesses, and most banks continue to decline to

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operate under the strict requirements provided under the FinCEN Guidance. This is because, as described above, the current law does not provide banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each cannabis business they accept as a customer.

The few state-chartered banks and/or credit unions that have agreed to work with cannabis businesses are limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to cannabis businesses at any time and without notice, these state-chartered banks and credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those state-chartered banks and credit unions that do have customers in the cannabis industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memorandum, however, the FinCEN Guidance from 2014 has not been rescinded.

The former Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, publicly stated that he did not have a desire to rescind the FinCEN Guidance. The new Secretary of the Treasury, Janet Yellen, has not yet articulated an official Treasury Department position with regard to the FinCEN Guidance and thus as an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

In the absence of comprehensive reform of federal cannabis legislation that would decriminalize the cannabis industry, a growing number of members of Congress have expressed support for federal legislation that would eliminate from the scope of federal money laundering statutes the financing activity of businesses operating under state-sanctioned cannabis programs. On September 26, 2019, the U.S. House of Representatives passed the Secured and Fair Enforcement Banking Act of 2019 (commonly known as the “**SAFE Banking Act**”), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. On May 11, 2020, the U.S. House of Representatives introduced the Health and Economic Recovery Omnibus Emergency Solutions Act (the “**HEROES Act**”), an economic stimulus package which included the language of the SAFE Banking Act. On September 28, 2020, the House introduced a revised version of the HEROES Act, including the text of the SAFE Banking Act for a second time. The revised bill was passed by the House of Representatives on October 1, 2020 before going to the Senate. On December 21, 2020, Congress reached a deal for a different \$900 billion stimulus package. On September 23, 2021, a form of the SAFE Banking Act was approved by the House as part of the National Defense Authorization Act (the “**NDAA**”) for the fiscal year 2022. While the Safe Banking Act provision were removed from the NDAA in its final form, the passage in this form in the House with 90 Republican House members voting in favor shows increasing bi-partisan support for resolution of the banking issues faced by the industry. While Congress may consider legislation in the future that may permanently address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed. The Company’s inability, or limitations on the Company’s ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

#### *Federal Taxation of Cannabis Businesses*

An additional challenge to cannabis-related businesses is that the provisions of Section 280E of the Code are being applied by the IRS to businesses operating in the medical and adult-use cannabis industry. Section 280E prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances within the meaning of Schedule I and II of the CSA. The IRS has applied Section 280E broadly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business



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expenses the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. Therefore, businesses in the state-legal cannabis industry are subject to higher effective tax rates and thus may be less profitable than they would otherwise be.

*Reform of Federal Legislation on Industrial Hemp*

On December 20, 2018, former President Trump signed the Agriculture Improvement Act of 2018, Pub. L. 115-334, (popularly known as the “**2018 Farm Bill**”) into law. Under the 2018 Farm Bill, industrial and commercial hemp is no longer to be classified as a Schedule I controlled substance in the United States. Hemp includes the plant *cannabis sativa L* and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers, which contain no more than 0.3% of delta-9-THC concentration by dry weight. The 2018 Farm Bill allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines, provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and otherwise meets the definition of hemp.

To date, three different hemp seed-derived ingredients have received generally recognized as safe (“**GRAS**”) notices from the FDA: hulled hemp seed, hemp seed protein powder, and hemp seed oil. The hemp seed-derived ingredients that are the subject of these GRAS notices contain only trace amounts of THC and CBD, which the seeds may pick up during harvesting and processing when they are in contact with other parts of the plant. Aside from these three hemp seed ingredients, no other cannabis or cannabis-derived ingredients, including ingredients sourced from hemp, have been the subject of a food additive petition, an evaluated GRAS notification, or have otherwise been approved for use in food by the FDA. The FDA’s current stated position is that it is a prohibited act under the Federal Food, Drug, and Cosmetic Act to introduce into interstate commerce a food to which CBD or THC has been added, or to market a product containing these ingredients as a dietary supplement.

The results of the 2020 Presidential and Congressional elections may impact the likelihood of any legal developments regarding cannabis at the national level, including the passage of the SAFE Banking Act and the MORE Act, as well as potential executive action to clarify federal policy toward the industry, although it is uncertain whether and in what manner any such federal changes will occur. On a federal level, President Joseph R. Biden campaigned on a platform that included cannabis decriminalization. Democrats, who are generally more supportive of federal cannabis reform than Republicans, maintained their majority in the House of Representatives, although at a smaller margin than initially expected, and have gained sufficient seats in the Senate to achieve control.

On a state level, the November 2020 elections included multiple initiatives on state ballots regarding cannabis, all of which passed. In Arizona and New Jersey, two markets where the Company already has medical operations described herein, adult use cannabis ballot initiatives passed. Similarly, adult use passed in Montana, medical use passed in Mississippi, and both adult use and medical use passed in South Dakota. In March 2021, the New York state legislature passed, and Governor Cuomo signed, a bill legalizing adult use cannabis in New York. In April 2021, the state legislatures in Virginia and New Mexico passed, and the respective Governors signed, adult-use legalization bills which, respectively, legalized adult use cannabis in Virginia and New Mexico. Barring any further legal challenges, these states are expected to adopt governing rules and regulations to expand their cannabis programs accordingly.

*Heightened Scrutiny by Regulatory Authorities*

For the reasons set forth above, the Company’s former operations in the U.S., and any future operations or investments of the Company, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. 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 any other jurisdictions, in addition to those described herein.

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Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, asset forfeiture, cessation of business activities or divestiture. Any enforcement action against the Company could have a material adverse effect on (1) the Company's reputation, (2) the Company's ability to conduct business, (3) the listing or quoting of the Company's securities on various stock exchanges, (5) the Company's financial position, (6) the Company's operating results, profitability, or liquidity, or (7) 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 resolution of such matters because the time and resources that may be necessary depend on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The Company's business activities prior to May of 2021, and the business activities of its subsidiaries during such time, while believed to be compliant with applicable U.S. state and local laws, were and are illegal under U.S. federal law.

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations exist on the ability of the Company and its certifying officers to design and implement such processes on a cost-effective basis.

#### Officers and Directors

Bruce Langstaff, Executive Director (Jan 27, 2021)  
Jared Carroll, Director (Jan 27, 2021)  
Scott Kelly, Director (Jan 27, 2021)  
Jennifer Law, Director (Jan 27, 2021)

#### Contact:

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Executive Director  
info@copland-road.com