VEXT SCIENCE, INC.

ANNUAL INFORMATION FORM

For The Financial Year Ended December 31, 2019

September 17, 2020

2250-1055 West Hastings Street
Vancouver, British Columbia
V6E 2E9

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INTRODUCTORY NOTES

Date of Information

The information contained in this Annual Information Form ("**AIF**") is current as of December 31, 2019 with subsequent events disclosed to September 17, 2020.

Meaning of Certain References

In this AIF, unless the context otherwise dictates, references to the "Company", "VEXT", "we" and "our" refer to VEXT Science, Inc.

Currency and Exchange Rates

All references to dollars ($) in this AIF are expressed in United States dollars, unless otherwise indicated.

Financial Information

This AIF should be read in conjunction with the Company's audited annual financial statements and accompanying notes for the year ended December 31, 2019, and the related management's discussion and analysis thereon, which are available under the Company's issuer profile on SEDAR at www.sedar.com. The Company presents its financial statements and management's discussion and analysis in accordance with International Financial Reporting Standards (IFRS).

Cautionary Note Regarding Forward Looking Statements

This AIF contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States (U.S.) securities laws ("**forward-looking statements**"). 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. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute 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, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", "likely" or the negative of those words or other similar or comparable words and includes, among others, information regarding: expectations for the effects of any transactions; expectations for the potential benefits of any transactions; statements relating to the business and future activities of, and developments related to, the Company after the date of this AIF, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans; expectations that planned acquisitions will be completed; the ability of the Company to successfully integrate acquired businesses; expectations that licenses applied for will be obtained; potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; the ability for U.S. holders of Subordinate Voting Shares to sell them on the CSE; and other events or conditions that may occur in the future. Forward-looking statements may relate to future

financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: the available funds of the Company and the anticipated use of such funds; the availability of financing opportunities; legal and regulatory risks inherent in the cannabis industry; risks associated with economic conditions, dependence on management and currency risk; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to contracts with third-party service providers; risks related to the enforceability of contracts; reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks related to proprietary intellectual property and potential infringement by third parties; increasing competition in the industry; risks inherent in an agricultural business; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; as well as those risk factors discussed under "*Risk Factors*" herein and as described from time to time in documents filed by the Company with Canadian securities regulatory authorities. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this AIF as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry, its medical, adult-use and hemp-based CBD markets, and the general expectations of the Company concerning the industry and the Company's business and operations are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this AIF. Such forward-looking statements are made as of the date of this AIF. We undertake 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. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements.

Use of Market and Industry Data

Unless otherwise indicated, information contained in this AIF concerning the industry and markets in which the Company operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates.

The management estimates in this AIF are derived from publicly available information released by independent industry analysts and third party sources, as well as data from the Company's internal research, and are based on assumptions made by the Company based on such data and its knowledge of such industry and markets, which the Company believes to be reasonable. The Company's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Company is not aware of any misstatement regarding any industry or market data included in this AIF, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the "Risk Factors".

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF:

"**2014 Farm Bill**" means section 7606 of the Agricultural Act of 2014;

"**2018 Farm Bill**" means the Agricultural Improvement Act of 2018;

"**ADHS**" means the Arizona Department of Health Services;

"**AIF**" or "**Annual Information Form**" means this annual information form of the Company in respect of the year ended December 31, 2019;

"**AMMA**" means the Arizona Medical Marijuana Act;

"**APP**" means Appalachian Pharm Processing, LLC;

"**BCBCA**" the *Business Corporations Act* (British Columbia);

"**Board**" or "**Directors**" means the directors of the Company as at the date of this document;

"**CBD**" means cannabidiol, a chemical compound found in cannabis without euphoric-producing proprieties;

"**CDS**" means the Canadian Depository for Securities Limited;

"**Company**" or "**VEXT**" means VEXT Science, Inc.;

"**CSA**" mean U.S. *Controlled Substances Act* (21 U.S.C. § 811);

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

"**DEA**" means the United States Drug Enforcement Agency;

"**DOJ**" means the United States Department of Justice;

"**DTC**" means the Depository Trust Company;

"**FDA**" means the United States Food and Drug Administration;

"**Firebrand**" means Firebrand, LLC;

"**GG**" means Green Goblin, Inc.;

"**HWC**" means Herbal Wellness Center;

"**IFR**" means the interim final rule dated October 31, 2019 issued by the United States Department of Agriculture in respect of commercial production of hemp in the United States;

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

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

"**Legacy**" means Legacy Ventures Hawaii, LLC;

"**New Gen**" means New Gen Holdings, Inc.;

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

"**Options**" means stock options of the Company;

"**Organica**" means Organica Patient Group, Inc.;

"**person**" means a company or individual;

"**RDF**" means RDF Management, LLC;

"**SEC**" means the United States Securities and Exchange Commission;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval filing system, available on the Internet at http://www.sedar.com;

"**Staff Notice 51-352**" means the Canadian Securities Administrators Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities*;

"**Subordinated Voting Shares**" means the class of shares designated as common shares in the capital of the Company;

"**subsidiary**" means with respect to a specified corporation, any corporation of which more than fifty per cent (50%) of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified corporation, and shall include any corporation in like relation to a subsidiary;

"**Super Voting Shares**" means the class of shares designated as Class A common shares in the capital of the Company, each Class A common share convertible into 100 Subordinated Voting Shares with the right to one vote for each Subordinated Voting Share into which Class A common shares are convertible;

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

"**THC**" means delta-9-tetrahydrocannabinol, an intoxicating chemical in cannabis;

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

"**USPTO**" means the United States Patent and Trademark office;

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

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

"**Vapen KY**" means Vapen Kentucky, LLC;

"**Vapen OK**" means Vapen-Oklahoma, LLC; and

"**Warrants**" means common share purchase warrants of the Company.

CORPORATE STRUCTURE

Name, Address and Incorporation

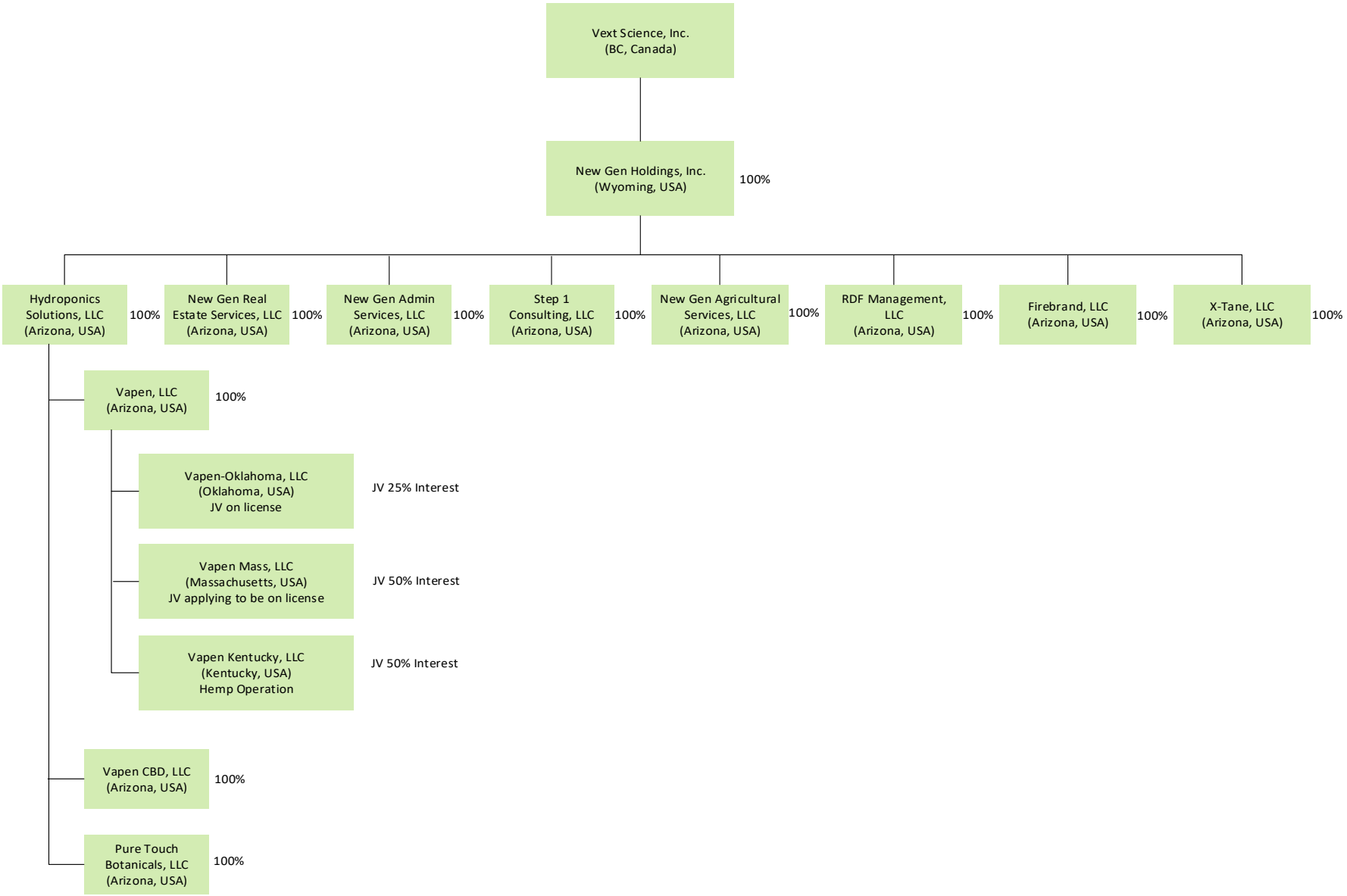
The Company was incorporated pursuant to the BCBCA under the name "Fabula Exploration Inc." on December 11, 2015. On December 31, 2018, the Company completed the New Gen Transaction (defined below), and, as a result, New Gen became a wholly-owned subsidiary of the Company and amended its Articles of Incorporation to change its name from Fabula Exploration Inc. to "Calyx Growth Corporation". On March 25, 2019, the Company changed its name from Calyx Growth Corporation to "Vapen MJ Ventures Corporation". On November 12, 2019, the Company changed its name from Vapen MJ Ventures Corporation to "Vext Science, Inc.".

The Company's head office is located at 2250-1055 West Hastings Street, Vancouver, BC V6E 2E9 and its registered and records office is located at Suite 1500 – 1055 West Georgia St., Vancouver, BC V6E 4N7.

The Company is a reporting issuer in Canada in the provinces of British Columbia and Ontario.

Inter-corporate Relationships

The diagrams below describe the intercorporate relationships of the Company as of the date of this AIF.


Vext Science, Inc.
(BC, Canada)
New Gen Holdings, Inc.
(Wyoming, USA)
100%
Hydroponics Solutions, LLC
(Arizona, USA)
100%
New Gen Real Estate Services, LLC
(Arizona, USA)
100%
New Gen Admin Services, LLC
(Arizona, USA)
100%
Step 1 Consulting, LLC
(Arizona, USA)
100%
New Gen Agricultural Services, LLC
(Arizona, USA)
100%
RDF Management, LLC
(Arizona, USA)
100%
Firebrand, LLC
(Arizona, USA)
100%
X-Tane, LLC
(Arizona, USA)
100%
Vapen, LLC
(Arizona, USA)
100%
Vapen-Oklahoma, LLC
(Oklahoma, USA)
JV on license
JV 25% Interest
Vapen Mass, LLC
(Massachusetts, USA)
JV applying to be on license
JV 50% Interest
Vapen Kentucky, LLC
(Kentucky, USA)
Hemp Operation
JV 50% Interest
Vapen CBD, LLC
(Arizona, USA)
100%
Pure Touch Botanicals, LLC
(Arizona, USA)
100%

As at the date of the AIF, the Company has the following wholly-owned subsidiaries and joint ventures:

Name	Jurisdiction	Ownership
VEXT Science, Inc.	B.C., Canada	100%
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Arizona, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
X-Tane, LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%

Joint Ventures		
Name	**Jurisdiction**	**Ownership**
Vapen Mass, LLC	Massachusetts, USA	50%
Vapen-Oklahoma, LLC	Oklahoma, USA	25%
Vapen Kentucky, LLC	Kentucky, USA	50%

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History (January 1, 2017 – December 31, 2019)

2017

On July 11, 2017, 1,000,000 Subordinated Voting Shares were issued by the Company at CAD$0.05 per share for aggregate gross proceeds of CAD$50,000.

2018

On April 19, 2018, the Company repurchased 1,000,000 Subordinated Voting Shares at a price of CAD$0.05 per share for aggregate amounts of CAD$50,000 and returned them to treasury.

On December 10, 2018, the Company completed a non-brokered private placement for gross proceeds of CAD$50,000, consisting of 1,000,000 Subordinated Voting Shares at a price of CAD$0.05 per share.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A common shares. Each Class A common share is convertible into 100 Subordinated Voting Shares with the right to one vote for each Subordinated Voting Share into which Class A common shares are convertible.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of CAD$0.05 per unit for aggregate gross proceeds of CAD$125,000. Each unit consists of one (1) Subordinated Voting Share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional Subordinated Voting Share of the Company at a price of CAD$0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of CAD$250,000, which consisted of 1,000,000 of Special Warrants (each a "**Special Warrant**"). Each unit consists of one (1) Subordinated Voting Share and one-half of one (½) common share purchase warrant. Each whole common share purchase warrant will entitle the holder to purchase one (1) additional Subordinated Voting Share from the Company at an exercise price of CAD$0.25 per share for a period of one (1) year.

On December 31, 2018, the Company closed a share exchange agreement where it acquired all the issued and outstanding shares of New Gen in exchange for certain shares of the Company (the "**New Gen Transaction**"). New Gen incorporated in the State of Wyoming on July 8, 2014. New Gen has several wholly-owned subsidiaries for the purpose of providing exclusive operating services to HWC. New Gen manages the activities of its operating subsidiaries and has done so since incorporation.

On December 31, 2019, the Company and HWC entered into a promissory note, whereby $2,933,957 was reclassified from accounts receivable into an interest-bearing note. The note bears an interest rate of 10% per annum, beginning on January 1, 2020, and is payable as follows: $913,775, as well as accrued interest due on or before December 31, 2020; $1,000,779 as well as accrued interest due on or before December 31, 2021; and $1,019,403, as well as accrued interest due on or before December 31, 2022.

2019

VEXT operates under management agreements, joint ventures, investments or service agreements in Arizona, Kentucky, Ohio, Oklahoma, Nevada, Hawaii, Massachusetts, and California. Expansion into Massachusetts is anticipated in October 2020.

VEXT began its expansion in 2019 into other markets as summarized elsewhere in this AIF.

On January 4, 2019, the Company granted 909,000 Options at an exercise price of CAD$1.00 to certain employees and consultants.

On April 25, 2019, the Company converted 1,000,000 Special Warrants into 1,000,000 Subordinated Voting Shares and 500,000 share purchase warrants at an exercise price of CAD$0.25 per Subordinated Voting Share, which were all exercised before the expiration on December 24, 2019.

On May 3, 2019, the Company's long form prospectus was approved for filing in the Province of British Columbia and on May 13, 2019, the Company's shares were listed for trading on the CSE.

On May 13, 2019, the Company granted 200,000 Options at a price of CAD$1.00 to certain employees and consultants. The Options are exercisable at CAD$1.00 per share and expire on May 13, 2029. On May 13, 2019, the Company granted a total of 1,000,000 special advisory warrants to consultants of the Company exercisable at a price of CAD$1.00 per share and expire on December 31, 2024.

On May 13, 2019, the Company granted 1,000,000 special advisory warrants (the "**Advisory Warrants**") to consultants of the Company. The Advisory Warrants are exercisable at CAD$1.00 and expire on December 31, 2024.

On May 13, 2019, the Company commenced trading on the CSE under the symbol "VEXT". On July 12, 2019 the Company commenced trading on the OTCQX Best Market under the ticker symbol (OTCQX: VEXTF).

On May 22, 2019, the Company closed its non-brokered private placement of 6,148,665 Subordinated Voting Shares at a price of CAD$1.00 per share for gross proceeds of CAD$6,148,665.

On June 14, 2019, the Company's Subordinated Voting Shares were listed on the Frankfurt Stock Exchange (FSE) trading under the ticker symbol "VV5".

On July 12, 2019, the Company's shares opened for quotation on the OTCQX under the symbol "VAPNF".

On August 2, 2019, the Company entered into a Restricted Unit Grant Agreement with Legacy Ventures Hawaii, LLC ("**Legacy**"), whereby the Company subscribed for 350,000 units of Legacy for $350,000. As at December 31, 2019, the Company had paid $147,000, with the remaining $203,000 still owing. As at June 30, 2020, the Company had paid $292,521, with the remaining $57,478 still owing. As a result of this subscription, as at June 30, 2020, the Company had a 12.28% interest in Legacy.

In addition to the 350,000 units subscribed for above, the Company will be granted an additional 350,000 units for services to be provided by the Company to Legacy. 175,000 of these units will be issued in the fiscal year ending December 31, 2020, with the remaining 175,000 to be issued during the year ended December 31, 2021.

On August 14, 2019, the Company announced a strategic partnership with CBD Emporium. CBD Emporium is a CBD retailer located in Arizona that will carry a full line of Vapen THC-free, pharmaceutical grade, broad spectrum CBD products in all its stores. Products carried will include CBD oils, tinctures, edibles, topicals, inhalers, and dog treats in all of CBD Emporium's nine store locations in Arizona and other markets including California, Nevada, New Mexico and Texas as they expand.

On August 27, 2019, the Executive Chairman of the Company was granted patent #10,231,948 for his metered dose inhaler from the United States Patent and Trademark office ("**USPTO**"). The Executive Chairman, intends to assign ownership of the patent to the Company. This utility patent has one claim, "an inhaler system consisting essentially of an actuator, a user interchangeable canister assembly, purified cannabinoid from cannabis, isolated terpene, ethanol, and a hydrofluorocarbon propellant". This patent is valid until 2038. VEXT also has an unpublished patent pending for additional claims on the inhaler system. The patent covers the Company's THC and CBD inhaler device which uses a propellant to atomize the THC or CBD oil so it can be deposited in the lungs, without heat. The Vapen-branded inhaler administers a pressurized, metered 10 milligram (mg) dose of pharmaceutical grade pure THC or CBD isolate.

On September 3, 2019, the Company received approval from the Depository Trust Company ("**DTC**"), making its shares DTC eligible. DTC provides depository and book entry services, along with a settlement system for equities in the United States and across the globe. The organization is a member of the U.S. Federal Reserve System and a registered clearing agency with the U.S. Securities and Exchange Commission.

Vapen, LLC entered into a management services agreement and intellectual property and commercialization agreement effective September 6, 2019 with Las Vegas Wellness and Compassion, LLC ("**LVWC**"). Vapen, LLC earns a participation fee (the "**Participation Fee**") equal to 33% of the Net Income of LVWC as calculated in accordance with the management services agreement and GAAP, such Participation Fee to be paid on an annual basis. The management services agreement has a 5-year term and is renewable for consecutive 5-year terms, effective September 6, 2019. The intellectual property and commercialization agreement schedule the trademarks for all licensed products to LVWC and from which LVWC will derive revenue and from which Vapen LLC will receive its Participation Fee.

On September 26, 2019, the Company announced that it entered into a THC production and extraction partnership with Texoma Herb Company in Oklahoma. Texoma Herb Company has a licensed retail dispensary, greenhouse and outdoor growing operations in Kingston, Oklahoma.

On October 8, 2019, the Company issued 160,000 Subordinated Voting Shares in full satisfaction of $204,973 in debt.

On October 29, 2019, the Company announced that it had entered into a cannabis THC production, extraction and cultivation partnership with the principals and founders of Texoma House of Cannabis to form Vapen Oklahoma, LLC in Oklahoma. Texoma House of Cannabis has a licensed retail dispensary, as well as Texoma Cultivation greenhouse and outdoor growing operations in Madill, Oklahoma.

On November 12, 2019, the Company changed its name to VEXT Science, Inc. and similarly its trading symbols to VEXT on the CSE and VEXTF on the OTCQX® Best Market.

On December 31, 2019, the Company completed a private placement financing comprising of secured non-convertible debentures (the "**Loan**") of $5,500,000. The Loan is secured by a security interest in all of the Company's assets. The Loan accrues interest at an annual rate of 10%, payable quarterly beginning July 1, 2020 and matures on December 31, 2021. The lenders also received warrants to purchase 980,210 Subordinated Voting Shares at an exercise price of CAD$1.00 (the "**Loan Warrants**") as an incentive. The Loan Warrants can be exercised for two years after closing, subject to the Company's right to accelerate the expiry of the Loan Warrants if the daily volume weighted average trading price of the Subordinated Voting Shares on the CSE is greater than CAD$3.35 for the any five 5 consecutive trading days.

