CANNABIS STRATEGIES ACQUISITION CORP.

(A SPECIAL PURPOSE ACQUISITION CORPORATION)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED DECEMBER 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Cannabis Strategies Acquisition Corp. ("CSAC", the "Corporation", "we", "our" or "us") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months ended December 31, 2018. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements for the Corporation for the period ended December 31, 2018, and the related notes thereto and the audited financial statements of the Corporation as at September 30, 2018 and for the year ended September 30, 2018, and the related notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three months ended December 31, 2018, are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Further information about the Corporation and its operations can be obtained on **www.sedar.com**.

The Corporation changed its financial year-end to December 31 to better synchronize its financial reporting with that of its proposed target businesses in connection with its proposed Qualifying Transaction (as defined below).

Please refer to the Corporation's final prospectus dated December 14, 2017 (the "IPO Prospectus") for further details of the Corporation.

Please refer to the Corporation's final non-offering prospectus dated February 15, 2019 (the "QT Prospectus") for further information on the proposed Transaction and the Target Businesses.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
The Corporation expects to complete a Qualifying Transaction (defined below).	The Corporation expects to identify an asset or business to acquire and close a Qualifying Transaction, on terms favourable to the Corporation.	The Corporation's inability to find a target to complete a Qualifying Transaction, within the Permitted Timeline (defined below). If we are unable to consummate our

		Qualifying Transaction within the Permitted Timeline, we will be required to redeem 100% of the outstanding Class A Restricted Voting Shares, as described herein.
The Corporation's ability to meet its working capital needs at the current level for the twelve-month period ending December 31, 2019.	The operating activities of the Corporation for the twelve-month period ending December 31, 2019, and the costs associated therewith, will be consistent with the Corporation's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Corporation.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; regulatory compliance and changes in regulatory compliance and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; timing of a qualifying transaction.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Corporation's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

CSAC is a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation (a "Qualifying Transaction"). The Corporation's business activities are carried out in a single business segment.

The Corporation was incorporated on July 31, 2017 under the Business Corporations Act (Ontario) and is domiciled in Canada. The registered office of the Corporation is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, M5L 1B9. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

On September 12, 2018, the Company incorporated a wholly owned subsidiary in Nevada, USA, CSAC Holdings Inc., to facilitate the proposed Qualifying Transaction. On September 17, 2018, CSAC Holdings Inc. incorporated a wholly owned subsidiary in Nevada, USA, CSAC Acquisition Inc.

On December 21, 2017, the Corporation completed its initial public offering (the "Offering") of 12,500,000 Class A Restricted Voting units (the "Class A Restricted Voting Units") at $10.00 per Class A Restricted Voting Unit. Each Class A Restricted Voting Unit consisted of one Class A restricted voting share of the Corporation (each, a "Class A Restricted Voting Share"), one share purchase warrant of the Corporation (each, a "Warrant") and one right of the Corporation (each, a "Right"). Each Class A Restricted Voting Share, unless previously redeemed, will be automatically converted into one Class B share of the Corporation (each, a "Class B Share") following the closing of a Qualifying Transaction. All Warrants will become exercisable at a price of $11.50 per share, commencing 65 days after the completion of a Qualifying Transaction and will expire on the day that is five years after the completion of a Qualifying Transaction or may expire earlier if a Qualifying Transaction does not occur within the permitted timeline of 18 months ("Permitted Timeline") (subject to extension, as further described herein) from the closing of the Offering or if the expiry date is accelerated. Each Warrant is exercisable to purchase one Class A Restricted Voting Share (which, following the closing of the Qualifying Transaction, will become one Class B Share) and each Right would represent the entitlement to automatically receive, for no additional consideration, one-tenth (1/10) of one Class A Restricted Voting Share (following the closing of a Qualifying Transaction, which at such time will be one-tenth (1/10) of a Class B Share). At the option of the warrant holder, the Warrants may be exercised through cashless exercise.

In connection with the Offering, the Corporation granted the underwriter a 30-day non-transferable option to purchase up to an additional 1,875,000 Class A Restricted Voting Units, at a price of $10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes.

Concurrent with the completion of the Offering, Mercer Park CB, L.P. (the "Sponsor"), a limited partnership formed under the laws of the State of Delaware, indirectly controlled by Mercer Park, L.P., a privately-held family office based in New York, New York, and Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them) (collectively with the Sponsor, the "Founders") purchased an aggregate of 3,662,109 Class B Shares ("Founders' Shares"), consisting of 3,642,109 Class B Shares purchased by the Sponsor, 10,000 Class B Shares purchased by Kamaldeep Thindal, and 10,000 Class B Shares purchased by Charles Miles, in each case assuming that the over-allotment option was exercised for total proceeds of $25,000. In addition, the Sponsor purchased an aggregate of 250,000 Class B Units of the Corporation (the "Class B Units") at $10.00 per Class B Unit and 2,500,000 Warrants ("Founders' Warrants") at $1.00 per Founders' Warrant. Each Class B Unit consists of one Class B Share, one Warrant and one Right. The Founders' Warrants will be subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting Units and Class B Units. The Rights underlying the Class B Units will be subject to the same terms and conditions as the Rights underlying the Class A Restricted Voting Units.

On January 19, 2018, the underwriter exercised its over-allotment option to purchase an additional 975,000 Class A Restricted Voting Units for aggregate proceeds of $9,750,000. As a result of the exercise of the over-allotment option, an aggregate of 13,475,000 Class A Restricted Voting Units of the Corporation were issued for aggregate proceeds of $134,750,000.