Recent Developments (January 1, 2020 – September 17, 2020)

On January 1, 2020, the Company entered into a $5,000,000 line of credit secured promissory note ("**Promissory Note**") with HWC whereby HWC promises to pay the Company the principal and 10% interest per annum. As at June 30, 2020, $232,259 had been drawn from this line of credit by HWC.

On January 8, 2020, the Company extended three notes payable of a total of $727,000 for one year.

On January 23, 2020, Robert J. Brilon resigned as President, CFO, Corporate Secretary and a Director of the Company. Mr. Brilon received $125,000 upon his departure and will receive a total of $125,000 in monthly installment payments of $10,417 per month commencing March 2020 through February 2021, and a final lump sum amount of $250,000 upon the earlier of any change of control of the Company, a debt or equity financing greater than $10 million of the Company on or after February 7, 2020, or February 27, 2022.

On February 1, 2020, an operating agreement of Vapen Kentucky, LLC ("**Vapen KY**") was signed for the purpose of being engaged in commercial hemp processing, manufacturing, extraction, and distribution

activities. The Company owns 50% of Vapen KY with Emerald Pointe Hemp, LLC ("**EPH**") owning the other 50%.

On February 10, 2020, Denise Lok was appointed CFO of the Company and Brian Cameron was appointed Corporate Secretary of the Company.

On February 12, 2020, the Company entered into a joint venture term sheet with Texoma Processing and Extraction, LLC ("**TPE**") regarding Vapen-Oklahoma, LLC ("**Vapen OK**"). The Company is a minority member of Vapen OK owning 25%, whereas TPE is a majority member owning 75% of Vapen OK. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. Both TPE and the Company will contribute equal amounts of capital to cover the initial expenses and assist in operations.

On February 14, 2020, Jason "Thai" Nguyen was appointed as Executive Chairman of the Board of the Company and Eric Offenberger was appointed as CEO of the Company.

On February 18, 2020, Eric Offenberger was appointed to the Board of Directors of the Company. Mr. Offenberger continues as COO of the Company.

On February 18, 2020, Caroline Williams was appointed to the Board of Directors of the Company.

On March 18, 2020, 4,885 Super Voting Shares were converted into 488,500 Subordinated Voting Shares.

On March 26, 2020, the Company entered into a release and mutual settlement agreement with Tree of Life Seeds, Inc. to terminate the joint venture operating agreement in relation to Vapen 501 Labs, LLC.

On March 30, 2020 Vapen, LLC a subsidiary of the Company, entered a non-binding LOI with Appalachian Pharms Processing, LLC ("**APP**") in Ohio in regard to forming a joint venture in Ohio. As of the date of this AIF the Company has advanced $653,147 to APP, for the purpose of acquiring biomass. Interest will accrue on the loans at a rate of 10% per annum after October 1, 2020. The loan matures on September 30, 2020. Filings have been made with the State of Ohio to recognize the Company's interest in APP as applicable with Ohio statute.

On April 6, 2020, the Company acquired RDF Management, LLC ("**RDF**") and Firebrand, LLC ("**Firebrand**"), Arizona based companies, in order to provide exclusive services for the management, administration and operation of Organica Patient Group, Inc. ("**Organica**"), an Arizona not for profit corporation, which was issued and holds in good standing, a Medical Marijuana Dispensary Registration Certificate, by the Arizona Department of Health Services in the State of Arizona and certain intangible assets (the "**Organica Transaction**"). Organica has been operational in the Arizona market since 2013, with its retail dispensary located and operational in Chino Valley, Arizona and its offsite cultivation facility located in and operational in Prescott Valley, Arizona. Organica cultivates and produces medical marijuana and medical marijuana product which is sold and distributed on a retail and wholesale basis in State of Arizona. In consideration for the Organica Transaction, the Company issued: (i) 67,000 Super Voting Shares; (ii) a promissory note of $5,500,000 for a period of 18 months (no interest will accrue on the promissory note during the 18-month period, and thereafter, interest will accrue at 10% per annum; and (iii) an undertaking to assist RDF Management, LLC in settling and resolving certain existing liabilities, allocating a total maximum of $3,500,000 in funds to settle such liabilities.

On May 12, 2020, the Company granted 1,083,334 Options at an exercise price of CAD$0.75 to directors, officer and consultants. The Options are exercisable for a term of 10 years.

On May 26, 2020, 2,931 Super Voting Shares were converted to 293,100 Subordinated Voting Shares.

On June 10, 2020, the Company entered into a joint operation agreement with Green Goblin, Inc. ("**GG**") to operate Happy Travels, LLC ("**Happy Travels**"), which GG holds 100% membership interest. The Company and GG have equal voting rights. The terms of the initial joint operation will be three years, with automatic successive renewal terms of additional two-year period. As at June 30, 2020, the Company has invested $169,838 in the joint operation.

DESCRIPTION OF BUSINESS

General

VEXT, through its wholly-owned subsidiaries, currently operates in the U.S. as an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee and execute all aspects of cultivation, extraction, manufacturing (THC and CBD cartridges, concentrates, edibles), retail dispensary, and wholesale distribution of high margin cannabis THC and hemp CBD products under the Vapen and Pure Touch Botanicals Brands. VEXT's expansion plans include partnering with cannabis license holders and hemp farms in multiple states within the U.S.

The Company is an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee and execute all aspects of cultivation, extraction, manufacturing (THC and CBD cartridges, concentrates, edibles), retail dispensary, and wholesale distribution of high margin cannabis THC and hemp CBD products. The Company currently provides these management and marketing services in Arizona. The Company has also entered into management agreements, operating agreements, or non-binding letters of intent in Kentucky, Nevada, Massachusetts, California, and Oklahoma. From the beginning in Arizona, the Company has developed proven and sought after standard operating procedures ("**SOPs**") to produce a full line of branded flower, Vapen branded THC and CBD distillates, concentrates, extracts, and edibles.

The Company has built and operates a service business for cannabis cultivation and processing located in the State of Arizona. Products produced under contract are sold through Herbal Wellness Center ("**HWC**"), a not-for-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona. In other jurisdictions, the Company will provide SOPs and extraction expertise to partners pursuant to operating agreements. Products produced from these facilities will be branded as "Vapen". The Company will earn and record its proportional interests in the derived gross revenue and net income for each location, where appropriate, and in certain circumstances treat its annual share of income or loss as part of its investment in those entities. The Company may assist in opening retail dispensaries where appropriate. The model minimizes the capital needed to enter new markets by avoiding, where appropriate, the costs and time associated with licensing and acquiring real estate. The business model provides both near term return on invested capital and minimized lead-time to market. The Company provides management services to two dispensaries located in Arizona.

The Company's multi-state operations will encompass a full spectrum of medical and adult-use cannabis and CBD product and services, including cultivation, processing, product development, and wholesale and retail distribution. Cannabis products include flower and trim, products containing cannabis flower and trim (such as pre-rolls), cannabis infused products, and products containing cannabis extracts (such as cartridges, concentrates, wax products, oils, tinctures, topical creams and edibles). CBD products include tinctures, lotions, balms, cartridges and inhaler delivery systems.

The Company will enter new markets with limited capital risk, leveraging its operational expertise and brand strength. As a leader in the Arizona market, the Company is now monetizing both its manufacturing and distribution expertise. The Company has set up joint ventures in multiple states, which the Company expects the joint ventures to produce revenue and net profits in fiscal 2020. The Company continues to grow by reinvesting its net profits back into the business.

Arizona Operations

The Company's services are provided individually by operating subsidiaries pursuant to ten-year renewable management contracts, providing, among other things, employee leasing services, physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related management and administrative services.

HWC and Organica sell products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other licensed cannabis operations throughout the State of Arizona.

HWC's wholesale customer base increased approximately 10% during the recently completed fiscal year. Vapen branded products are in approximately 80% + of licensed operations in the state of Arizona at the date of this AIF.

HWC and Organica are independent from the Company and operate pursuant to Arizona law as not-for-profit corporations. The Company's subsidiaries provide services to HWC and Organica enabling both to conduct its business.

The Company generates revenue from a wide range of CBD products. These brands are marketed and sold under the Vapen CBD and Pure Touch Botanicals brands worldwide.

Joint Ventures and Joint Operations

Vapen Mass, LLC

In 2019, Vapen, LLC entered into an operating agreement with Caregiver Patient Connection, LLC and formed Vapen Mass, LLC ("**Vapen Mass**"), which will operate on a 50/50 basis as a joint venture extracting THC in Massachusetts, contingent upon regulatory approval for a change of ownership application adding Vapen Mass to a product manufacturer provisional license in Massachusetts. Operations are anticipated to commence in October 2020. The Company is providing the capital equipment, SOPs, branding, training of staff, and a working capital loan. Caregiver Patient Connection, LLC is providing the facility, operating license, and working capital loan as needed by Vapen Mass to operate in Massachusetts.

Vapen Oklahoma, LLC

Vapen, LLC entered into an operating agreement with TPE and formed a joint venture, Vapen OK. Vapen OK conducts business in Oklahoma. Operations commenced in Q2 2020. Vapen OK is owned 25% by the Company and has equal voting rights. Vapen is providing equipment, training, SOPs, marketing and branding, and working capital loans as needed for startup. TPE is providing the licensing, facilities, and working capital for startup as needed. This will be an outdoor cultivation and processing facility.

Vapen Kentucky, LLC

Vapen, LLC entered into an operating agreement with Emerald Pointe Hemp, Inc. and formed a joint venture, Vapen KY. Vapen KY conducts business in Kentucky. Operations commenced in Q1 2020. Vapen is supplying equipment, training, SOPs, and working capital for startup as needed. EPH is supplying building, licensing, access to biomass from its existing farming operations and working capital for startup as needed. Product will primarily be sold through wholesale distribution channels worldwide. Each party owns 50% of Vapen KY and shares in net profits on a 50/50 basis.

Happy Travels, LLC

On June 10, 2020, Vapen, LLC entered into a joint operation agreement with GG to operate Happy Travels. Happy Travels conducts business in San Diego, California. Vapen is supplying equipment, training, SOPs and working capital as needed to Happy Travels. GG is supplying building, licensing, and access to biomass to Happy Travels. The Company and GG have equal voting rights.

Investments, Management Agreements, and Non-Binding Letters of Intent

Las Vegas Wellness and Compassion, LLC

Vapen, LLC entered into a management services agreement and intellectual property and commercialization agreement effective September 6, 2019 with LVWC. Pursuant to the agreement, Vapen, LLC earns the Participation Fee. The management services agreement has a 5-year term and is renewable for consecutive 5-year terms, effective September 6, 2019. The intellectual property and commercialization agreement schedule the trademarks for all licensed products to LVWC and from which LVWC will derive revenue and from which Vapen LLC will receive its Participation Fee.

Legacy Ventures Hawaii, LLC

Vapen CBD, LLC, a subsidiary of Vapen, LLC, entered into a subscription agreement dated August 22, 2019, to purchase 350,000 Class B Units of Legacy, an LLC formed to make an investment in Archipelago Ventures Hawaii, LLC. ("**Archipelago**"), for a total purchase price of $350,000 and earn a 12.28% membership interest in Legacy Ventures Hawaii, LLC. Archipelago was formed as a partnership between Arcadia Bio Science Inc. and Legacy to engage in the cultivation and production of Hemp related products in Hawaii. Vapen CBD, LLC was issued 350,000 Class A Units of Legacy in consideration of providing services related to Archipelago business.

Appalachian Pharms Processing, LLC

On March 30, 2020 Vapen, LLC a subsidiary of the Company, entered a non-binding LOI with APP in Ohio in regard to forming a joint venture in Ohio. As of the date of this AIF the Company has advanced $653,147 to Appalachian, for the purpose of acquiring biomass Interest will accrue on the loans at a rate of 10% per annum after October 1, 2020. The loan matures on September 30, 2020. Filings have been made with the State of Ohio to recognize the Company's interest in APP as applicable with Ohio statute.

Production and Services

Product Development, Branding and Standard Operating Procedures: The business commenced in Arizona, where the Company entered the market to provide cultivation, extraction and manufacturing, support for retail and wholesale distribution for high margin cannabis THC and hemp CBD through HWC. The Vapen brand is widely recognized throughout the entire State of Arizona.

The Company's established SOPs provide consistency in product quality whether flower, extracts or edibles. Industry participants have sought out these capabilities, thus enabling a rapid expansion into other markets, many without the inherent time and costs associated with either direct license acquisition or the acquisition of existing operations. For this reason, the Company's footprint is expanding rapidly with minimal capital requirements. The Company may also seek out attractive acquisitions of existing operations that are accretive.

High Quality Cannabis and CBD Products: The Vapen Clear THC high quality solvent-free concentrates include daytime (sativa), afternoon (hybrid), and nighttime (Indica) products, offered with multiple and convenient delivery options. Vapen extracts include high quality products produced from premium biomass. Vapen Clear THC products can be produced from any cannabis biomass thus complementing state-by-state expansion plan without compromising quality.

Vapen CBD and Pure Touch Botanicals branded products complement the Vapen brand and facilitate multi-state expansion plans.

Edibles produced under the Vapen Kitchens Brand consist of Vapen Clear infused products, THC chocolate bars, THC syrup, THC snacks, candies, and gummies. Vapen branded products have earned industry-wide recognition.

Specialized Skill and Knowledge

A number of aspects of the Company's business functions require specialized skills and knowledge. The Company has specialized skills and knowledge in the areas of cultivation of medical and adult-use cannabis, processing (extraction) of cannabis oil, development and production of cannabis-based products, and sales and marketing. In particular, the Company's management team believes that they have staff and expertise which provide a unique skill set for the indoor cultivation of cannabis and extraction of cannabis oil in accordance with regulatory requirements, developed over years of practical experience. The Company has an experienced team and quality assurance personnel focused on generating high quality products that meet and exceed regulatory requirements. Management of the Company has specialized skill and knowledge in the production of cannabis-based products and has produced a variety of products for distribution in compliance with applicable regulatory requirements.

Competitive Conditions and the VEXT Competitive Advantage

The competitive landscape in the U.S. is driven by several factors as follows:

(a) It is quite likely that the U.S. Federal Government will not legalize cannabis but rather decriminalize it, thus enabling commercial banking to open up throughout various states. A decriminalized environment will continue to prevent interstate transfer of cannabis products across state lines leading to increased opportunity for gained market share and customer acquisition through roll ups of independent licenses and increased brand awareness in various states.

(b) Arizona is likely to approve adult recreational use in November 2020 and with that an increased demand within the State for consistently high-quality flower, extracts and edibles. Vapen is a highly recognized brand in the State, currently offered by over 80% of all existing licensed dispensaries. Since the majority of large MSO's currently carry the Vapen brand, adult use will serve to increase the Company's penetration and therefore sales volumes in the State.

(c) Certain states have highly restrictive licensing protocols wherein the number of licenses are restricted and will not be increased over time. Other states have allowed for unlimited licenses. The impact of unlimited licensing is over saturation of retail capacity, not reflected in consumer demand. The Company will enter into restricted markets with a fully integrated presence using its joint venture strategy but remain a wholesaler of product bearing the Vapen brand in those states where licenses are easily obtained and not restricted.

(d) Capital investment in licensing is becoming more expensive in restricted license markets. Without the local connections to solidify "win-win" acquisitions, potential acquirors will be unlikely to secure favorable transactions with reasonable returns on investment. The Company is well positioned in Arizona and all of its JV and investment markets to attract high quality transactions with solid returns on invested capital.

There are several competitors in the Arizona the marketplace, where VEXT has operates its core business at the date of this AIF. These competitors include companies such as Curaleaf Holdings Inc., Harvest Health & Recreation Inc. and Medmen Enterprises Inc. Due to VEXT's positioning in Arizona and its recognized Vapen brand, these operators also comprise a significant component of the Company's wholesale business. The Company sells its Vapen brand in over 80% of its competitors stores in the State of Arizona.

Brand Strength:

The Company's brand strength enables both its wholesale distribution and partnership relationships across multiple geographic markets. The Company's continued commitment to product growth, diversity of delivery methods, results in consistent pure products of a high quality. The Vapen and related brands resonate with all consumers across broad demographic segments.

Distribution Channels:

The Company has a well-developed distribution process at both retail and wholesale levels in Arizona. The Vapen brand is carried by most of the dispensaries in that market. Joint ventures as noted elsewhere in the AIF will further expand the distribution capability of the Company as it moves into new markets. The cost of expanding distribution is shared with partners in each location.

Supply Chain:

The Company has a well-established supply chain. The Company uses multiple suppliers, both international and domestic. Suppliers are proven and reliable to meet the needs of the Company.

Financial Strength:

The Company has a proven track record of operating profitable cannabis companies, providing access to capital markets to support growth and expansion into different geographic markets. The Company's established operations in Arizona are positioned for continued growth and if Proposition 207 legalizing cannabis for adult use passes in November 2020, the company is expected to handle increased demands.

Licensing SOPs and Acquisitions: The strategy is to identify opportunities where the Company can deliver its SOPs to a rapidly expanding national and international market, where medical and recreational markets are converging and where the ability to penetrate both retail and wholesale markets effectively with the Vapen brand is quantifiable. Secondly, the Company seeks out partners for joint ventures and

management agreements who have strength in cultivation, licenses and real estate to support its extraction capabilities for both high margin cannabis THC and hemp CBD.

Management Team:

The Company's management team possesses expertise in the cannabis industry, finance, capital markets, regulations, operations, project management, and marketing. This team has proven its ability to grow and scale companies, skills that have been inherited from the experience gained by the team over many years.

Replicable Processes and Scalability:

The Company's production processes are replicable and scalable, resulting in consistent quality and taste across all the Company's products. SOPs utilized in the Arizona operation are being deployed in other states under various agreements.

New Products

The Company changed its name from Vapen MJ Ventures Corporation to Vext Science, Inc. to signify the importance of science to the Company in the development of new products. The science team is lead by PHD and graduate students from Arizona State University, who are engaged on a daily basis creating new product categories that rely on scientific development for commercialization. As these products are tested they will become part of the line up of the Vapen brand across all markets.

Intangible Assets

There are no intangible assets owned by the Company. All licenses to operate in the respective states are controlled through management agreements with New Gen Holdings Inc (Arizona) or with the respective entities formed as joint ventures in other states where these licenses are the property of the local entities for which the Company holds an equity or financial interest in outcomes and results.

Cycles

The Company's business is not cyclical or seasonal.

Economic Dependence

There are no contracts upon which the Company is substantially dependent.

Changes to Contracts

There are no contracts that management anticipates will effect the current financial year through recognition or termination.

Environmental Protection

The are no environmental protection requirements that will affect capital expenditures, profitability or competitive positioning in the current financial year.

Employees

As at the date of this AIF, the Company has a total of 173 full-time employees.

Foreign Operations

The Company is not dependent upon any foreign operations nor is there any reportable segment that is dependent upon foreign operations.

CANNABIS LEGISLATION

Regulatory Framework

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently involved in the cannabis industry. The Company, through its subsidiaries, engaged in, or has management, consulting services or other agreements in place with license holders to assist in the manufacture, possession, sale or distribution of cannabis in the adult-use or medical cannabis marketplace in Arizona, Kentucky, Nevada, Massachusetts, California, Ohio and Oklahoma. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Staff Notice 51-352 does not pertain to CBD derived hemp in the United States.

Any non-compliance, citations or notices of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

United States Federal Overview

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "**CSA**") which schedules controlled substances, including cannabis, based on their approved medical use and potential for abuse. Cannabis is classified as a Schedule I controlled substance. The U.S. Department of Justice (the "**DOJ**") defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." The United States Food and Drug Administration (the "**FDA**") has not approved cannabis as a safe and effective drug for any condition. The FDA has approved CBD, a component of cannabis, for a narrow segment of medical conditions.

State laws that permit and regulate the production, distribution and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA, which makes cannabis distribution and possession federally illegal. Although certain states and territories of the U.S. authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. Although the Company's activities are believed to be 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 of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

As of the date of this AIF, 33 U.S. states, and the District of Columbia and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands have legalized the cultivation and sale of full-strength cannabis for medical purposes. In 11 U.S. states, the sale and possession of cannabis is legal for both medical and adult-use, and the District of Columbia has legalized adult-use but not commercial sale. Thirteen states have also enacted low-THC / high-CBD only laws for medical cannabis patients.

The prior U.S. administration attempted to address the inconsistencies between federal and state regulation of cannabis in a memorandum which then-Deputy Attorney General James Cole sent to all United States Attorneys in August 2013 (the "**Cole Memorandum**") outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum 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, processing, 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. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, a non-exhaustive list of which was enumerated therein.

On January 4, 2018, former U.S. Attorney General Jeff Sessions formally issued a new memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memorandum, 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. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

The Company believes it is still unclear what prosecutorial effects will be created by the rescission of the Cole Memorandum. The sheer size of the cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ and the Trump administration. Regardless, cannabis remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use cannabis, even if state law sanctioned such sale and disbursement. The Company believes, from a purely legal perspective, that the criminal risk today remains similar to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered. Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance that such legislation passes.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in

connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority, and cannabis terminated - based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memorandum**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place: Congress adopted a so-called "rider" provision to the fiscal years 2015, 2016, 2017, and 2018, 2019 and 2020 Consolidated Appropriations Acts (currently referred to as the "**Rohrabacher/Blumenauer Amendment**") 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 Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 and will remain in effect until September 30, 2020. In signing the Rohrabacher/Blumenauer Amendment, President Trump issued a signing statement noting that the Rohrabacher/Blumenauer Amendment "provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution once the current continuing resolution expires.

Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. It was anticipated that the federal government would 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.

Given current political trends, however, these developments are considered unlikely in the near-term. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company abides by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;

- ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);

- implement policies and procedures to ensure that cannabis products are not distributed to minors;

- implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

- implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;

- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, and is not engaged in any other illegal activity, or any activities that are contrary to any applicable anti-money laundering statutes; and

- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

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

The Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave medical cannabis operators and investors in states with legal regimes greater certainty regarding federal enforcement as to establish cannabis businesses in those states. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult-use markets across the United States. U.S. Attorney General Jeff Sessions resigned on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. It is unclear what impact this development will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated, "I do not intend to go after parties who have complied with state law in reliance on the Cole Memo." Nonetheless, 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 United States 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.

Despite the expanding market for legal cannabis, traditional sources of financing, including bank lending or private equity capital, are lacking which can be attributable to the fact that cannabis remains a Schedule

I substance under the CSA. These traditional sources of financing are expected to remain scarce unless and until the federal government legalizes cannabis cultivation and sales.

Pursuant to Staff Notice 51-352, 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, such as this AIF. In accordance with the Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the Company'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.	*"General Development of the Business"* *"Description of Business"* *"Cannabis Legislation – Regulatory Framework"*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*"Cannabis Legislation – United States Federal Overview"* *"Risk Factors – Risk Factors Specifically Related to Regulatory Matters – Some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local laws, are illegal under U.S. federal law"*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the Company conducts U.S. marijuana-related activities.	"*Cannabis Legislation – Regulatory Overview - United States Federal Overview"* *"Risk Factors – Risk Factors Specifically Related to Regulatory Matters – The Company's Business Activities are Illegal under U.S. Federal Law"* *"Risk Factors – Risk Factors Specifically Related to Regulatory Matters – U.S. State Regulatory Uncertainty"*
	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 Company's ability to operate in the U.S.	*"Risk Factors – Risk Factors Specifically Related to Regulatory Matters – The Company's Business Activities are Illegal under U.S. Federal Law"* *"Risk Factors – Service Providers"*
	Given the illegality of marijuana under U.S. federal law, discuss the Company's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*"Risk Factors – The Company anticipates requiring substantial additional financing to operate its business and it may face difficulties acquiring additional financing on terms acceptable to the Company or at all"*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		"Risk Factors – Risk Factors Specifically Related to Regulatory Matters – U.S. State Regulatory Uncertainty" *"Risk Factors – Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes"*
	Quantify the Company's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*At the date of this AIF, 100% of the Company's operations are in the United States.*
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	*The Company and its subsidiaries have obtained legal advice regarding (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law.*
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the Company operates and confirm how the Company complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*"General Development of the Business"* *"Description of Business"* *"Cannabis Legislation Regulatory Overview – State-Level Overview & Compliance Summary"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Arizona"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Massachusetts"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Oklahoma"* *"Cannabis Legislation – Regulatory Overview – The*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		Regulatory Landscape on a U.S. State Level – Kentucky" *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – California"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Nevada"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Hawaii"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Ohio"*
	Discuss the Company'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 Company 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 Company's license, business activities or operations.	*"Cannabis Legislation Regulatory Overview – State-Level Overview & Compliance Summary"*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
U.S. Marijuana Issuers with indirect involvement cultivation or distribution	Outline the regulations for U.S. states in which the Company's investee(s) operate.	*"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Arizona"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Massachusetts"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Oklahoma"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Kentucky"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – California"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Nevada"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Hawaii"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Ohio"*
	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 Company is aware, that may have an impact on the investee's license, business activities or operations.	*"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Arizona"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Massachusetts"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Oklahoma"*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Kentucky" *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – California"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Nevada"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Hawaii"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Ohio"*
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.	*"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Arizona"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Massachusetts"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Oklahoma"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Kentucky"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – California"* *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Nevada"*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Hawaii" *"Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Ohio"*

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess the foregoing disclosure, and any related risks, on an ongoing basis and any supplements or amendments hereto will be reflected in, and provided to, investors in public filings of the Company, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have a material impact on any subsidiary's licenses, business activities or operations will be promptly disclosed by the Company.

Arizona Operations

The Company's services are provided individually by operating subsidiaries pursuant to ten-year renewable management contracts, providing, among other things, employee leasing services, physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related management and administrative services.

HWC and Organica sell products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other licensed cannabis operations throughout the State of Arizona.

HWC's wholesale customer base increased approximately 10% during the recently completed fiscal year. Vapen branded products are in approximately 80% + of licensed operations in the state of Arizona at the date of this AIF.

HWC and Organica are independent from the Company and operate pursuant to Arizona law as not-for-profit corporations. The Company's subsidiaries provide services to HWC and Organica enabling both to conduct its business.

The Company generates revenue from a wide range of CBD products. These brands are marketed and sold under the Vapen CBD and Pure Touch Botanicals brands worldwide.

Joint Ventures and Joint Operations

Vapen Mass, LLC

In 2019, Vapen, LLC entered into an operating agreement with Caregiver Patient Connection, LLC and formed Vapen Mass, which will operate on a 50/50 basis as a joint venture extracting THC in Massachusetts, contingent upon regulatory approval for a change of ownership application adding Vapen Mass to a product manufacturer provisional license in Massachusetts. Operations are anticipated to commence in October 2020. The Company is providing the capital equipment, SOPs, branding, training

of staff, and a working capital loan. Caregiver Patient Connection, LLC is providing the facility, operating license, and working capital loan as needed by Vapen Mass to operate in Massachusetts.

Vapen Oklahoma, LLC

Vapen, LLC entered into an operating agreement with TPE and formed a joint venture, Vapen OK. Vapen OK conducts business in Oklahoma. Operations commenced in Q2 2020. Vapen OK is owned 25% by the Company and has equal voting rights. Vapen is providing equipment, training, SOPs, marketing and branding, and working capital loans as needed for startup. TPE is providing the licensing, facilities, and working capital for startup as needed. This will be a outdoor cultivation and processing facility.

Vapen Kentucky, LLC

Vapen, LLC entered into an operating agreement with Emerald Pointe Hemp, Inc. and formed a joint venture, Vapen KY. Vapen KY conducts business in Kentucky. Operations commenced in Q1 2020. Vapen is supplying equipment, training, SOPs, and working capital for startup as needed. EPH is supplying building, licensing, access to biomass from its existing farming operations and working capital for startup as needed. Product will primarily be sold through wholesale distribution channels worldwide. Each party owns 50% of Vapen KY and shares in net profits on a 50/50 basis.

Happy Travels, LLC

On June 10, 2020, Vapen, LLC entered into a joint operation agreement with GG to operate Happy Travels. Happy Travels conducts business in San Diego, California. Vapen is supplying equipment, training, SOPs and working capital as needed to Happy Travels. GG is supplying building, licensing, and access to biomass to Happy Travels. The Company and GG have equal voting rights.

Investments, Management Agreements, and Non-Binding Letters of Intent

Las Vegas Wellness and Compassion, LLC

Vapen, LLC entered into a management services agreement and intellectual property and commercialization agreement effective September 6, 2019 with LVWC. Pursuant to the agreement, Vapen, LLC earns the Participation Fee. The management services agreement has a 5-year term and is renewable for consecutive 5-year terms, effective September 6, 2019. The intellectual property and commercialization agreement schedule the trademarks for all licensed products to LVWC and from which LVWC will derive revenue and from which Vapen LLC will receive its Participation Fee.

Legacy Ventures Hawaii, LLC

Vapen CBD, LLC, a subsidiary of Vapen, LLC, entered into a subscription agreement dated August 22, 2019, to purchase 350,000 Class B Units of Legacy, an LLC formed to make an investment in Archipelago, for a total purchase price of $350,000 and earn a 12.28% membership interest in Legacy Ventures Hawaii, LLC. Archipelago was formed as a partnership between Arcadia Bio Science Inc. and Legacy to engage in the cultivation and production of Hemp related products in Hawaii. Vapen CBD, LLC was issued 350,000 Class A Units of Legacy in consideration of providing services related to Archipelago business.

Appalachian Pharms Processing, LLC

In 2019, Vapen, LLC entered a non-binding LOI with Appalachain in Ohio in regard to forming a joint venture in Ohio. As of the date of this AIF, the Company has advanced $653,147 to Appalachian. Interest will accrue on the loans at a rate of 10% per annum after October 1, 2020. The loan matures on September 30, 2020. Filings have been made with the State of Ohio to recognize the Company's interest in Appalachian Pharm Processing, LLC as applicable with Ohio statute.

State-Level Overview & Compliance Summary

While the Company is in compliance with the rules, regulations and license requirements governing each state in which the subsidiaries and contractual parties operate, there are significant risks associated with their business and the business of the subsidiaries and contractual parties. Further, the rules and regulations as outlined below are not a full complement of all the rules that the subsidiaries are required to follow in each applicable state.

Although each state has its own laws and regulations regarding the operation of cannabis businesses, certain of the laws and regulations are consistent across jurisdictions. As a general matter, to operate legally under state law, cannabis operators must obtain a license from the state and in certain states must also obtain local approval. In those states where local approval is required, local authorization is a prerequisite to obtaining state licenses, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The license application and license renewal processes are unique to each state. However, each state's application process requires a 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.

License applicants for each state must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the state's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

As a condition of each state's licensure, operators must consent to inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections and have already commenced both site-visits and compliance inspections for operators who have received state temporary or annual licensure.

To strengthen the communication and transparency between the Company and its subsidiaries, the Company and its subsidiaries utilize a third-party enterprise compliance platform, which facilitates a regulatory document control workflow for each state and can issue alerts for time sensitive information requests for events such as license renewal or an impending inspection. The software features a robust auditing system that allows for both internal as well as third-party compliance auditing, covering all state, municipal, facility and operational requirements. The third-party software facilitates the implementation and maintenance of compliant operations and can track all required licensing maintenance criteria, which includes countdown features and automatically generated reminders for initiating renewals and required reporting. Though the Company strives to comply with all aspects of the required state regulations, they

believe that the core to ensuring a comprehensive compliance program is to weigh the risk of each regulation and ensure on a regular basis that the operators are properly controlling these risks.

VEXT monitors the applicable rules and regulations of each state in which it has, indirectly through its subsidiaries, licenses, permits, or operations. VEXT maintains a database and tracks each license or permit held by its subsidiaries, showing the renewal date, inspection schedules, and the results of any regulatory inspection reports. VEXT enhances its compliance program through subscription to a web-based service that provides access to cannabis-related state, county, municipal and federal rules and regulations which organizes the laws into distinct categories (such as taxation, zoning, application and licensing, and packaging and labeling) and sorts them by license type (such as cultivation, dispensary and testing). VEXT will also monitor any action taken by its subsidiaries in response to a change of governing regulations or suggestions from regulators.

VEXT's legal compliance team continually monitors and reviews correspondence and changes to, and updates of, rules or regulatory policies impacting VEXT and the operation of the businesses carried on by its subsidiaries in each U.S. state in which it has operations. VEXT has employed an experienced team of legal and compliance professionals with expertise in regulatory and corporate compliance to oversee its activities. VEXT's COO, Eric Offenberger also serves as Director of Operational Compliance and oversees a team that focuses on state-by- state operational compliance issues. VEXT's legal compliance team has implemented internal policies and procedures at corporate and subsidiary levels designed to mitigate any lapses in its overall infrastructure and facilitate compliance with relevant laws and regulations. VEXT strives to ensure its overall operations are in compliance with U.S. state law and the related licensing framework (see "*Regulatory Framework – The Regulatory Landscape on a U.S. State Level*"). Marijuana remains a Schedule I controlled substance in the U.S. and therefore federally illegal. VEXT has not received any non-compliance citations or notices of violation which may have a material impact on its licenses, business activities or operations.

VEXT is classified as having a "direct," "indirect" and "ancillary" involvement in the United States cannabis industry and it, each of its subsidiaries and, to the best of its knowledge, each entity through which it has ancillary involvement in the United States cannabis industry, is in compliance with applicable United States state law and related licensing requirements and the regulatory framework enacted by each of the states in which it has operations. The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have a material impact on its licenses, business activities or operations. The Company uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by each state, through the advice of its Corporate Secretary, Brian Cameron, who monitors and reviews its business practices and changes to U.S. federal and state enforcement priorities and rules. The Company's Corporate Secretary, Brian Cameron, works with external legal counsel to ensure that the Company is in on-going compliance with applicable state law. These advisors have provided legal advice to the subsidiaries regarding, among other things, (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law. In addition, the Company has designated individuals with responsibility for overseeing day-to-day compliance at each facility in which the Company maintains operational control.

The Company will continue to use reasonable commercial efforts to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in states where it conducts business by continuous review of its licenses and affirmation certifications from management. The Company has engaged state and local regulatory/compliance counsel engaged in jurisdictions in which it operates.

The Company has a commitment to training its personnel on the relevant issues in order to facilitate its overall compliance effort. The Company's training program includes, among other items, the following topics:

- importance of compliance with state and local laws
- dispensing procedures
- patient privacy
- security and safety policies and procedures
- inventory control
- quality control
- cash management and control
- transportation procedures

The Company's training program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery to sale or disposal. Only authorized, properly trained employees are allowed to access the Company's computerized seed- to-sale system. All of the Company's facilities are monitored 24-hours a day, seven days a week. Visitors to the facilities are only permitted in strict accordance with relevant state laws and appropriately monitored and logged in.

The Company's compliance team closely monitors and promptly addresses all compliance notifications from the regulators and inspectors in each market, in an effort to resolve any issues identified on a timely basis. The Company keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains records of its inventory at all licensed facilities. Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and is committed to ensuring any issues identified are resolved quickly and thoroughly.

In order to comply with industry best practices, despite the rescission of the Cole Memorandum, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/ administrative divisions. To this end, the Company uses its internal Legal Department including its Legal Compliance team and retains appropriately experienced legal

counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;

- The activities relating to cannabis business adhere to the scope of the licensing obtained. For example, in Florida only medical cannabis is permitted and therefore the products are only sold to patients who have the appropriate recommendation in the state registry and have a valid state-issued medical identification card;

- The Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and

- The Company conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations strive to be in compliance with all applicable state laws, regulations and licensing requirements, some of such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Risk Factors below, there are significant risks associated with the business of the Company. See "Risk Factors".

The Regulatory Landscape on a U.S. State Level

Arizona

Arizona Regulatory Landscape

In 2010, Arizona passed Ballot Proposition 203, which amended Title 36 to the Arizona Revised Statutes. This amendment added Chapter 28.1, titled the Arizona Medical Marijuana Act (the "**AMMA**"). The AMMA is codified in Arizona Revised Statutes § 36-2801 et. seq. The AMMA also appointed the Arizona Department of Health Services ("**ADHS**") as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. These ADHS regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the "**Rules**"). ARS § 36-2801(11) defines a "nonprofit medical cannabis dispensary" as a not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses cannabis or related supplies and educational materials to cardholders.

The ADHS has established the medical marijuana program, which includes a vertically integrated license, meaning if allocated a Medical Marijuana Dispensary Registration Certificate (a "**Certificate**"), entities are authorized to dispense and cultivate medical cannabis. Each Certificate allows the holding entity to operate one on-site cultivation facility, and one off-site cultivation facility which can be located anywhere within the State of Arizona. An entity holding a Certificate is required to file an application to renew with the ADHS on an annual basis, which must also include audited annual financial statements. While a Certificate may not be sold, transferred or otherwise conveyed, Certificate holders typically contract with third parties to provide various services related to the ongoing operation, maintenance, and governance of its dispensary and/or cultivation facility so long as such contracts do not violate the requirements of the AMMA or the medical marijuana program.

The ADHS had until April 2012 to establish a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by law officials and dispensaries to verify a patient's status as such. It also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase cannabis). On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale. Arizona recently enacted SB 1494, which, among other things will require testing of medical marijuana and require biannual renewal of agent licensure.

To qualify to use medical marijuana under the AMMA, a patient is required to have a debilitating medical condition. Valid medical conditions include HIV, cancer, glaucoma, immune deficiency syndrome, Hepatitis C, crohn's disease, agitation of Alzheimer's disease, ALS, cachexia/wasting syndrome, muscle spasms, nausea, seizures, severe and chronic pain or another chronic or debilitating condition.

Arizona S.B. 1494 went into effect in August 2019. The bill authorized the ADHS to adopt rules for inspecting medical marijuana dispensaries and created an independent testing regime for marijuana cultivated by a medical marijuana dispensary. Beginning in November 2020, before marijuana is sold, it must be tested for unsafe levels of microbial contamination, heavy metals, pesticides, herbicides, fungicides, growth regulators and residual solvents. S.B. 1494 also authorized civil penalties of up to $1,000 per violation (not to exceed $5,000 in a 30-day period) on medical marijuana dispensaries. And, the bill makes patient ID cards and medical marijuana dispensary registration certificates expire every two years rather than every year. Regulations implementing S.B. 1494 went into effect on August 27, 2019. In February 2020, the Department began an additional round of rulemaking designed to improve the regulations regarding independent testing, which remains an ongoing process.

The Company (through its subsidiaries in the State of Arizona) is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Arizona.

Arizona Licensing Requirements

In order for an applicant to receive a Certificate, it must: (i) fill out an application on the form proscribed by ADHS, (ii) submit the applicant's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance, and (v) designate an Arizona licensed physician as the Medical Director for the dispensary. Certificates are renewed annually so long as the dispensary is in good standing with ADHS, pays the renewal fee, and submits an independent third party financial audit.

Once an applicant has been issued a Certificate, they are allowed to establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an approval to operate from ADHS for the applicable site. This approval to operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the applicable location to ensure compliance with the Rules and consistency with the dispensary's applicable policies and procedures.

Arizona Management Agreements

With the passage of S.B. 1494, certificates are renewed biennially. Before expiry, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiry after which no renewals are permitted.

Pursuant to applicable Arizona law, the Company cannot and does not hold any licenses or certificates to operate. The Company provides management services to HWC and Organica by way of management agreements as referred to elsewhere in this AIF. The licenses held by each of the two dispensaries are as follows:

- Herbal Wellness Center: HWC is the holder of the following licenses issued by the State of Arizona:

    - Medical Marijuana Dispensary Registration Certificate Number 00000086DCKR00375578, which was renewed on August 8, 2019. The Certificate has been issued pursuant to Title 36, Chapter 28.1 Arizona Revised Statutes and pursuant to Title 9, Chapter 17, Article 3, Department of Health Services rules and regulations.

    - Medical Marijuana Dispensary – Food Establishment License and Approval to Prepare, Sell, or Dispense Marijuana Infused Edible Food Products. The food products produced by HWC must be prepared, sold, and dispensed in accordance with 9 A.A.C.8 Article 1. The license number is 14-060.

- Organica Patient Group Inc. Organica is the holder of the following licenses issued by the State of Arizona:

    - Medical Marijuana Registration Certificate ID # 00000052DCLI10094777, which was issued on July 28, 2020. The Certificate has been issued pursuant to Title 36, Chapter 28.1 Arizona Revised Statutes and pursuant to Title 9, Chapter 17, Article 3, Department of Health Services rules and regulations. Unless renewed, the Certificate will expire on August 1, 2022.

    - Medical Marijuana Dispensary – Food Establishment License and Approval to Prepare, Sell, or Dispense Marijuana Infused Edible Food Products. The food products produced by HWC must be prepared, sold, and dispensed in accordance with 9 A.A.C.8 Article 1. The license number is 18-477.

Arizona Security Requirements for Dispensary Facilities

Any dispensary facility (both retail and cultivation) must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized agents of the dispensary who are in possession of a dispensary agent identification card, and (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system, and (g) panic buttons inside each building.

Arizona Storage Requirements

Any dispensary facility (both retail and cultivation) must abide by the following requirements for the storage of product: (i) product must be stored in an area that is separate from areas used to store toxic and flammable materials, (ii) product must be stored in a manner that is clean and sanitary, (iii) product must be protected from flies, dust, dirt, and any other contamination, and (iv) surfaces and objects used in the handling and storage of product must be cleaned daily. Additionally, the Rules establish strict inventory protocols for tracking product from "seed to sale," which requires product to be traceable to the original plants used to grow the cannabis used in the product.

Arizona Transportation Requirements

Dispensaries may transport medical cannabis between their own sites or between their sites and another dispensary's site and must comply with the following Rules: (i) prior to transportation, the dispensary agent must complete a trip plan showing: (a) the name of the dispensary agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported; and (d) the anticipated route of transportation, (ii) during transport the dispensary agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible, and (iii) dispensaries must maintain trip plan records.

ADHS Inspections and Enforcement

ADHS may inspect a facility at any time upon five (5) days' notice to the dispensary. However, if someone has alleged that the dispensary is not in compliance with the AMMA or the Rules, ADHS may conduct an unannounced inspection. ADHS will provide written notice to the dispensary of any violations found during any inspection and the dispensary then has 20 working days to take corrective action and notify ADHS.

ADHS must revoke a Certificate if a dispensary: (i) operates before obtaining approval to operate a dispensary from ADHS, or (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another licensed dispensary, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another licensed dispensary, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, ADHS may revoke a Certificate if a dispensary does not: (i) comply with the requirements of AMMA or the Rules, (ii) implement the policies and procedures or comply with the statements provided to ADHS with the dispensary's application.

Massachusetts

Massachusetts Legislative history

The Massachusetts Medical Use of Marijuana Program (the "**MA Program**") was formed pursuant to the Act for the Humanitarian Medical Use of Marijuana (the "**MA ACT**"). The MA Program allows registered persons to purchase medical cannabis and applies to any patient, personal caregiver, Registered Marijuana Dispensary (each, a "**RMD**"), and RMD agent that qualifies and registers under the MA Program. To qualify, patients must suffer from a debilitating condition as defined by the MA Program. Currently there are eight conditions that allow a patient to acquire cannabis in Massachusetts, including

AIDS/HIV, ALS, cancer and Crohn's disease. As of May 31, 2019, which is the most recent date the MA Program has provided data, approximately 59,000 patients have been registered to purchase medical cannabis products in Massachusetts. The MA Program is administrated by the Department of Public Health, Bureau of Health Care Safety and Quality.

In November 2016, Massachusetts voted affirmatively on a ballot petition to legalize and regulate cannabis for adult-use. The Massachusetts legislature amended the law on December 28, 2016, delaying the date adult-use cannabis sales would begin by six months. The delay allowed the legislature to clarify how municipal land-use regulations would treat the cultivation of cannabis and authorized a study of related issues. After further debate, the state House of Representatives and state Senate approved H. 3818 which became Chapter 55 of the Acts of 2017, An Act to Ensure Safe Access to Marijuana, and established the Cannabis Control Commission. The CCC consists of five commissioners and regulates the Massachusetts Recreational Marijuana Program. Adult-use of cannabis in Massachusetts started in July 2018.

Massachusetts Licenses

Under the MA Program, RMDs are heavily regulated. Vertically integrated RMDs grow, process, and dispense their own cannabis. As such, each RMD is required to have a retail facility as well as cultivation and processing operations, although retail operations may be separate from grow and cultivation operations. A RMD's cultivation location may be in a different municipality or county than its retail facility. RMD's are required to be Massachusetts non-profit corporations.

The MA Program mandates a comprehensive application process for RMDs. Each RMD applicant must submit a Certificate of Good Standing, comprehensive financial statements, a character competency assessment, and employment and education histories of the senior partners and individuals responsible for the day-to-day security and operation of the RMD. Municipalities may individually determine what local permits or licenses are required if an RMD wishes to establish an operation within its boundaries.

The Company does not hold any licenses in Massachusetts at the date of this AIF but rather a management agreement with a newly created entity Vapen Mass, LLC that will hold the license. The Company's partner in Massachusetts is bound to ensure compliance with all State regulations.

Each Massachusetts dispensary, grower and processor license is valid for one year and must be renewed no later than 60 calendar days prior to expiration. As in other states where cannabis is legal, the CCC can deny or revoke licenses and renewals for multiple reasons, including (a) submission of materially inaccurate, incomplete, or fraudulent information, (b) failure to comply with any applicable law or regulation, including laws relating to taxes, child support, workers compensation and insurance coverage, (c) failure to submit or implement a plan of correction (d) attempting to assign registration to another entity, (e) insufficient financial resources, (f) committing, permitting, aiding, or abetting of any illegal practices in the operation of the RMD, (g) failure to cooperate or give information to relevant law enforcement related to any matter arising out of conduct at an RMD, and (h) lack of responsible RMD operations, as evidenced by negligence, disorderly or unsanitary facilities or permitting a person to use a registration card belonging to another person. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of this state.

Massachusetts Dispensary Requirements (Medical)

A RMD is to follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the MA Program; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of

operation and after-hours contact information; (iv) a price list for marijuana; (v) storage protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on RMD premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that a RMD must comply with. More specifically, a RMD is to comply with all local requirements regarding siting, provided however that if no local requirements exist, a RMD shall not be sited within a radius of 500 feet of a school, daycare center, or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed RMD. The MA Program requires that RMDs limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. A RMD may only dispense to a registered qualifying patient who has a current valid certification.

Massachusetts Record-keeping/Reporting (Medical)

Massachusetts uses METRC ("**Marijuana Enforcement Tracking Reporting & Compliance**") as the state's track and trace ("**T&T**") system. Individual licensees, whether directly or through a third-party application programming interface (an "**API**"), are required to push data to the state to meet all reporting requirements. Each of the Company's and its subsidiaries, as applicable, use or will use METRC to capture and send all required data points for cultivation, manufacturing, and retail as required by applicable law.

The MA Program requires that RMD records be readily available for inspection by the Department of Health upon request. Among the records that are required to be maintained and made available are: (a) operating procedures, (b) inventory records, and (c) seed-to-sale tracking records for all cannabis and cannabis infused products.

Massachusetts Inventory/Storage (Medical)

Through the T&T system, RMDs are required to record all actions related to each individual cannabis plant. This robust inventorying requirement includes tracking how each plant is handled and processed from seed and cultivation, through growth, harvest and preparation of cannabis infused products, if any, to final sale of finished products. This system must chronicle every step, ingredient, activity, transaction, and dispensary agent, registered qualifying patient, or personal caregiver who handles, obtains, or possesses the product. To meet this tracking requirement, the inventory tracking process is mandated to utilize unique plant and batch identification numbers. Besides capturing all processes associated with each cannabis plant, RMDs must also establish and abide by inventory controls and procedures for conducting inventory reviews and comprehensive inventories of cultivating, finished, and stored cannabis products. To ensure inventories are accurate, RMDs are not only required to conduct monthly inventories but also to compare monthly inventories to the T&T system records.

The MA Program requires all cannabis and cannabis infused products be securely stored. RMDs must ensure that all safes, vaults, and other equipment or areas used for the production, cultivation, harvesting, processing, or storage of cannabis and cannabis infused products are securely locked and protected against unauthorized entry. The MA Program also specifies that limited access areas, accessible only to authorized personnel, must be established in each dispensary. Furthermore, only the minimum number of employees essential to business operations may be given access to the limited access areas.

Massachusetts Security (Medical)

Adequate security systems that prevent and detect diversion, theft, or loss of cannabis are required of each RMD under the MA Program. Such security systems must utilize commercial grade equipment and are required to include (a) a perimeter alarm on all entry and exit points and perimeter windows, (b) a failure notification system that provides an audible, text, or visual notification of any failure in the surveillance system, and (c) a duress alarm, panic alarm, or holdup alarm connected to local public safety or law enforcement authorities.

To ensure RMDs meet the rigorous security standards laid out by the MA Program, use of surveillance cameras is mandated. RMDs must install video cameras in the following areas: (a) all areas that may contain cannabis, (b) all points of entry and exit, and (c) in any parking lot. Video cameras must be appropriate for the lighting conditions of the area under surveillance. Interior video cameras must be directed at all safes, vaults, sales areas, and areas where cannabis is cultivated, harvested, processed, prepared, stored, handled, or dispensed. Video surveillance is required to be operational 24 hours a day, seven days a week and all recordings must be retained for at least 90 calendar days.

Massachusetts Transportation (Medical)

The MA Program regulates the means and methods by which cannabis is transported. A RMD transporting cannabis must ensure the product is in a secure, locked storage compartment. If a cannabis establishment, pursuant to a cannabis transporter license is transporting cannabis products for more than one cannabis establishment at a time, the cannabis products for each cannabis establishment must be kept in separate locked storage compartments during transportation and separate manifests are required for each cannabis establishment. Vehicles transporting cannabis must be equipped with an approved alarm system and functioning heating and air conditioning systems appropriate for maintaining correct temperatures for storage of cannabis products. Additionally, cannabis products may not be visible from outside the vehicle and RMDs must ensure that all transportation times and routes are randomized. Cannabis and cannabis infused products may not be transported outside Massachusetts.

Massachusetts CCC Inspections (Medical)

The CCC or its agents may inspect a RMD and affiliated vehicles at any time without prior notice. A RMD shall immediately upon request make available to the CCC information that may be relevant to a CCC inspection, and the CCC may direct a RMD to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the RMD, and the RMD shall thereafter submit a Plan of Correction to the CCC outlining with particularity each deficiency and the timetable and steps to remediate the same. The CCC shall have the authority to suspend or revoke a certificate of registration in accordance with 935 CMR 501.510 of the Regulation of adult-use cannabis in Massachusetts.

Regulation of the Adult Use Cannabis Market in Massachusetts

Adult-use (recreational) marijuana has been legal in Massachusetts since December 15, 2016, following a ballot initiative in November of that year. The CCC, a regulatory body created in 2018, licenses adult use cultivation, processing and dispensary facilities (collectively, “Marijuana Establishments”) pursuant to 935 CMR 500.000 et seq. The first adult-use marijuana facilities in Massachusetts began operating in November 2018.

Massachusetts Licensing Requirements (Adult-Use)

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

No person or entity may own more than 10% or "control" more than three licenses in each Marijuana Establishment class (i.e., marijuana retailer, marijuana cultivator, marijuana product manufacturer). Additionally, there is a 100,000 square foot cultivation canopy for adult-use licenses; however, there is no canopy restriction for RMD license holders relative to their cultivation facility.

Massachusetts Dispensary Requirements (Adult-Use)

Marijuana retailers are subject to certain operational requirements in addition to those imposed on marijuana establishments generally. Dispensaries must immediately inspect patrons' identification to ensure that everyone who enters is at least twenty-one years of age. Dispensaries may not dispense more than one ounce of marijuana or five grams of marijuana concentrate per transaction. Point-of-sale systems must be approved by the CCC, and retailers must record sales data. Records must be retained and available for auditing by the CCC and Department of Revenue. Dispensaries must also make patient education materials available to patrons. Such materials must include:

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited by M.G.L. c. 90, § 24, and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;
- A discussion of tolerance, dependence, and withdrawal;

- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;

- A statement that consumers may not sell marijuana to any other individual;

- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and

- Any other information required by the CCC.

Massachusetts Security and Storage Requirements (Adult-Use)

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

- Positively identifying individuals seeking access to the premises of the Marijuana Establishment or to whom or marijuana products are being transported pursuant to 935 CMR 500.105(14) to limit access solely to individuals 21 years of age or older;

- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication permitted by these regulations and its enabling statute are allowed to remain on the premises;

- Disposing of marijuana in accordance with 935 CMR 500.105(12) in excess of the quantity required for normal, efficient operation as established within 935 CMR 500.105;

- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;

- Establishing limited access areas pursuant to 935 CMR 500.110(4), which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;

- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft and loss;

- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage of marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;

- Keeping all locks and security equipment in good working order;

- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;

- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;

- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;

- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place without the use of binoculars, optical aids or aircraft;

- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;

- Developing sufficient additional safeguards as required by the CCC for marijuana establishments that present special security concerns;

- Sharing the marijuana establishment's security plan and procedures with law enforcement authorities and fire services and periodically updating law enforcement authorities and fire services if the plans or procedures are modified in a material way; and

- Marijuana must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including the ability to record footage to be retained for at least 90 days.

Massachusetts Transportation Requirements (Adult-Use)

Marijuana products may only be transported between licensed marijuana establishments by registered marijuana establishment agents. A licensed marijuana transporter may contract with a licensed marijuana establishment to transport that licensee's marijuana products to other licensed establishments. The originating and receiving licensed establishments shall ensure that all transported marijuana products are linked to the seed-to-sale tracking program. For the purposes of tracking, seeds and clones will be properly tracked and labeled in a form and manner determined by the CCC. Any marijuana product that is undeliverable or is refused by the destination marijuana establishment shall be transported back to the originating establishment. All vehicles transporting marijuana products shall be staffed with a minimum of two marijuana establishment agents. At least one agent shall remain with the vehicle at all times that the vehicle contains marijuana or marijuana products. Prior to the products leaving a marijuana establishment for the purpose of transporting marijuana products, the originating marijuana establishment must weigh, inventory, and account for, on video, all marijuana products to be transported. Within eight hours after arrival at the destination marijuana establishment, the destination establishment must re-weigh, re-inventory, and account for, on video, all marijuana products transported. When videotaping the weighing, inventorying, and accounting of marijuana products before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. Marijuana products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of marijuana products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A marijuana establishment or a marijuana transporter transporting marijuana products is required to ensure that all transportation times and routes are randomized. An establishment or transporter transporting marijuana products shall ensure that all transport routes remain within Massachusetts. All vehicles and transportation equipment used in the transportation of cannabis products or edibles requiring temperature control for safety must be designed, maintained, and equipped as necessary to provide adequate temperature control to prevent the cannabis products or edibles from becoming unsafe during transportation, consistent with applicable requirements pursuant to 21 CFR 1.908(c).

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

Massachusetts CCC Inspections

The CCC or its agents may inspect a marijuana establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a marijuana establishment, all marijuana establishment agents and activities, and all records are subject to such inspection. Marijuana establishments must immediately upon request make available to the Commission all information that may be relevant to a CCC inspection, or an investigation of any incident or complaint. A marijuana establishment must make all reasonable efforts to facilitate the CCC's inspection, or investigation of any incident or complaint, including the taking of samples, photographs, video or other recordings by the CCC or its agents, and to facilitate the CCC's interviews of marijuana establishment agents. During an inspection, the CCC may direct a Marijuana Establishment to test marijuana for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant-growth regulators, and the presence of pesticides not approved for use on marijuana by the Massachusetts Department of Agricultural Resources.

Moreover, the CCC is authorized to conduct a secret shopper program to ensure compliance with all applicable laws and regulations. U.S. Attorney Statements in Massachusetts

On July 10, 2018, the U.S. Attorney for the District of Massachusetts, Andrew Lelling, issued a statement regarding the legalization of adult-use marijuana in Massachusetts. Mr. Lelling stated that since he has a constitutional obligation to enforce the laws passed by Congress, he would not immunize the residents of Massachusetts from federal law enforcement. He did state, however, that his office's resources would be primarily focused on combating the opioid epidemic. He stated that considering those factors and the experiences of other states that have legalized adult-use marijuana, his office's enforcement efforts would focus on the areas of (i) overproduction, (ii) targeted sales to minors and (iii) organized crime and interstate transportation of drug proceeds.

Oklahoma

Oklahoma Legislative History

In April 2015, the governor of Oklahoma signed House Bill 2154 into law allowing the sale of CBD oil with less than 0.3% THC. On June 26, 2018, Oklahoma voters approved State Question 788 ("**SQ 788**"), which legalized medical cannabis. Oklahoma established the Oklahoma Medical Marijuana Authority ("**OMMA**") to oversee the state's medical cannabis program. The OMMA is responsible for licensing, regulating, and administering the program as authorized by state law. Operating under the Oklahoma State Department of Health, the primary goal of the OMMA is to ensure safe and responsible practices for the people of Oklahoma. On August 6, 2018, the governor of Oklahoma signed the revised emergency rules for the medical cannabis program. As of May 1, 2020, there were approximately 282,511 registered patients allowing them to purchase cannabis products from a dispensary.

While most medical cannabis state laws include a list of qualifying conditions, Oklahoma does not. According to SQ 788, doctors shall recommend patient licenses using the same judgment they would for prescriptions. In other words, a doctor can write a recommendation for any condition they see fit for medical cannabis treatment.

Oklahoma Licensing

The OMMA manages all licensing and registration for medical cannabis patients and their caregivers as well as grower, processor and dispensary operators. Applicants must be resident of Oklahoma with at least 75% ownership held by an Oklahoma resident. All owners must present an Oklahoma Secretary of

State Certificate of Good Standing and demonstrate exemplary background checks. Non-violent felony convictions in the previous two years or other felony conviction in previous five years are grounds for disqualification. Licenses are valid for one year from the date issued unless revoked by the OMMA. A license may be renewed prior to expiration. Upon receipt of a license, the grower, processor or dispensary must immediately register with the Oklahoma Bureau of Narcotic and Dangerous Drugs Control and prior to any medical cannabis or medical cannabis products being present at the business.

The below table lists the licenses issued to the Company's Oklahoma joint venture partner(s):

JV Party	License Number	City	Expiration Date	Description
Vapen Oklahoma, LLC	PAAA-EJPF-B1Z5	Madill, OK	05/20/2021	Commercial Processor License

Oklahoma Transportation

A cannabis transportation license is issued to qualifying applicants for a commercial license at the time of approval. The transportation license allows the holder to transport cannabis from an Oklahoma licensed dispensary, grower, processor to an Oklahoma licensed dispensary, grower processor or researcher. All medical cannabis must be transported in a locked container shielded from public view and clearly labeled as "Medical Marijuana or Derivative."

Oklahoma Inventory

Oklahoma uses BioTrack THC as the central T&T system to oversee inventory of licensed cannabis operations across the state. All cultivation and manufacturing facilities and retail dispensaries are required to utilize an inventory management system to record certain information depending on the license type. For a grower, such information includes the amount of cannabis harvested, sold to a process or dispensary, or dried and on hand. For a processor, details on the amount of cannabis purchased from a grower, or sold to a researcher and the amount of cannabis waste must be accounted for in inventory. The licensee must also document with detailed explanations any discrepancies for cannabis that cannot be accounted for or is considered overage.

The licensee is required to document the 'chain of custody' of all cannabis and cannabis-related products with frequent on-going inventory reviews in order to detect any diversion, theft or loss in a timely manner. The system must be able to accurately trace the timeline from the time a cannabis plant is propagated to the time it is sold to a patient or caregiver. Traceability is a requirement in the event of a serious adverse event or recall to correctly source the cannabis product.

Oklahoma Record-keeping/Reporting

The state requires all commercial licensees to submit monthly reporting to the Oklahoma Department of Health. Reports are considered untimely if not received by the state by the 15th of each month for activity from the preceding month. The report must include the amount purchased from a licensed process and/or grower, the amount sold to a licensee and the type of licensee, total sales to patients and caregivers as well as taxes collected from sales. If necessary, detailed explanations of inventory discrepancies must be included. Inaccurate reporting may result in fines and failure to report timely or to correct deficiencies within 30 days of department notification may lead to license revocation.

Oklahoma Inspections

Submission of an application for a medical marijuana processing license constitutes permission for entry to and inspection of the processing licensee's premises during hours of operation and other reasonable times in Oklahoma, and refusal to permit such entry or inspection is grounds for the nonrenewal, suspension, or revocation of a license. The Oklahoma State Department of Health may perform an unannounced on-site inspection of a licensed processor's operations to determine compliance with these rules and food safety/preparation standards once a year. If the Oklahoma State Department of Health receives a complaint concerning a licensed processor's noncompliance with this Chapter, the Oklahoma State Department of Health may conduct additional unannounced, on-site inspections beyond an annual inspection. The Oklahoma State Department of Health may review any and all records of a licensed processor and may require and conduct interviews with such persons or entities and persons affiliated with such entities, for the purpose of determining compliance with Oklahoma State Department of Health rules and applicable laws.

Kentucky

Kentucky Regulatory Landscape

Kentucky established a robust agricultural pilot program in 2013,[1] which it expanded in 2017. Program participants may grow, cultivate, handle, process or market hemp and hemp products. In 2018, the program covered 6,000 acres and included hundreds of participants. For 2019, the program has approved 1,035 applicants to cultivate up to 42,086 planted acres, as well as 2.9 million square feet of greenhouse space for hemp cultivation. The Kentucky Department of Agriculture has promulgated regulations[2] and issued a policy guide for the program, both of which have served as models for newer hemp regimes in other states.

Kentucky adopts the definition of "Hemp"[3] set forth under the 2018 Farm Bill. Kentucky's definition of marijuana[4] excludes lawful hemp and hemp products, as well as the stalks, fiber and oil from seeds of the Cannabis plant.

Kentucky's definition of marijuana specifically exempts hemp products that do not contain any living plants, viable seeds, leaf materials or floral materials, as well as CBD products derived from hemp.[5]

Following the implementation of the 2018 Farm Bill through the IFR, Kentucky will continue to operate its 2014 Farm Bill pilot program in 2020.[6]

While the Company itself is not a program participant, it does take steps to ensure that the Kentucky-based suppliers with which it contracts are participants in the Kentucky agricultural pilot program, including requiring suppliers to represent and warrant their compliance with Kentucky law in writing and obtaining a copy of the applicable license issued to such supplier.

California

California Legislative History

[1] Ky. Rev. Stat. §§ 260.850-.858.
[2] 302 Ky. Admin. Regs. 50:010-080.
[3] Ky. Rev. Stat. § 260.850(5) (73) Ky. Rev. Stat. § 218A.010(27).
[4] Ky. Rev. Stat. § 218A.010(27).
[5] Ky. Rev. Stat. § 218A.010(27)(c)-(f).
[6] See https://www.ams.usda.gov/rules-regulations/hemp/state-and-tribal-plan-review.

In 1996, California voters passed Proposition 215, the Compassionate Use Act allowing physicians to legally recommend medical cannabis for patients who would benefit from cannabis. The Compassionate Use Act legalized the use, possession and cultivation of medical cannabis for a set of qualifying conditions including AIDS, anorexia, arthritis, cachexia, cancer and chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result.

In September 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act". The Medical Marijuana Regulation and Safety Act established a licensing and regulatory framework for the medical cannabis businesses in California. Multiple agencies oversee different aspects of the program and require businesses obtain a state license and local approval to operate.

In November 2016, voters in California passed Proposition 64, the Adult Use of Marijuana Act ("**AUMA**") creating an adult-use cannabis program for individuals 21 years of age or older. AUMA contained conflicting provisions with the Medical Marijuana Regulation and Safety Act. Consequently, in June 2017, the California State Legislature passed Senate Bill No. 94, known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**"), which combined the Medical Marijuana Regulation and Safety Act and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses. The three agencies that regulate cannabis at the state level are: (a) the California Department of Food and Agriculture, via CalCannabis, which issues licenses to cannabis cultivators; (b) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, which issues licenses to cannabis manufacturers; and (c) the California Department of Consumer Affairs, via the Bureau of Cannabis Control, which issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system.

To legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and a state license. This requires license holders to operate in cities with cannabis licensing and approval programs. Municipalities in California are authorized to determine the number of licenses they will issue to cannabis operators, or can choose to outright ban the cultivation, manufacturing or the retail sale of cannabis. MAUCRSA went into effect on January 1, 2018.

On May 18, 2018, the California Department of Consumer Affairs, the California Department of Public Health and the California Department of Food and Agriculture proposed to re-adopt their emergency cannabis regulations. The three licensing authorities proposed changes to the regulatory provisions to provide greater clarity to licensees and to address issues that have arisen since the emergency regulations went into effect in December 2017. Highlighted among the changes are that applicants may now complete one license application which will allow for both medical and adult-use cannabis activity. These emergency cannabis regulations were officially readopted on June 4, 2018 and came into effect on June 6, 2018. On January 16, 2019, California's three state cannabis licensing authorities announced that the Office of Administrative Law officially approved state regulations for cannabis businesses. The final cannabis regulations took effect immediately and superseded the previous emergency regulations.

California Licenses and License Types

Once an operator obtains local approval, the operator must obtain state licenses before conducting any commercial marijuana activity. There are 12 different license types that cover all commercial activity. License types 1-3 authorize the cultivation of medical and/or adult-use marijuana plants. Type 4 licenses are for nurseries that cultivate and sell clones and "teens" (immature marijuana plants that have

established roots but require further vegetation prior to being sent into the flowering period). Type 6 and 7 licenses authorize manufacturers to process marijuana biomass into certain value-added products such as shatter or marijuana distillate oil with the use of volatile or non-volatile solvents, depending on the license type. Type 8 licenses are held by testing facilities who test samples of marijuana products and generate "certificates of analysis," which include important information regarding the potency of products and whether products have passed or failed certain threshold tests for pesticide and microbiological contamination. Type 9 licenses are issued to "non-storefront" retailers, commonly called delivery services, who bring marijuana products directly to customers and patients at their residences or other chosen delivery location. Type 10 licenses are issued to storefront retailers, or dispensaries, which are open to the public and sell marijuana products onsite. Type 11 licenses are known as "Transport-Only" distribution licenses, and they allow the distributor to transport marijuana and marijuana products between licensees, but not to retailers. Type 12 licenses are issued to distributors who move marijuana and marijuana products to all license types, including retailers.

The Company does not directly hold any licenses in the State of California. The license to operate is held by GG, who are responsible for complying with state regulations.

The below table lists the licenses issued to GG:

License Number	City	Expiration Date	Description
CDPH-10003107	San Diego, CA	05/07/2021	Type 6: Non Volatile Solvent Extraction

In September 2018, the Governor of California approved the Senate Bill 1459 ("**SB-1459**"). SB-1459 created a new scheme of provisional licenses for cannabis operators. This provisional licensing scheme was essentially intended to replace the temporary licensing scheme. SB-1459 was necessary because the three main state cannabis licensing agencies - the Bureau of Cannabis Control ("**BCC**"), California Department of Public Health ("**CDPH**"), and California Department of Food and Agriculture ("**CDFA**") - and localities which issue permits to cannabis operators, were all backlogged with numerous applications and couldn't process all of the applications in time for applicants to get operational in 2018. The steps, per SB-1459 to obtain a provisional license are as follows: (1) an applicant must hold or previously have held a temporary license for the same commercial cannabis activity for which it seeks a provisional, and (2) the applicant must submit a completed annual license application and proof that California Environmental Quality Act ("**CEQA**") compliance is underway. Provisional licenses last for 12 months and can be issued through the end of 2019.

An application for renewal of a cultivation license shall be submitted to the state at least 30 calendar days prior to the expiration date of the current license. A license holder that does not submit a completed license renewal application to the state within 30 calendar days after the expiration of the current license forfeits their eligibility to apply for a license renewal and, instead, would be required to submit a new license application. The license holders must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the state.

Retail Compliance in California

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

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

California Record-keeping/Reporting

California has selected METRC as the T&T system used to track commercial cannabis activity.

Licensees are required to maintain records for at least seven years from the date a record is created. These records include: (a) a cultivation plan, (b) all supporting documentation for data or information input into the T&T system, (c) all unique identifiers ("**UID**") assigned to product in inventory and all unassigned UIDs, (d) financial records related to the licensed commercial cannabis activity, including bank statements, tax records, sales invoices and receipts, and records of transport and transfer to other licensed facilities, (e) records related to employee training for the T&T system, and (f) permits, licenses, and other local authorizations to conduct the licensee's commercial cannabis activity.

California Inventory/Storage

Each licensee is required to assign an account manager to oversee the T&T system. The account manager is fully trained on the system and is accountable to record all commercial cannabis activities accurately and completely. The licensee is expected to correct any data that is entered into the T&T system in error within three business days of discovery of the error.

The licensee is required to report information in the T&T system for each transfer of cannabis or non-manufactured cannabis products to, or cannabis or non-manufactured cannabis products received from, other licensed operators. Licensees must use the T&T system for all inventory tracking activities at a licensed premise, including, but not limited to, reconciling all on-premise and in-transit cannabis or non-manufactured cannabis product inventories at least once every 14 business days. The licensee must store cannabis and cannabis products in a secure place with locked doors.

California Security

A licensee is required to maintain an alarm system capable of detecting and signaling the presence of a threat requiring urgent attention and to which law enforcement are expected to respond. A licensee must also ensure a professionally qualified alarm company operator or one of its registered alarm agents installs, maintains, monitors, and responds to the alarm system.

The manufacturing and cultivation of cannabis must use a digital video surveillance system which runs 24 hours a day, seven days a week and effectively and clearly records images of the area under surveillance. Each camera must be placed in a location that clearly records activity occurring within 20 feet of all points of entry and exit on the licensed premises. The areas that will be recorded on the video surveillance system should include the following: (a) areas where cannabis goods are weighed, packed, stored, loaded, and unloaded for transportation, prepared, or moved within the premises, (b) limited-access areas, (c) security rooms, and (d) areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area. Surveillance recordings must be kept for a minimum of 90 days.

California Transportation

Transporting cannabis goods between licensees and a licensed facility may only be performed by persons holding a distributor license. The vehicle or trailer used must not contain any markings or features on the exterior which may indicate or identify the contents or purpose. All cannabis products must be locked in a box, container, or cage that is secured to the inside of the vehicle or trailer. When left unattended, vehicles must be locked and secured. At a minimum, the vehicle must be equipped with an alarm system, motion detectors, pressure switches, duress, panic, and hold-up alarms.

California Inspections

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

Marijuana Taxes in California

Several types of taxes are imposed in California for adult use sale. As of January 1, 2020, the California Department of Tax and Fee Administration raised the tax rate on wholesale cannabis from 60% to 80%. Cultivators have the choice of being taxed at $9.65, per dry-weight ounce of cannabis flowers or $1.35 per ounce of wet-weight plants. Further, cultivators are required to pay $2.87 per ounce for cannabis leaves. California also imposes an excise tax of 15%. Cities and counties apply their sales tax along with the state's excise and many cities and counties have also authorized the imposition of special cannabis business taxes which can range from 2% to 10% of gross receipts of the business.

The Company has retained legal counsel and/or other advisors in connection with California's marijuana regulatory program. The Company has developed standard operating procedures for licenses who are operational.

Nevada

Nevada Regulatory Landscape

In 2013, Nevada legislature passed SB374, providing for state licensing of medical marijuana establishments. On November 8, 2016, Nevada voters passed Question 2 (codified in Nevada as Nevada Revised Statutes 435D) by ballot initiative allowing for the sale of marijuana for adult use. Although adult-use marijuana establishment licenses were not required to be issued until January 2018, by emergency regulation the Nevada Department of Taxation issued "early start" licenses in June 2017, allowing for adult-use sales to begin on July 1, 2017. There are currently 115 cultivators, 80 producers, and 66 retail stores licensed for adult-use in the entire state as of February 2019[7]. Approximately 75% of the state licensed marijuana operations exist within Clark County / Las Vegas city limits, representing an approximate 8,000 square mile area. The remaining 25% of licenses exist throughout the rest of the state.[8]

In the first eight months of Nevada adult use sales, recreational retail sales were reported at over $260 million, averaging almost $33 million per month and trending materially higher than forecasts submitted

[7] https://tax.nv.gov/MME/Marijuana_Establishments_-_Home/
[8] Nevada Department of Taxation. (2018 April 18). Marijuana Program Overview. Retrieved from https://tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/

by the Nevada Department of Taxation (the "**DOT**").[9] The state has opened up applications for additional adult use licenses and given priority to businesses with current licenses, allowing for greater opportunity for the Company to increase its Nevada footprint at an expedited pace.

The Nevada marijuana establishment's application process is merit-based, competitive, and is currently closed. If an application merits a sufficient score in the scored criterion, contains all required information, and after vetting by officers, establishments, the proposed establishment may be constructed as proposed, inspected by the DOT, and then the facility may be issued a marijuana establishment facility license. In a local governmental jurisdiction that issues business licenses, the issuance by DOT of a marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from DOT and include a renewal form.

VEXT's Licenses in Nevada

VEXT does not hold any licenses to operate cultivation and processing facilities in the State of Nevada. The agreement in Nevada is a management services agreement and the Company is bound to rely upon its Nevada partner for full compliance with the regulations as set out below

The below table lists the licenses issued to the Company's Nevada master service agreement partner(s):

MSA Party	License Number	City	Expiration Date	Description
Pegasus Nevada	83631623793439141188	Las Vegas	06/30/2021	Marijuana Production Registration Certificate
Pegasus Nevada	91945512284376080256	Las Vegas	06/30/2021	Marijuana Product Manufacturing License

Nevada Licenses and Regulations

The cultivation license permits the Company to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to marijuana dispensaries, facilities for the production of edible marijuana products and/or marijuana-infused products, or other marijuana cultivation facilities.

The product manufacturing license permits the Company to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other marijuana production facilities or marijuana dispensaries.

Nevada Reporting Requirements

The State of Nevada uses METRC as the state's computerized T&T system for seed-to-sale. Effective November 1, 2017, all medical and adult-use marijuana establishments in Nevada must report their

[9] https://www.reviewjournal.com/news/pot-news/nevada-recreational-marijuana-sales-reach-41m-in-march/

establishment data to the state of Nevada via Metrc. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements.

Hawaii

Hawaii's industrial hemp pilot program allows the Hawaii Department of Agriculture (the "**HDOA**") to work with licensees to research the growth, cultivation, and marketing of industrial hemp.[10] In Hawaii, for purposes of the Hawaii Industrial Hemp Act, "[a]ny plant that meets the definition of 'industrial hemp' under [the Hawaii Industrial Hemp Act] shall not constitute "marijuana" as defined in section 329-1 or 712-1240, Hawaii Revised Statutes."[11] Production for commercial purposes is permitted, as research into the marketing and industrial development of hemp includes "reporting market demand for industrial hemp varieties, raw materials, and end products, including identification of actual or potential hemp products, processors, product manufacturers, wholesalers, retailers, and targeted consumers."[12] HDOA does not regulate processing of hemp or sale of manufactured hemp products such as CBD, which is under the purview of the Hawaii Department of Health ("**HDOH**"). [13] As detailed below, HDOH prohibits the sale of manufactured hemp products containing CBD in the state if added to food, beverages, or cosmetics, for human consumption.[14] On March 4, 2019, the HDOA updated its frequently asked questions, stating that, despite the passage of the 2018 Farm Bill, "all of the current Hawaii Statutes and Rules are still applicable to the growth of hemp."[15] However, a "new hemp regulatory program based upon the 2018 Farm Bill will likely be available for the 2020 growing season."[16]

On May 1, 2019, HDOA released an advisory titled "Hawai'i Department of Health advises consumers and businesses on cannabis-derived products including cannabidiol or CBD" (the "**Advisory**").[17] The Advisory states that HDOA "intends to regulate all cannabis-derived products in a manner consistent with the approach of the [FDA]."[18] The Advisory also notes that "state statutes . . . prohibit businesses from adding CBD to food, beverages and cosmetics."[19] The Advisory states that HDOA is "notifying businesses in Hawai'i of the illegal status of [cannabis-derived products, including products containing CBD,]" and cautions that "[a]ny establishment that fails to comply with this directive may be subject to the loss of their state food establishment permit and/or closure of their business by health inspectors."[20] On May 6, 2019, the Hawaii Legislature passed Senate Bill 1353. The governor has until June 24, 2019 to sign the bill, veto the bill, or allow it to become law without signature. The bill requires the HDOA to establish a permanent industrial hemp program and to submit a state hemp plan to the United States Department of Agriculture for approval.[21] The bill defines hemp as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 per cent on a dry weight basis" and excludes hemp from the statutory definition of

[10] HAW. REV. STAT. § 141-31 to -41 (2018).
[11] S.B. 2175, 27th Leg., (Haw. 2014).
[12] HAW. REV. STAT. § 141-36(10)(D) (2018).
[13] *Questions and Answers about Cannabis-Derived Products, Including CBD*, STATE OF HAW. DEP'T. OF HEALTH (Apr. 26, 2019), https://health.hawaii.gov/food-drug/cbd-questions-and-answers/#CBDQ10.
[14] *Id.*
[15] *Industrial Hemp Pilot Program FAQs*, STATE OF HAW. DEP'T. OF AG. (Mar. 4, 2019), http://hdoa.hawaii.gov/hemp/hemp-faqs/
[16] *Id*.
[17] *Hawai'i Department of Health advises consumers and businesses on cannabis-derived products including cannabidiol or CBD*, HAWAI'I DEP'T OF HEALTH (May 1, 2019), https://health.hawaii.gov/news/files/2019/05/19-027-DOH-Advisory-on-Products-Containing-CBDand-Safety-002.pdf.
[18] *Id*.
[19] *Hawai'i Department of Health advises consumers and businesses on cannabis-derived products including cannabidiol or CBD*, HAWAI'I DEP'T OF HEALTH (May 1, 2019), https://health.hawaii.gov/news/files/2019/05/19-027-DOH-Advisory-on-Products-Containing-CBDand-Safety-002.pdf.
[20] *Id*.
[21] SB 1353, 30th Leg., 2019 Reg. Sess. (Haw. 2019).

marijuana.[22] The bill also excludes the tetrahydrocannabinols found in hemp from the definition of tetrahydrocannabinols in Hawaii's controlled drug law.[23] The bill was signed into law, resulting in the passage of Act 014 into law on August 27, 2020, which legalized the growth of hemp in Hawaii through the U.S. Department of Agriculture's ("**USDA**") Domestic Hemp Production Program.[24] Beginning on November 01, 2020, individuals and entities who wish to grow hemp in Hawaii must acquire a hemp production license from the USDA and comply with the various new state requirements concerning criminal background and zoning requirements.[25]

Ohio

As of December 31, 2019, the Company had a non-binding letter of intent to operate in Ohio, which continues at the date of this AIF. For greater clarity, the regulations governing Ohio are noted herein as it is the intention of the Company to enter a joint venture agreement in that State.

Ohio Legislative History

Effective September 8, 2016, House Bill 523 legalized the use of medical cannabis for 26 debilitating conditions as prescribed by a licensed physician. On implementation, the Ohio Medical Marijuana Control Program ("**OMMCP**") will allow people with certain medical conditions including Alzheimer's disease, HIV/AIDS, ALS, cancer, and traumatic brain injury to legally purchase medical cannabis. Though Ohio was required to implement a fully operational OMMCP by September 8, 2018 with a controlled system for cultivation, laboratory-testing, physician/patient registration and dispensing, the timeline was delayed until November 2018. Regulatory oversight is shared between three offices; (a) the Ohio Department of Commerce with respect to overseeing cultivators, processors and testing laboratories; (b) the Ohio Board of Pharmacy with respect to overseeing retail dispensaries and the registration of patients and caregivers, and (c) the State Medical Board of Ohio with respect to certifying physicians to recommend medical cannabis. The OMMCP will permit limited product types including oils, tinctures, plant materials and edibles. Adult-use and the smoking of cannabis flower are prohibited. As of April 30, 2020, there were approximately 101,427 registered patients allowed to purchase cannabis products from a dispensary.

Ohio Licenses

Prior to September 8, 2018, the Ohio Board of Pharmacy was permitted to issue up to 60 dispensary provisional licenses. After September 8, 2018, additional provisional licenses are permitted to be issued if the population, the number of patients seeking to use medical cannabis products and the availability of all forms of cannabis products support additional licenses. To be considered for approval of a provisional dispensary or a processing license, the applicant must complete all mandated requirements. To obtain a certificate of operation for a medical cannabis dispensary or processing facility, the prospective licensee must be capable of operating in accordance with Chapter 3796 of the Revised Code, the Medical Marijuana Control Program. Dispensary Certificates of operation carry two-year terms, while certificates of operation for cultivators and processors must be renewed annually.

A certificate of operation will expire on the date identified on the certificate. A licensee will receive written or electronic notice 90 days before the expiration of its certificate of operation. The licensee must submit the renewal information at least 45 days prior to the date the existing certificate expires. The

[22] *Id*.
[23] *Id*.
[24] *Industrial Hemp Program FAQS*, STATE OF HAW. DEP'T. OF AG. (Aug. 31, 2020), http://hdoa.hawaii.gov/hemp/hemp-faqs/.

[25] *Id.*

information required for the license renewal includes, but is not limited to, the following: (a) a roster that includes the dispensary's employees' names, (b) the history of compliance with regulations, and (c) the number and severity of any violations. If a licensee's renewal application is not filed prior to the expiration date of the certificate of operation, the certificate of operation will be suspended for a maximum of 30 days. After 30 days, if the dispensary has not successfully renewed the certificate of operation, including the payment of all applicable fees, the certificate of operations will be deemed expired. The original implementation deadline of September 8, 2018 was missed by Ohio, as noted above. Starting in January 2019, Ohio patients were able to purchase medical cannabis.

The Company does not hold any licenses in the State of Ohio. As of December 31, 2019, the Company had a non-binding letter of intent to operate in Ohio, which continues at the date of this AIF. For greater clarity, the regulations governing Ohio are noted herein as it is the intention of the Company to enter a joint venture agreement in that State. If the Company enters into a definitive joint venture agreement in the State of Ohio, the applicable joint venture partner will be required to maintain compliance with regulatory matters associated with the license.

Ohio Record-keeping/Reporting

A holder of a processing license must maintain the following records: (a) samples sent for testing, (b) disposal of products, (c) tracking of inventory, (d) form and types of medical cannabis maintained at the processing facility on a daily basis, (e) production records, including extraction, refining, manufacturing, packaging and labeling, (f) financial records, and (g) purchase invoices, bills of lading, manifests, sales records, copies of bills of sale, and any supporting documents, including the items and/or services purchased, from whom the items were purchased, and the date of purchase.

A holder of a dispensary license must maintain the following records: (a) confidential storage and retrieval of patient information or other medical cannabis records, (b) records of all medical cannabis received, dispensed, sold, destroyed, or used, (c) dispensary operating procedures, (d) a third-party vendor list, (e) monetary transactions, and (f) journals and ledgers. All records relating to the purchase or return, dispensing, distribution, destruction, and sale of medical cannabis must be maintained under appropriate supervision and control to restrict unauthorized access on the licensed premises for a five-year period.

Ohio Inventory/Storage

Ohio has selected METRC as the T&T system. Individual licensees, whether directly or through third-party APIs, are required to push data to the state to meet all reporting requirements. A holder of a processing license must track and submit through the inventory tracking system any information the Ohio Department of Commerce determines necessary for maintaining and tracking medical cannabis extracts and products.

A holder of a processing license must conduct weekly inventory of medical cannabis which includes (a) the date of the inventory, (b) net weight of plant material and the net weight and volume of medical cannabis extract, (c) net weight and unit count of medical cannabis products prepared or packaged for sale to a dispensary, and (d) a summary of the inventory findings. On an annual basis and as a condition for renewal of a processing license, a holder of a processing license shall conduct a physical, manual inventory of plant material, medical cannabis extract, and medical cannabis products on hand at the processor and compare the findings to an annual inventory report generated using the inventory tracking system. A holder of a processing license must store plant material, medical cannabis extract, and medical cannabis product inventory on the premises in a designated, enclosed, locked area and accessible only by authorized individuals.

A holder of a dispensary license must use the METRC T&T system to push data to the Ohio Board of Pharmacy on a real-time basis. The following data must be transmitted: (a) each transaction and each day's beginning inventory, acquisitions, sales, disposal and ending inventory, (b) acquisitions of medical cannabis from a licensed processor or cultivator holding a plant-only processor designation, (c) name and license number of the licensed dispensary employee receiving the medical cannabis and, (d) other information deemed appropriate by the Ohio State Board of Pharmacy. A dispensary's designated representative shall conduct the inventory at least once a week. Records of each day's beginning inventory, acquisitions, sales, disposal and ending inventory shall be kept for a period of three years.

The dispensary licensee must restrict access areas and keep stock of medical cannabis in secured area enclosed by a physical barrier with suitable locks and an alarm system capable of detecting entry at a time when licensed dispensary employees are not present. Medical cannabis must be stored at appropriate temperatures and under appropriate conditions to help ensure that its identity, strength, quality and purity are not adversely affected.

Ohio Security

All licensees must have a security system that remains operational at all times and that uses commercial grade equipment to prevent and detect diversion, theft or loss of medical cannabis, including (a) a perimeter alarm, (b) motion detectors, and (c) duress and panic alarms. A dispensary must also employ a holdup alarm, which means a silent alarm signal generated by the manual activation of a device intended to signal a robbery in progress.

Video cameras at a dispensary must be positioned at each point of egress and each point of sale. The cameras must capture the sale, the individuals and the computer monitors used for the sale. Video surveillance recording must operate 24 hours a day, seven days a week. Recording from all video cameras during hours of operation must be made available for immediate viewing by the Ohio State Board of Pharmacy upon request and must be retained for at least six months.

Video cameras at a processing facility must be directed at all approved safes, approved vaults, cannabis sales areas, and any other area where plant material, medical cannabis extract, or medical cannabis products are being processed, stored or handled. Video surveillance must take place 24 hours a day, seven days a week. Recordings from all video cameras during hours of operation must be readily available for immediate viewing by the Ohio regulatory bodies upon request and must be retained for at least six months.

Ohio Transportation

Medical marijuana entities must maintain a transportation log containing the names and addresses of the medical marijuana entities sending and receiving the shipment, names and registration numbers of the registered employees transporting the medical marijuana or the products containing medical marijuana, the license plate number and vehicle type that will transport the shipment, the time of departure and estimated time of arrival, the specific delivery route, which includes street names and distances; and the total weight of the shipment and a description of each individual package that is part of the shipment, and the total number of individual packages. Copies of the log described above must be transmitted to the recipient and to the Ohio Department of Commerce before the close of business the day prior to the trip.

Vehicles transporting medical marijuana or marijuana products must be insured as required by law, store the products in locked compartments, ensure that the products are not visible from outside the vehicle, be staffed with two employees registered with the department (with one remaining with the vehicle at all

times) and have access to the 911 emergency system. Vehicles must not be marked with any marks or logos.

Trips must be direct, other than to refuel the vehicle. Drivers must have their employee identification cards at all times and must ensure that delivery times and routes are randomized. A copy of the transportation log must be carried during the trip.

Ohio Inspections

The submission of an application that results in the issuance of a provisional license or certificate of operation for a cultivator irrevocably gives the Ohio Department of Commerce consent to conduct all inspections necessary to ensure compliance with the cultivator's application, state and local law and regulators. An inspector conducting an inspection pursuant to this rule shall be accompanied by a "type 1" key employee during the inspection. The inspector may review and make copies of records, enter any area of a facility, inspect vehicles, equipment, premises, and question employees, among other actions.

Dispensaries in Ohio are subject to random and unannounced dispensary inspections and medical marijuana testing by the Ohio Board of Pharmacy. The Ohio Board of Pharmacy and its representatives may enter facilities and vehicles where medical marijuana is held and conduct inspections in a reasonable manner each place and all pertinent equipment, containers and materials and data. The Ohio Board of Pharmacy may also obtain any medical marijuana or related products from such facility.

RISK FACTORS

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of the Company. 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 be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The acquisition of any of the securities of the Company is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Shareholders should evaluate carefully the following risk factors associated with the Company's securities, along with the risk factors described elsewhere in this AIF.

Risk Factors Generally Related to the Company

Our Results of Operations May be Negatively Impacted by the COVID-19 Outbreak

In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic.

In response to the outbreak, governmental authorities in the United States, Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place

and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 in the United States, Canada and globally could have an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, as well as a deterioration of general economic conditions including a possible national or global recession. Shelter-in-place orders and social distancing practices designed to limit the spread of COVID-19 may affect our retail business. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material.

Limited Operating History

The Company has a limited history of operations and is considered a development stage company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and is expected to continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception 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, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company and its subsidiaries. Further, adverse publicity, reports or other media attention regarding cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect.

Public opinion and support for medical and adult use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

The ability to gain and increase market acceptance of Company's products may require the Company or its subsidiaries to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company or its subsidiaries.

Further, a shift in public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the perception of the public with respect to medical cannabis in the U.S. or any other applicable jurisdiction could affect future legislation

or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on its business, financial condition and results of operations.

Negative Cash Flow for the Foreseeable Future

The Company has no history of earnings or cashflow from operations. The Company does not expect to generate material revenue or achieve self-sustaining operations for several years, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company may experience some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income and cash flow could differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

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

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this AIF, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of the Subordinated Voting Shares may significantly decrease.

Service Providers

As a result of any adverse change to the approach in enforcement of the U.S. cannabis laws, adverse regulatory or political changes, additional scrutiny by regulatory authorities, adverse changes in the public perception in respect to the consumption of cannabis or otherwise, third-party service providers to the Company or any of its subsidiaries could suspend or withdraw their services, which may have a material adverse effect on the business, revenues, operating results, financial condition or prospects of the Company or any of its subsidiaries.

Going-Concern Risk

The consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

There are factors which may prevent the Company from the realization of growth targets.

The Company is currently in the expansion from early development stage. There is a risk that these additional resources 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:

- delays in obtaining, or conditions imposed by various governmental agencies regarding regulatory, environmental, construction approvals and commercial cannabis licensing;
- evolving legal landscape of a newly implemented cannabis regulatory scheme;
- legal uncertainty caused by a lack of uniformity between state and U.S federal authorities and policies coupled with the uncertainty of future U.S. federal legislation regarding the classification of marijuana as a controlled substance;
- the potential federal enforcement of relevant federal laws prohibiting the production and sale of marijuana;
- the lack of operational certainty regarding commercial cannabis compliance in California's newly implemented and evolving cannabis regulatory scheme;
- future increases in California sales, cannabis excise and cultivation taxes and application fees;
- future increases to the costs of maintaining regulatory compliance;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases 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;
- operational inefficiencies;

- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities;

- major incidents and/or catastrophic events such as fires, earthquakes, floods, explosions or storms; and

- Securing adequate financing.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;

- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;

- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;

- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;

- another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or

- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates.

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require 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. Government environmental approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental 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 due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Failure to successfully integrate acquired businesses, their products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisitions.

The Company has grown by acquiring businesses, including its intended cultivation, processing and dispensary business. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time-consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement. When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its

business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

The Company's future business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the 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 significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Protection and Enforcement of Intellectual Property Rights

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company has entered into confidentiality and invention assignment agreements with its officers and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT 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 pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, 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.

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.

Given the nature of the Company's product and its lack of legal availability, as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly

litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products. In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

Litigation Risks

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

Commercial success of the Company will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing its own patents and proprietary rights against others. The research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of the Company's programs. The Company is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe on their intellectual property.

While it is the practice of the Company to undertake pre-filing searches and analyses of developing technologies, they cannot guarantee that they have identified ever patent or patent application that maybe relevant to the research, development, or commercialization of its products. Moreover, the Company can provide no assurance that third parties will not assert valid, erroneous, or frivolous patent infringement claims.

The Company anticipates requiring substantial additional financing to operate its business and it may face difficulties acquiring additional financing on terms acceptable to the Company or at all.

The Company will need additional capital to sustain its operations and will likely need to seek further financing. If the Company fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised. To date, the Company's operations and expansion of its business has been funded primarily from cash-flow from operations as substantially supplemented by the proceeds of debt and equity financings. The Company expects to require substantial additional capital in the future primarily to fund working capital requirements of its business, including operational expenses, operationalizing existing licenses, planned capital expenditures including the focused development and growth of cultivation facilities, debt service and acquisitions.

Even if the Company obtains financing for its near-term operations and expansion, the Company expects that it will require additional capital thereafter. The Company's capital needs will depend on numerous factors including: (i) its profitability; (ii) the release of competitive products by its competition; (iii) the level of its investment in research and development; and (iv) the amount of its working capital requirements and debt service.

If the Company raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by its existing shareholders will be reduced and the Company's shareholders may experience significant dilution. In addition, new securities may contain rights, preferences, or

privileges that are senior to those of existing securities. If the Company raises additional capital by incurring debt, this will result in increased interest expense. If the Company raises additional funds through the issuance of equity securities, market fluctuations in the price of its securities could limit the Company's ability to obtain equity financing.

No assurance can be given that any additional financing will be available to the Company, or if available, will be on terms favorable to it. If the Company is unable to raise capital when needed, its business, financial condition, and results of operations would be materially adversely affected, and the Company could be forced to reduce or discontinue its operations.

There may be larger, better financed companies which may become competition for the Company.

There is high 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 research and manufacturing than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment/consulting agreements are customarily used as a primary method of retaining the services of key management, these agreements cannot assure the continued services of such persons. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits will be granted.

Uninsurable Risks

The business of the Company may not be insurable or the insurance may not be purchased due to high cost. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

The market price of the Company's Subordinated Voting Shares may be subject to wide price fluctuations

The market price of the Company's Subordinated Voting Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's Subordinated Voting Shares.

Risks Associated with Future Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no

understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

Difficulty to Forecast

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 industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Conflicts of Interest

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

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Company is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the stock exchange.

Risk Factors Related to Ownership

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 which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price of the Subordinated Voting Shares will not occur. The market price of the Subordinated Voting Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors.

Increased levels of volatility and resulting market turmoil may adversely impact the price of the Subordinate Voting Shares.

Price Volatility Caused by COVID-19

The COVID-19 outbreak, and the response of governmental authorities to try to limit it, are having a significant impact on the securities markets in the U.S. and Canada. Since the COVID-19 outbreak commenced, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility and wide fluctuations in the market prices of securities of many companies, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration may adversely impact the price of the Subordinated Voting Shares.

Dividends

Holders of the Subordinated Voting Shares will not have a right to dividends on such shares unless declared by the Board. It is not anticipated that the Company will pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board.

Limited Market for Securities

The Company's Subordinated Voting Shares are listed on the CSE. There can be no assurance that an active and liquid market for the Subordinated Voting Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company and the Company's revenue per share. The Board has discretion to determine the price and the terms of further issuances. Moreover, additional Subordinated Voting Shares will be issued by the Company on the exercise of options under the Company's option plan and upon the exercise of the outstanding warrants. The Company may also issue Subordinated Voting Shares to finance future acquisitions. The Company cannot predict the size of future issuances of Subordinated Voting Shares or the effect that future issuances and sales of Subordinated Voting Shares will have on the market price of the Subordinated Voting Shares. Issuances of a substantial number of additional Subordinated Voting Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Subordinate Voting Shares

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Sufficiency of Capital

Should the Company's costs and expenses prove to be greater than currently anticipated, or should the Company change its current business plan in a manner that will increase or accelerate its anticipated costs and expenses, the depletion of its working capital would be accelerated. To the extent it becomes necessary to raise additional cash in the future as its current cash and working capital resources are depleted, the Company will seek to raise it through the public or private sale of assets, debt or equity securities, the procurement of advances on contracts or licenses, funding from joint-venture or strategic partners, debt financing or short-term loans, or a combination of the foregoing. The Company may also seek to satisfy indebtedness without any cash outlay through the private issuance of debt or equity securities. The Company cannot guarantee that it will be able to secure the additional cash or working capital it may require to continue our operations. Failure by the Company to obtain additional cash or working capital on a timely basis and in sufficient amounts to fund its operations or to make other satisfactory arrangements may cause the Company to delay or indefinitely postpone certain of its activities, including potential acquisitions, or to reduce or delay capital expenditures, sell material assets, seek additional capital (if available) or seek compromise arrangements with its creditors. The foregoing could materially and adversely impact the business, operations, financial condition and results of operations of the Company.

Risk Factors Specifically Related to Regulatory Matters

The Company's Business Activities are Illegal under U.S. Federal Law

Cannabis (with the exception of hemp containing no more than 0.3% THC by dry weight) is illegal under U.S. federal law. In those states in which the use of cannabis has been legalized, its use remains a violation of federal law pursuant to the CSA. The CSA classifies cannabis as a Schedule I controlled substance, and as such, medical and adult use cannabis consumption is illegal under U.S. federal law. Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. If that occurs, the Company's subsidiaries or other entities in which the Company may have an interest from time to time may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of federal law, or the Company may be deemed to be facilitating the selling or distribution of cannabis and drug paraphernalia in violation of federal law with respect to the Company's investment in its subsidiaries. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis is a significant risk which would greatly harm the Company's business, prospects, results of operation, and financial condition. As all of our operations are cannabis-related and conducted in the United States, our balance sheet and operating statement exposure to U.S. marijuana related activities is 100% in each case.

The activities of the Company's subsidiaries are, and will continue to be, subject to evolving regulation by governmental authorities. The Company's subsidiaries are directly or indirectly engaged in the medical and adult use cannabis industry in the U.S. where local state law permits such activities. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs between states in the U.S. Due to the current regulatory environment in the U.S., new risks may emerge, and management may not be able to predict all such risks.

There are 33 states in the U.S., in addition to Washington D.C., Puerto Rico, the U.S. Virgin Islands and Guam, that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, Washington and Washington D.C. have legalized cannabis for adult use.

The funding by the Company of the activities of the Company's subsidiaries involved in the medical and adult use cannabis industry through equity investments, loans or other forms of investment, may be illegal under the applicable federal laws of the U.S. and other applicable laws. There can be no assurances that the federal government of the U.S. or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business, including its reputation, profitability, the market price of its publicly traded shares, and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The prior U.S. administration attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum which then Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013 that outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum held that enforcing federal cannabis laws and regulations 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, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations was not a priority for the DOJ. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum.

On January 4, 2018, then U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. Jeff Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. It is unclear what impact this development will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated, "I do not intend to go after parties who have complied with state law in reliance on the Cole Memo." Nonetheless, 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 United States 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.

The Department of Justice under Mr. Barr has not taken a formal position on federal enforcement of laws relating to cannabis. Mr. Barr has stated publicly that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach of leaving it up to the states to make their own decisions. There is no guarantee that the position of the Department of Justice will not change. If the Department of Justice policy under Attorney General William Barr were to aggressively pursue financiers or owners of cannabis-related businesses, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis operations, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) the barring of its employees, directors, officers, managers and investors who are not United States citizens from entry into the United States for life.

On December 20, 2019, President Donald Trump signed the Consolidated Appropriations Act, 2020 which included the Rohrabacher/Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law, extending its application until September 30, 2020. There can be no assurances that the Rohrabacher/Blumenauer Amendment will be included in future appropriations bills.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends or repeals the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendment or repeal there can be no assurance), there is a significant risk that federal authorities may enforce current federal law. If the federal government begins to enforce 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 would be materially adversely affected.

Marijuana remains a Schedule I controlled substance under the CSA, and neither the Cole Memorandum nor its rescission nor the continued passage of the Rohrabacher/Blumenauer Amendment has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state law sanctions such sale and disbursement. If the United States federal government begins to enforce United States 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 would be materially adversely affected.

Some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local laws, are illegal under U.S. federal law.

Although over forty (40) U.S. states and territories of the U.S. authorize medical and/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 federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment. Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities and engaging in money-laundering through the contracts it has entered into and the products that it intends to provide. The Company intends to manufacture, distribute and sell recreational and medical cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited, a claim regarding the Company's possession, use and sale of cannabis, money-laundering and aiding and abetting another's 35 criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations, should have its assets and funds seized and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

Nature of the Business Model

Since the cultivation, processing, production, distribution, and sale of cannabis for any purpose, medical, adult use or otherwise, remain illegal under U.S. federal law, it is possible that any of its subsidiaries may be forced to cease activities. The United States federal government, through, among others, the DOJ, its sub agency the Drug Enforcement Agency ("**DEA**"), and the U.S. Internal Revenue Service (the "**IRS**"), have the right to actively investigate, audit and shut down cannabis growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the property of the Company or any of its subsidiaries. Any action taken by the DOJ, the DEA and/or the IRS to interfere with, seize, or shut down the operations of the Company or any of its subsidiaries will have an adverse effect on their businesses, operating results and financial condition.

U.S. State Regulatory Uncertainty

There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. 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 state laws are repealed or curtailed, the Company's business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company, its business and its assets or investments.

Certain U.S. states where medical and/or adult use cannabis is legal have or are considering special taxes or fees on the cannabis industry. It is uncertain at this time whether other states are in the process of reviewing such additional taxes and fees. The implementation of special taxes or fees could have a material adverse effect upon the businesses, results of operations and financial condition of the Company or its subsidiaries.

Tax Risks Related to Controlled Substances

Limits on U.S. deductibility of certain expenses may have a material adverse effect on our financial condition, results of operations and cash flows. Section 280E ("**Section 280E**") of the Internal Revenue Code (the "**Code**") prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances (within the meaning of Schedule I and II of the CSA). IRS has applied Section 280E narrowly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, 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. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses.

If our tax filing positions were to be challenged by federal, state and local or foreign tax jurisdictions, we may not be wholly successful in defending our tax filing positions. We record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be recorded and, if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which result could be significant to our financial condition or results of operations.

Loss of Foreign Private Issuer Status

The Company is a Foreign Private Issuer as defined in Rule 405 under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). If, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the United States, the Company will no longer meet the definition of a Foreign Private Issuer, which may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's Foreign Private Issuer status may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations. The term ''Foreign Private Issuer'' is defined as any non-U.S. corporation, other than a foreign government, except any issuer meeting the following conditions:

(a) more than 50 percent of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the United States; and

(b) any one of the following:

  (i) the majority of the executive officers or directors are United States citizens or residents, or

  (ii) more than 50 percent of the assets of the issuer are located in the United States, or

  (iii) the business of the issuer is administered principally in the United States.

A ''holder of record'' is defined by Rule 12g5-1 under the U.S. Exchange Act. Generally speaking, the holder identified on the record of security holders is considered as the record holder.

In December 2016, the U.S. Securities and Exchange Commission (the "**SEC**") issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with this threshold, examine either (i) the combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding Super Voting Share is counted as one voting security and each issued and outstanding Subordinate Voting Shares is counted as one voting security for the purposes of determining the 50 percent U.S. resident threshold and the Company is a ''Foreign Private Issuer".

Should the SEC's guidance and interpretation change, it is likely the Company will lose its Foreign Private Issuer status.

Limited Trademark Protection

The Company and its subsidiaries will not be able to register any U.S. federal trademarks for their cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is illegal under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company and its subsidiaries likely will be unable to protect their cannabis product trademarks beyond the geographic

areas in which they conduct business. The use of its trademarks outside the states in which they operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, such as the Company, which is either used in the course of conducting such business, or is the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture.

Under California regulations, a Licenced Producer of cannabis has restrictions on the type and form of marketing it can undertake, which could materially impact sales performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by U.S. regulatory authorities. The regulatory environment in California may in the future restrict the type and form of marketing which could limit the Company's ability to compete for market share. 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 sales and operating results could be adversely affected.

There is uncertainty of existing protection from U.S. federal prosecution.

While the Rohrabacher/Blumenauer Amendment was renewed in 2020 as part of an omnibus spending bill and is in effect through September 30, 2020, the rider applies only to medical marijuana, and does not prohibit the DOJ from investigating or prosecuting conduct and commerce involving adult-use marijuana. Moreover, there can be no certainty that Congressional support for the Rohrabacher/Blumenauer Amendment will continue after the September 30, 2020 expiration. If the Rohrabacher/Blumenauer Amendment or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to U.S. medical cannabis businesses would lapse, and such businesses would be more at risk to prosecution under federal law. There is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the Rohrabacher/Blumenauer Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Company regularly monitors the regulatory activities of Congress.

There is uncertainty surrounding the current U.S. presidential administration and its influence and policies in opposition to the cannabis industry as a whole.

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump Administration or the policies of any future presidential administration about recreational and medical cannabis.

On January 4, 2018, Former Attorney General Jeff Sessions and the DOJ issued the Sessions Memo. The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. While Attorney General William Barr has stated publicly that he does not intended to "go after parties who have complied with the state law in reliance on the Cole Memorandum," his position could change. The impact

that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

There is no certainty as to how Attorney General William Barr, Federal Bureau of Investigation, the Drug Enforcement Agency and other federal government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Company regularly monitors the activities of the current administration for evidence that it will contravene the RLA enacted by Congress.

The Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed.

Should the federal government in the U.S. begin prosecuting those dealing in recreational cannabis under applicable law, there may not be any market for the Company's products and services in the U.S.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

The Company's business operations may come under additional scrutiny by governmental and non-governmental agencies.

The cannabis industry may come under scrutiny or further scrutiny by the FDA, the SEC, the DOJ, the Financial Industry Regulatory Advisory or other federal, the State of California or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, the property of the Company may be seized and the operations of the Company shut down.

The U.S. federal government, through both the DEA and IRS, has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have a material adverse effect on the Company's business, operating results and financial condition.

The Company may not be able to obtain all necessary municipal California licenses and permits or complete construction of its facilities in a timely manner, which could, among other things, delay or prevent the Company from becoming profitable.

Construction of the Company's facilities are subject to obtaining all necessary building permits, local business licenses and other necessary local approvals, including approval of individuals associated with the Company's management in connection with cultivation, marijuana manufacturing and dispensary

licenses already held by the Company's subsidiaries. There can be no certainty such other permits and approvals will be granted, or, if granted, will be granted within the proposed timeframe or on terms expected by the Company. If such permits and approvals are not obtained within the proposed timeframe, the Company may not realize its expected benefits and could suffer adverse consequences, including loss of investor confidence and other material adverse effects on the Company's business.

The Company's operations in the United States cannabis market may become the subject of heightened scrutiny.

The Company's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. On February 8, 2018, CDS signed a memorandum of understanding (the "**CDS MOU**") with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX-V. The CDS MOU outlines CDS' and these exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of these exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on these exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of Subordinated Voting Shares to make trades. In particular, the Subordinated Voting Shares would become highly illiquid as investors would have no ability to effect a trade of Subordinated Voting Shares through the facilities of a stock exchange.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in multiple jurisdictions, including in California. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, the SEC, the DOJ, the Financial Industry Regulatory Authority or other federal, California or other applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or non-medical purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

There is no assurance of success or profitability under the new legal and regulatory structure in California.

There are no assurances that the Company will be granted any licenses in the State of California or that its current licenses will be renewed and/or grandfathered into any potential future changes in California's unpredictable and ever evolving regulatory structure. The Company has not determined the extent to

which the provisions of MAUCRSA will impact the Company, its business and its current and future operations. While California has legalized the sale of cannabis for medical and recreational use outside of cooperatives or collectives and the sale of cannabis as a for-profit business activity, the regulations relating to how cannabis businesses will be required to operate in the future in California are uncertain. Accordingly, there is no way to currently anticipate what the legal climate surrounding the Company's anticipated business plan will be at any point in the future and there is no assurance that the Company will operate profitably or generate revenues or profits that will permit the payment of dividends on or any increase in the value of the Subordinated Voting Shares.

California legislation states that regulations promulgated by the Bureau of Cannabis Control and any other California state agency that no person can engage in commercial cannabis-related activity without possessing both a state license and either a local permit, license or other authorization, or otherwise being in compliance with local law.

The process associated with acquiring a state license in California is onerous and there are no assurances that the Company will be granted any state licenses at all. Further, all California licensed cannabis businesses are subject to inspection by local authorities and the State of California agencies administering MAUCRSA to ensure compliance. Previously, all applicants for a state license were required to show proof of compliance with local laws; however, pursuant to MAUCRSA, applicants may show prior compliance with local law prior to state licensure, but the burden has shifted to the city or county to alert the state within sixty (60) business days if such applicant is not in compliance with local laws. Although the Company believes it is currently, and will continue to be, in compliance with all applicable state and local laws, there is no assurance that any city or county will not alert the state of any issues regarding the Company's compliance. Further, because there are different licenses for different types of commercial cannabis-related activities, even if the Company is granted one or more licenses, there are no assurances that it will be granted all the licenses it will need to implement the Company's business plan. The Company has engaged in lobbying efforts with local and California state officials to ensure that it has adequate representation in support of future licensing.

There are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors.

There are no assurances that, when the applicable time comes, the Company will have the capital necessary to acquire (or continue to renew) the licenses necessary to carry out its business plan. Given the necessity of such licenses, failure to possess the necessary licenses (regardless of the reason) would have a material impact on the financial condition of the Company.

Applicable state and local legislation imposes state and local taxes on California's cannabis industry.

MAUCRSA imposes an excise tax to be paid by the end-consumer and the dispensary; and a cultivation tax to be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to the sales and use tax at the state and the local level cannabis taxation. Tax rates at the local and state level may increase in the future and there is currently no way to predict with certainty whether the existing state and local cannabis tax rates, which apply to the Company may increase. The tax regime that is applicable to the Company's business, regardless of where the Company is in its development, will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Company's expected business plan a futile endeavor. The Company is aware of and planning for the proposed tax structure imposed under MAUCRSA as part of its development plans in California.

The Company may incur significant tax liabilities if the IRS continues to determine that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the Tax Code.

Section 280E of the Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (including cannabis) which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under 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 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 include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. The Company's current financial plans include federal tax payable on gross profit rather than is typical in other jurisdictions on earnings before tax.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in the state of California.

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. Following guidance under the now rescinded Cole Memo, the Company is not planning to undertake any cross-border commerce between states until the federal regulatory environment permits such commerce to occur.

The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.

In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S., and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in 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. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN

guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect the Company's business.

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the requirement for FDA approval if medical claims are made for the Company's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the DEA. In that case, the Company may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Company's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Company's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the FDA, DEA, or any other regulatory authority determines that the Company's products may have potential for abuse, it may require the Company to generate more clinical or other data than the Company currently anticipates establishing whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product.

Some CBD is classified as a Schedule I controlled substance in the U.S. The DEA recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts".

In connection with the new drug code, the DEA has clarified that all CBD products derived from the parts of the cannabis plant that fall within the CSA's definition of "marihuana" are Schedule I controlled substances. However, CBD derived from parts of the cannabis plant that are excluded from the definition of "marihuana" under the CSA are not Schedule I controlled substances. The Company is presently unable to determine what the impact of this will be on its business.

U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

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

The Company's contracts may not be legally enforceable in the United States.

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.

The Company may lack access to United States bankruptcy protections.

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

Canadian investors in the Subordinated Voting Shares and the Company's directors, officers and employees may be subject to travel and entry bans into the United States

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the United States has not changed the admission requirements in response to the pending legalization of recreational cannabis in Canada. Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to United States Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Company directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company directors, officers or employees, then this may reduce our ability to manage our

business effectively in the United States. The Company has retained counsel and has policies in place to deal with any immigration-related issues as they may arise

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends or made distributions on its Subordinated Voting Shares during the past three financial years and through the date of this AIF. The Company has no present intention of paying dividends in the near future. It will pay dividends when, as and if declared by the Board. The Company expects to pay dividends only out of retained earnings in the event that it does not require its retained earnings for operations and reserves. There are no restrictions in the Company's articles of incorporation or bylaws that prevent it from declaring dividends. The Company has no shares with preferential dividend and distribution rights authorized or outstanding.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of subordinated voting Subordinated Voting Shares without par value (the "**Subordinated Voting Shares**" or the "**Subordinated Voting Shares**") and an unlimited number of super voting shares with multiple voting rights, each convertible into 100 Subordinated Voting Shares (the "**Super Voting Shares**"). As of the date of this AIF, there are 22,616,226 Subordinated Voting Shares and 684,471 Super Voting Share issued and outstanding.

Subordinated Voting Shares

The holders of Subordinated Voting Shares are entitled to receive notice of and to attend and vote at all meetings of the Company Shareholders and each Subordinated Voting Share confers the right to one vote in person or by proxy at all meetings of the Company's shareholders. The holders of the Subordinated Voting Shares are entitled to receive such dividends in any financial year as the Company's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Subordinated Voting Shares are entitled to share rateably, together with holders of Super Voting Shares, in such assets of the Company as are available for distribution.

Super Voting Shares

The Super Voting Shares rank *pari passu* with the Subordinated Voting Shares as to dividends and upon liquidation. The holders of Super Voting Shares (the "**Super Voting Shareholders**") are entitled to receive dividends and distributions payable in respect of Subordinated Voting Shares, out of any cash or other assets legally available therefor, received by shareholders, distributed among the Super Voting Shareholders and the holders of Subordinated Voting Shares based on (i) the number of Subordinated Voting Shares and (ii) the number of Super Voting Shares (on an as converted basis, assuming conversion of all Super Voting Shares into Subordinated Voting Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations as defined herein) issued and outstanding on the record date. The "Conversion Ratio" for each Super Voting Share shall be as follows: each Super Voting Share shall be convertible into 100 Subordinated Voting Shares.

In the event of any Liquidation Event (as defined below), the Super Voting Shareholders shall be entitled to receive the assets of the Company, or other consideration payable or distributable as a result of the Liquidation Event, available for distribution to shareholders, distributed among the Super Voting Shareholders and the holders of Subordinated Voting Shares based on (i) the number of Subordinated Voting Shares and (ii) the number of Super Voting Shares (on an as converted basis, assuming conversion

of all Super Voting Shares into Subordinated Voting Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations as defined herein) issued and outstanding on the record date.

"**Liquidation Event**" shall mean (i) any voluntary or involuntary liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by or the combination, merger or consolidation of the Company with another entity by means of any transaction or series of related transactions (including, without limitation, any sale, acquisition, reorganization, merger or consolidation but excluding any transaction effected exclusively for the purpose of changing the domicile of the Company; (iii) a sale of all or substantially all of the assets of the Company; unless, in the case of (ii) or (iii), the Company's shareholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company's acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity.

The Super Voting Shareholders shall have the right to one vote for each Subordinated Voting Share into which such Super Voting Shares are convertible (disregarding the Conversion Limitations defined herein), and with respect to such vote, such holder shall have voting rights and powers equal and identical to the voting rights and powers of the holders of Subordinated Voting Shares, and shall been titled, notwithstanding any provision hereof, to notice of any shareholders' meeting and shall be entitled to vote, together with holders of Subordinated Voting Shares, with respect to any matter upon which holders of Subordinated Voting Shares have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Subordinated Voting Shares into which Super Voting Shares are convertible and disregarding the Conversion Limitations defined herein) shall be rounded up or down to the nearest whole number (with one-half being rounded upward). Except as provided by law, Super Voting Shareholders shall vote the Super Voting Shares together with the holders of Subordinated Voting Shares as a single class.

Conversion Limitations

Super Voting Shareholders shall have conversion rights as follows (the "**Conversion Rights**"):

(a) **Right to Convert**. Subject to the Conversion Limitations defined herein, each Super Voting Share shall be convertible, at the option of the Super Voting Shareholder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Subordinated Voting Shares as is determined by multiplying the number of Super Voting Shares by the Conversion Ratio applicable to each such share, determined as hereafter provided, in effect on the applicable date the Super Voting Shares are surrendered for conversion.

(b) **Automatic Conversion**. Each Super Voting Share shall automatically be converted without further action by the Super Voting Shareholder or any other person into Subordinated Voting Shares at the applicable Conversion Ratio immediately upon the earliest of:

(i) the Subordinated Voting Shares issuable upon conversion of all the Super Voting Shares are registered for resale and may be sold by the Super Voting Shareholder pursuant to an effective registration statement and/or prospectus covering the Subordinated Voting Shares under the U.S. Securities Act;

(ii) the Company files a Securities Exchange Commission Form 20-F to register its Subordinated Voting Shares with the United States Securities and Exchange Commission;

(iii) the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act;

(iv) the Subordinated Voting Shares are listed or quoted (and are not suspended from trading) on a national securities exchange in the United States registered under Section 6 of the U.S. Exchange Act, as amended, or quoted in a "U.S. automated inter-dealer quotation system", as such term is used for purposes of Rule 144A(d)(3)(i); or

(v) if the Company determines that it has ceased to be a Foreign Private Issuer, as such term is defined in Rule 902(e) of the U.S. Securities Act, and has notified the holders of the Super Voting Shares of such determination.

Before any Super Voting Shareholder can be entitled to convert Super Voting Shares into Subordinated Voting Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation set forth shall apply to the conversion of Super Voting Shares. A "Conversion Limitation" means the Foreign Private Issuer Protection Limitation. The Company will use commercially reasonable efforts to maintain its status as a "foreign private issuer" ("**Foreign Private Issuer**", as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended) and to avoid being categorized as a "Domestic Issuer" under applicable United States securities laws (being a U.S. issuer or a non-U.S. issuer that has a majority (50.1% or more) of its outstanding voting securities held by U.S. residents and either the majority of the executive officers or directors are U.S. citizens or residents, a majority of the assets of the issuer are located in the U.S., or the business of the issuer is administered principally in the U.S.) or would become a Domestic Issuer as a result of the issuance of Subordinated Voting Shares upon the conversion of a Super Voting Share.

Takeover Bid Protection

Under applicable Canadian law, an offer to purchase Super Voting Shares would not necessarily require that an offer be made to purchase Subordinated Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinated Voting Shares will be entitled to participate on an equal footing with holders of Super Voting Shares. Messrs. Jason T. Nguyen and Robert J. Brilon, as the owners of all the outstanding Super Voting Shares, entered into a customary coattail agreement, made effective as of April 8, 2019, with the Company and Odyssey Trust Company as trustee (the "**Coattail Agreement**"). The Coattail Agreement contains provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinated Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Super Voting Shares had been Subordinated Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by Messrs. Jason T. Nguyen and Robert J. Brilon of Super Voting Shares if concurrently an offer is made to purchase Subordinated Voting Shares that:

(a) offers a price per Subordinated Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Super Voting Shares (on an as converted to Subordinated Voting Share basis);

(b) provides that the percentage of outstanding Subordinated Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Super Voting Shares to be sold (exclusive of Super Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);

(c) has no condition attached other than the right not to take up and pay for Subordinated Voting Shares tendered if no shares are purchased pursuant to the offer for Super Voting Shares; and

(d) is in all other material respects identical to the offer for Super Voting Shares.

In addition, the restrictions contained in the Coattail Agreement will not prevent the transfer or sale of Super Voting Shares by a Super Voting Shareholder to a Permitted Holder (as defined in the Coattail Agreement), provided such transfer or sale is not or would not have been subject to the requirements to make a take-over bid or constitute or would constitute an exempt take-over bid (as defined under applicable securities laws). The conversion of Super Voting Shares into Subordinated Voting Shares, whether or not such Subordinated Voting Shares are subsequently sold, would not constitute a disposition of Super Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Super Voting Shares (including a transfer to a pledgee as security) by a holder of Super Voting Shares party to the agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Super Voting Shares are not automatically converted into Subordinated Voting Shares in accordance with the Articles.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinated Voting Shares. The obligation of the trustee to take such action will be conditional on the Company or holders of the Subordinated Voting Shares providing such funds and indemnity as the trustee may require.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66 2⁄3% of the votes cast by holders of Subordinated Voting Shares excluding votes attached to Subordinated Voting Shares held by Messrs. Jason T. Nguyen and Robert J. Brilon and their Permitted Holders on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinated Voting Shares under applicable law.

MARKET FOR SECURITIES

Trading Price and Volume

On May 13, 2019, the Company began trading on the CSE under the trading symbol “VEXT”. The table below summarizes the range and volume of trading prices for each of the months stated:

	CSE Price Range (CAD$)	

Month	High	Low	Total Volume
May 13-31 2019	2.1	1.15	1,387,297
June 2019	1.95	1.8	499,976
July 2019	1.92	1.53	153,886
August 2019	1.83	1.5	476,816
September 2019	1.82	0.82	1,163,161
October 2019	0.94	0.62	987,744
November 2019	0.79	0.485	1,524,475
December 2019	0.82	0.70	1,040,490
January 2020	0.85	0.70	519,302
February 2020	0.78	0.65	935,386
March 2020	0.71	0.40	467,599
April 2020	0.58	0.40	123,368
May 2020	0.57	0.40	324,425
June 2020	0.52	0.40	203,450
July 2020	0.53	0.43	225,089
August 2020	0.51	0.46	106,538
September 1 – 17, 2020	0.54	0.46	124,744

Prior Sales

During the financial year ended December 31, 2019, the Company issued the following Subordinated Voting Shares or securities exercisable into Subordinated Voting Shares.

Date of Grant	Class of security	Number of securities issued	Price per security/ Exercise price per security (CAD$)
January 4, 2019	Options[(1)]	843,000	$1.00
May 13, 2019	Options	200,000	$1.00
May 13, 2019	Warrants[(2)]	1,000,000	$1.00
May 22, 2019	Subordinated Voting Shares	6,148,665	$1.00
May 22, 2019	Warrants[(3)]	42,700	$1.30
July 29, 2019	Subordinated Voting Shares[(5)]	100,000	$0.25
August 26, 2019	Subordinated Voting Shares[(5)]	100,000	$0.25
September 4, 2019	Subordinated Voting	200,000	$0.25

Date of Grant	Class of security	Number of securities issued	Price per security/ Exercise price per security (CAD$)
	Shares[5]		
September 19, 2019	Subordinated Voting Shares[5]	100,000	$0.25
October 8, 2019	Subordinated Voting Shares[4]	160,000	$0.84
November 22, 2019	Subordinated Voting Shares[5]	300,000	$0.25
December 2, 2019	Subordinated Voting Shares[5]	555,000	$0.25
December 10, 2019	Subordinated Voting Shares[5]	195,000	$0.25
December 13, 2019	Subordinated Voting Shares[5]	320,000	$0.25
December 18, 2019	Subordinated Voting Shares[5]	1,125,000	$0.25

Notes:

(1) 66,000 Options were cancelled in December 2019.
(2) Special advisory warrants were issued to consultants of the Company.
(3) The Company paid $31,841 and issued 42,700 finder's warrants as finders fees.
(4) Issued to settle debt valued at $204,973 of arm's length creditors.
(5) Issued pursuant to exercise of Warrants.

Subsequent to the financial year ended December 31, 2019, the Company issued the following Subordinated Voting Shares or securities exercisable into Subordinated Voting Shares.

Date of Grant	Class of security	Number of securities issued	Exercise price per security (CAD$)
March 18, 2020	Subordinated Voting Shares[1]	488,500	N/A
April 17, 2020	Super Voting Shares	67,000	N/A
May 12, 2020	Options	1,083,334	$0.75
May 21, 2020	Subordinated Voting Shares[1]	293,100	N/A

Notes:

(1) Super Voting Shares were converted into Subordinated Voting Shares.

ESCROWED SECURITIES

The table below summarizes the escrowed securities of the Company as at the date of this AIF:

Designation of class	Number of securities	Percentage of class

	held in escrow	
Subordinated Voting Shares	1,103,320	4.9%
Super Voting Shares	375,172	5.5%
Options	90,000	4.1%

In connection with the Company's Initial Public Offering and pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings*, 1,838,868 Subordinated Voting Shares, 625,287 Super Voting Shares and 200,000 Options were subject to escrow under an agreement dated April 30, 2019 among the Company, Odyssey Trust Company and certain securityholders of the Company. These securities are to be released according to the following schedule:

Release Date	Portion of Escrowed Securities Released
On listing date	10% of escrow securities
6 months after listing date	15% of escrow securities
12 months after listing date	15% of escrow securities
18 months after listing date	15% of escrow securities
24 months after listing date	15% of escrow securities
30 months after listing date	15% of escrow securities
36 months after listing date	15% of escrow securities

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth information regarding the Company's directors and executive officers. The term of office for the Directors expires at the Company's next annual general meeting of shareholders.

Name and Municipality of Residence[1]	Position Held	Principal Occupation for Last Five Years[2]	Number of Securities of the Company Held Directly or Indirectly as of the date of this AIF (% of class)[3]		
			Subordinated Voting Shares	(% of class)	(% of class on a fully diluted basis)[6]
Eric Offenberger Arizona, United States	Chief Executive Officer, Chief Operations Officer, and Director	Chief Operating Officer of VEXT since July 2018. President and Chief Operating Officer of Delta Steel, a Reliance Steel and Aluminum company	90,541 Subordinated Voting Shares 260,000 Options	0.4% 12.6%	0.1% 0%

Name and Municipality of Residence[1]	Position Held	Principal Occupation for Last Five Years[2]	Number of Securities of the Company Held Directly or Indirectly as of the date of this AIF (% of class)[3]		
			Subordinated Voting Shares	(% of class)	(% of class on a fully diluted basis)[6]
Denise Lok British Columbia, Canada	Chief Financial Officer	Senior Manager of Corporate Finance at Baron Global Financial Canada Ltd.	150,000 Options	7.3%	0%
Brian Cameron Arizona, United States	Corporate Secretary	Managing partner of Cameron & Associates, a corporate finance consultancy firm.	475,000 Subordinated Voting Shares	2.1%	0.5%
Jason T. Nguyen Arizona, United States	Chairman of the Board, and Director since December 2018	Founder and CEO of New Gen and the VAPEN brands (VAPEN Clear, VAPEN Extracts, VAPEN Kitchens and VAPEN CBD)	1,425,300 Subordinated Voting Shares[5] 605,747.7 Super Voting Shares[5] 100,000 Options	6.3% 88.5% 4.8%	1.5% 63.7% 0.1%
Dr. Jonathan Shelton[4] Arizona, United States	Director, since December 2018	Founder of Brain Fit, LLC, a private practice specializing in psychological assessment and evaluation	67,568 Subordinated Voting Shares 50,000 Options	0.3% 2.4%	0% 0%
David Eaton[4] British Columbia, Canada	Director since February 2017	Since 2007, Chairman at Baron Global Financial Canada Ltd., a subsidiary of the Hong Kong Stock Exchange Member Firm VBG International Holdings Limited. Baron Global Financial Canada	300,000 Subordinated Voting Shares 250,000 Options	1.33% 12.1%	0% 0%

Name and Municipality of Residence[1]	Position Held	Principal Occupation for Last Five Years[2]	Number of Securities of the Company Held Directly or Indirectly as of the date of this AIF (% of class)[3]		
			Subordinated Voting Shares	(% of class)	(% of class on a fully diluted basis)[6]
		Ltd. provides merchant banking services in the areas of financing, transaction planning, corporate transactions, public listings and ongoing public company management.			
Caroline Williams[4] Ontario, Canada	Independent Director	Current board member of MLB UMPSCARE	250,000 Options	12.1%	0%

Notes:

(1) Information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this AIF.

(2) See "Management and Key Personnel" for additional information regarding the principal occupations of the Company's directors and officers.

(3) Percentage is based on 22,616,226 Subordinated Voting Shares issued and outstanding, 684,471 Super Voting Shares issued and outstanding, and 2,192,334 Options issued and outstanding as of the date hereof.

(4) The members of the Company's Audit Committee are David Eaton (chair), Dr. Jonathan Shelton, and Caroline Williams.

(5) These shares are held by EFG Consultants, LLC, a company wholly owned and controlled by Jason T. Nguyen.

(6) Percentage is based on 22,616,226 Subordinated Voting Shares issued and outstanding on a fully diluted basis; the conversion of 684,471 Super Voting Shares into 68,447,100 Subordinated Voting Shares; the exercise of 1,980,2101 share purchase warrants into Subordinated Voting Shares; and the exercise of 2,066,334 Options issued and outstanding as of the date hereof into Subordinated Voting Shares.

The Company's directors and officers as a group, beneficially own, directly and indirectly, or exercise control or direction over, 2,358,409 Subordinated Voting Shares, representing 10.4% of the issued and outstanding Subordinated Voting Shares as of the date of this AIF. Assuming the conversion of all issued and outstanding Super Voting Shares into Subordinated Voting Shares, the Company's directors and officers as a group, would beneficially own, directly and indirectly, or exercise control or direction over, 62,933,109 Subordinated Voting Shares, representing 66.2% of the issued and outstanding Subordinated Voting Shares as of the date of such conversion, on a partially diluted basis, and 69.1% on a fully diluted basis.

Biographies

The following are brief biographies of the above individuals:

Eric Offenberger – Chief Executive Officer, Chief Operations Officer and Director

Mr. Offenberger has 30+ year leading organizations in the distribution and manufacturing industries. Mr. Offenberger has worked in both large public companies and private organizations that have been market leaders. As President and COO of a steel services center, he oversaw six divisions with annual revenue of over $350 million. Mr. Offenberger has a proven track record growing sales, improving inventory turnover and driving operational efficiencies. He has been involved in green field start-ups as well as major capital development and installation of enterprise resource planning applications. Mr. Offenberger holds a bachelors degree in accountancy and CPA certification.

Denise Lok – Chief Financial Officer

Ms. Lok is a Chartered Professional Accountant and a Chartered Corporate Secretary. Ms. Lok holds a Bachelor of Commerce degree in Accounting and Transportation Logistics from the University of British Columbia and she brings a broad background of public company experience. Previously, she was an auditor with PricewaterhouseCoopers, LLP.

Brian Cameron – Corporate Secretary

Mr. Cameron is the managing partner of Cameron & Associates, a corporate finance consultancy with offices in Canada and the United States, providing ongoing corporate finance consulting. Mr. Cameron was previously employed by the British Columbia Securities Commission and the Vancouver Stock Exchange.

Jason T. Nguyen – Chairman and Director

Mr. Nguyen is the founder and CEO of New Gen Inc. and the VAPEN brands (VAPEN Clear, VAPEN Extracts, VAPEN Kitchens, and VAPEN CBD). Recognizing the advancement of medical marijuana in Arizona and the need for a reliable medical marijuana facility and products, in early 2012, Mr. Nguyen formed a working relationship with Herbal Wellness Center. In 2013, Mr. Nguyen developed the VAPEN brand to provide various products for individuals to consume cannabis through other methods of delivery so that they can choose the best method for them, specific to their needs.

Mr. Nguyen is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 100% of his time to the business of the Company to effectively fulfill his duties as the Chief Executive Officer, Director, and Chairman of the Board of Directors of both the Company and New Gen.

Dr. Jonathan Shelton – Director

Dr. Shelton is the founder of Brain Fit, LLC, a private practice specializing in psychological assessment and evaluation. He completed a bachelor's degree in psychology at Howard University in Washington, D.C., followed by a master's degree and a doctoral degree in clinical psychology from the Arizona School of Professional Psychology. He has been independently licensed in the State of Arizona for over five years and he currently completes Compensation and Pension Examinations for veterans, Consultative Examinations for the Arizona Department of Disability Determination, and psychological evaluations for the Arizona Department of Child Safety.

Dr. Shelton is not an employee or consultant of the Company and has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 20% of his time to the business of the Company to effectively fulfill his duties as an independent director of the Company.

David Eaton – Director

David Eaton has been involved the capital markets since 1981, starting as a floor trader at the Vancouver Stock Exchange. Throughout his career he has been active in all aspects of the corporate finance industry, consulting to both public and private companies in the areas of investor relations, arranging financings and corporate transactions. Since 2007 he has been Chairman at Baron Global Financial Canada Ltd., a subsidiary of the Hong Kong Stock Exchange Member Firm VBG International Holdings Limited. Baron Global Financial Canada Ltd. provides advisory services in the areas of financing, structuring, transaction planning, corporate transactions, public listings planning, ongoing financial reporting, and public company management.

Mr. Eaton is not an employee or consultant of the Company and has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 20% of his time to the business of the Company to effectively fulfill his duties as an independent director of the Company.

Caroline Williams – Director

Ms. Williams is based in Toronto, Ontario and has extensive experience in retail operations. Ms. Williams has been involved in several charity organizations and currently serves as a board member for Major League Baseball's UMPS CARE, which is a nonprofit organization formed in 2006 by Major League Baseball umpires to provide comfort, encouragement, and support to seriously ill children in hospitals and their families. . Ms. Williams background in managing, growing and improving retail operations will be beneficial to VEXT as the Company expands its distribution and dispensary business in new markets.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than set out below, no director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the 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; or

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 the proposed director.

No director or executive officer of the Company has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the 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. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

PROMOTORS

A "Promoter" is defined in the *Securities Act* (British Columbia) as a "person who (a) alone or in concert with other persons directly or indirectly takes the initiative of founding, organizing or substantially reorganizing the business of the issuer; or (b) in connection with the founding, organization or substantial

reorganization of the business of the Company, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the Company's own securities or 10% or more of the proceeds from the sale of a class of the Company's own securities of a particular issue.

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company or of a subsidiary of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not, and was not during the most recently completed financial year, engaged in any legal proceedings and none of its property is or was during that period the subject of any legal proceedings. The Company does not know of any such legal proceedings which are contemplated.

Regulatory Actions

During the most recently completed financial year and during the current financial year, the Company is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this AIF, none of our directors, executive officers or shareholders, owning or exercising control or direction over more 10% of the Subordinated Voting Shares, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected us or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's Registrar and Transfer Agent is Odyssey Trust Company, located at 409 Granville Street, Vancouver, BC V6C 1T2.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of the date of this AIF, the only material contracts which the Company entered into within the most recently completed financial year, subsequent to the most recently completed financial year to the date of this AIF, or prior to the most recently completed financial year but which are still in effect are set out below:

- Equipment Lease and Professional Services Agreement between Hydroponics Solutions LLC (Ste. 200, 777 E. Missouri Avenue, Phoenix, Arizona, 85014), the Lessor, and Herbal Wellness Center, Inc. (4126 W. Indian School Road, Phoenix, Arizona, 85019), the Lessee;

- Commercial Sublease for 4215 N. 40th Avenue, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Commercial Sublease made effective as of September 1, 2018, by and between New Gen Real Estate Services, LLC, the Tenant, and Herbal Wellness Center, the Subtenant, and pursuant to a lease agreement dated March 19, 2015, between the Tenant and SCF Properties, LLC, a California limited liability company;

- First Lease Amendment dated April 13, 2016 between SCF Properties LLC and New Gen Real Estate Services LLC, for the leased premises located at 4215 N. 40th Street, Phoenix, Arizona, 85019, containing approximately 28,000 square feet for a term commencing on May 1, 2018 and terminating on April 30, 2024;

- Commercial Lease for 4126 W. Indian School Road, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Lease Agreement dated as of September 1, 2018 between New Gen Real Estate Services LLC, the Landlord, and Herbal Wellness Center, Inc., the Tenant;

- Management Services Agreement Between New Gen Agricultural Services LLC, the Manager, and Herbal Wellness Center, Inc., the Company, entered into July 1, 2018Management Services Agreement Between Step 1 Consulting LLC, the Manager, and Herbal Wellness Center, Inc., the Company, entered into July 1, 2018;

- Staffing Services Agreement Between Herbal Wellness Center, the Client, and New Gen Admin Services LLC, the Agency, made and entered into on July 1, 2018;

- Subscription and Pooling Agreement for Units, dated effective December 2018, between the Company and various subscribers;

- Share exchange agreement, dated effective as of December 21, 2018, and as amended by the Addendum No. 1 dated effective as of December 27, 2018, between the Company, New Gen, and the shareholders of New Gen;

- Coattail Agreement, made effective as of April 8, 2019, between the Company, EFG Consultants, LLC, Robert J. Brilon, and Odyssey Trust Company;

- Escrow agreement dated April 30, 2019 between the Company, Odyssey Trust Company and certain directors, officers and shareholders of the Company;

- Operating agreement dated effective February 12, 2020 between Vapen, LLC and TPE forming a joint venture, Vapen OK;

- Management agreement dated April 6, 2020 between the Company, RDF an Firebrand, pursuant to which the Company acquired RDF and Firebrand in order to provide exclusive services for the management, administration and operation of Organica;

- Operating agreement dated effective February 1, 2020, between the Company and Vapen KY for the purpose of being engaged in commercial hemp processing, manufacturing, extraction, and distribution activities;

- Joint venture term sheet dated February 12, 2020 between the Company and regarding Vapen-Oklahoma, LLC; and

- Joint operation agreement dated June 10, 2020 between the Company and GG to operate Happy Travels.

INTERESTS OF EXPERTS

Names of Experts

The following are persons or companies whose profession or business gives authority to a statement made in this AIF as having prepared or certified a part of that document or report described in this AIF:

- Buckley Dodds LLP, Chartered Professional Accountants, is the external auditor of the Company and reported on the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2019, which are filed on SEDAR.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

Interests of Experts

Buckley Dodds LLP, Chartered Professional Accountants, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the 'CPABC Code of Professional Conduct' of the Chartered Professional Accountants of British Columbia.

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents, including the Company's annual audited financial statements and unaudited quarterly financial statements, and monitoring the performance and independence of the Company's external auditors. The Audit Committee is responsible for reviewing with management the Company's risk management policies, the timeliness and accuracy of the Company's regulatory filings and all related party transactions as well as the development of policies and procedures related to such transactions.

The Audit Committee also pre-approves all non-audit services to be provided to the Company or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities.

Audit Committee Charter

The Audit Committee operates under a written charter, which is attached hereto as Appendix A and which sets forth the purpose, composition, authority and responsibility of the Audit Committee.

Composition of the Audit Committee

The Audit Committee of the Company is comprised of the following three directors. Also indicated is whether they are "independent" and "financially literate" within the meaning of NI 52-110.

Name of Member	Independent[(1)]	Financially Literate[(2)]

Name of Member	Independent[(1)]	Financially Literate[(2)]
David Eaton[(3)]	Yes	Yes
Dr. Jonathan Shelton	Yes	Yes
Caroline Williams	Yes	Yes

Notes:

(1) A member of the Audit Committee is independent if he or she has no direct or indirect "material relationship" with the Company. A material relationship is a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Company, such as the President or Secretary, is deemed to have a material relationship with the Company.

(2) A member of the Audit Committee 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 Company's financial statements.

(3) Chair of the Audit Committee.

Relevant Education and Experience

Each member of the Audit Committee has had extensive experience reviewing financial statements. Each member of the Audit Committee has an understanding of the Company's business and an appreciation for the relevant accounting principles for that business. In particular, the Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating 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, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For relevant education and experience of David Eaton, Dr. Jonathan Shelton and Jason T. Nguyen, refer to "*Directors and Officers – Biographies*" above.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemptions in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), or Part 8 (*Exemptions*) of NI 52-110.

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) of NI 52-110.

Reliance on Section 3.8

At no time since the commencement of the Company's most recently completed financial year has the Company relied on section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

External Auditor Service Fees (By Category)

The aggregate fees paid by the Company to its Auditor in the financial years ended December 31, 2018 and December 31, 2019 were as follows:

Financial Period Ending	Audit Fees (USD)[(1)]	Audit Related Fees (USD)[(2)]	Tax Fees (USD)[(3)]	All Other Fees (USD)
December 31, 2018	$64,000	$nil	$nil	$nil
December 31, 2019	$126,240	$nil	$nil	$nil

Notes:

(1) "Audit Fees" include, where applicable, fees necessary to perform the annual audit and the quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include, where applicable, services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include, where applicable, fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include, where applicable, all other non-audit services.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal

shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed management information circular available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2019.

APPENDIX A – AUDIT COMMITTEE CHARTER

1. Mandate

The audit committee will assist the board of directors (the "**Board**") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each audit committee member must obtain an understanding of the principal responsibilities of audit committee membership as well and the Company's business, operations and risks.

2. Composition

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

2.1. Independence

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

2.2. Expertise of Committee Members

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the audit committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

3. Meetings

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1. External Audit

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

(a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;

(b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;

(c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;

(d) review and recommend to the Board the compensation to be paid to the external auditors; and

(e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2. Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

(a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and

(b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3. Financial Reporting

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

(a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and

(b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

(a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;

(b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and

(c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

(a) review and approve the interim financial statements prior to their release to the public; and

(b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

Release of Financial Information

(a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

4.4. Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

(a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

(a) The audit committee may satisfy the requirement for the pre-approval of non- audit services if:

(i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

(ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

(b) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

(i) the pre-approval policies and procedures are detailed as to the particular service;

(ii) the audit committee is informed of each non-audit service; and

(iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5. Other Responsibilities

The audit committee shall:

(a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;

(b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;

(c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;

(d) review the policies and procedures in effect for considering officers' expenses and perquisites;

(e) perform other oversight functions as requested by the Board; and

(f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6. Reporting Responsibilities

The audit committee shall regularly update the Board about audit committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to:

(a) engage independent 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 audit committee; and

(c) communicate directly with the internal and external auditors.

6. Guidance – Roles & Responsibilities

The following guidance is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1. Internal Control

evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;

(a) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and

(b) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

6.2. Financial Reporting

General

(a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and

(b) ask management and the external auditors about significant risks and exposures and the plans to

(c) minimize such risks; and

(d) understand industry best practices and the Company's adoption of them.

Annual Financial Statements

(a) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;

(b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;

(c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;

(d) consider management's handling of proposed audit adjustments identified by the external auditors; and

(e) ensure that the external auditors communicate all required matters to the committee.

Interim Financial Statements

(a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;

(b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and

(c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:

(i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

(ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the company's operations and financing practices;

(iii) generally accepted accounting principles have been consistently applied;

(iv) there are any actual or proposed changes in accounting or financial reporting practices;

(v) there are any significant or unusual events or transactions;

(vi) the Company's financial and operating controls are functioning effectively;

(vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and

(viii) the interim financial statements contain adequate and appropriate disclosures.

6.3. *Compliance with Laws and Regulations*

(a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";

(b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and

(c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4. Other Responsibilities

(a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.