Concurrent with the exercise of the over-allotment option, the Sponsor purchased an additional 121,870 Founders' Warrants (for an aggregate purchase price of $121,870) and 12,188 Class B Units (for an aggregate purchase price of $121,880) for aggregate proceeds of $243,750.

Due to the partial exercise of the over-allotment option, an aggregate of 227,812 Class B Shares (also known as Founders' Shares) were forfeited without compensation by the Founders on January 19, 2018. As a result, following the exercise of the over-allotment option and forfeiture of the 227,812 Founders' Shares, the Founders own an aggregate of 3,434,297 Class B Shares, 262,188 Class B Units and 2,621,870 Founders' Warrants.

Each Class A Restricted Voting Unit commenced trading on December 21, 2017 on the NEO Exchange Inc., formerly the Aequitas NEO Exchange Inc. (the "Exchange") under the symbol "CSA.UN", and separated into Class A Restricted Voting Shares, Warrants and Rights following the close of business on January 30, 2018, being 40 days following the closing of the Offering, which trade under the symbols "CSA.A", "CSA.WT" and "CSA.RT", respectively. The Class B Shares issued to the Founders and the Class B Units issued to the Sponsor are not listed.

The proceeds of $134,750,000 from the Offering and over-allotment are held by Odyssey Trust Company, as escrow agent, in an escrow account (the "Escrow Account") at a Canadian chartered bank or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the Corporation prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the Corporation to (i) satisfy redemptions made by holders of Class A Restricted Voting Shares (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline or up to 36 months with shareholder approval from the holders of Class A Restricted Shares and the Corporation's board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the Corporation. These escrowed funds will also be used to pay the deferred underwriting commissions in the amount of $4,716,250, 50% of which will be payable to the Underwriter and the remaining 50% will be payable by the Corporation at its discretion.

In connection with consummating a Qualifying Transaction, the Corporation will require, among other things, (i) approval by a majority of the directors unrelated to the Qualifying Transaction, and (ii) approval by a majority of the holders of the Class A Restricted Voting Shares and Class B Shares, voting together as if they were a single class of shares, at a shareholders meeting held to consider the Qualifying Transaction, if required by the Exchange's rules at the time of the Qualifying Transaction. Irrespective of whether they vote for or against, or do not vote on, the proposed Qualifying Transaction, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per share price, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the escrowed funds available in the Escrow Account at the time of the shareholders meeting (if required by the rules of the Exchange at the time of the Qualifying Transaction, or if no such shareholders' meeting is required, at the time immediately prior to the redemption deposit timeline), including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by the Corporation, subject to certain limitations. Each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or any other person with whom such holder or affiliate is acting jointly or in concert, will be subject to a redemption limitation of an aggregate 15% of the number of Class A Restricted Voting Shares issued and outstanding. Class B Shares will not be redeemable in connection with a Qualifying Transaction or an extension to the Permitted Timeline and holders of Class B Shares shall not be entitled to access the Escrow Account should a Qualifying Transaction not occur within the Permitted Timeline.

If the Corporation is unable to complete its Qualifying Transaction within the Permitted Timeline (or an extension of the Permitted Timeline), all of the Class A Restricted Voting Shares will be automatically redeemed and each holder of a Class A Restricted Voting Share will receive an amount, payable in cash, equal to the pro-rata portion per Class A Restricted Voting Share of: (A) the Escrow Account, including any interest and other amounts earned; less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the Escrow Account, (ii) any taxes of the Corporation arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of $50,000 of interest and other amounts earned to pay actual and expected expenses related to the dissolution and certain other related costs as reasonably determined by the Corporation. The underwriter will have no right to the deferred underwriting commissions held in the Escrow Account in such circumstances.

Overall Performance

The Corporation has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire and there were no notable events that occurred during the reporting periods presented.

During the three months ended December 31, 2018, the Corporation earned interest income of $305,680 and a loss of $58,922,537 ($15.94 basic and diluted loss per share) compared to interest income of $933,564 and a loss of $47,168,816 for the year ended September 30, 2018 ($15.97 basic and diluted loss per share). The loss for the three months ended December 31, 2018 and for the year ended September 30, 2018 primary related to transaction costs of $nil (year ended September 30, 2018 - $9,130,817), general and administrative expenses of $3,091,226 (year ended September 30, 2018 - $1,176,016), foreign exchange loss of $26,683 (year ended September 30, 2018 - $nil), and net unrealized loss on changes in the fair value of financial liabilities of $56,110,308 (year ended September 30, 2018 - $37,795,547).

Current liabilities at December 31, 2018 total $4,127,357 (September 30, 2018 - $1,492,064). Shareholders' deficiency at December 31, 2018 is comprised of share capital of $2,287,620 (September 30, 2018 - $2,287,620) and a deficit of $106,091,353 (September 30, 2018 - $47,168,816) for a net deficit of $103,803,733 (September 30, 2018 – $44,881,196) in shareholders' deficit.

The working capital deficit, which is current assets less current liabilities, is $3,602,361 at December 31, 2018 (September 30, 2018 - $484,452). Management believes the Corporation's working capital deficit, if the related party payable of $731,732 (September 30, 2018 - $773,776) and select vendors included in accounts payable is deferred, is sufficient for the Corporation to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction.

The weighted average number of Class B Shares outstanding for the three months ended December 31, 2018 was 3,696,486 (year ended September 30, 2018 – 2,953,407).

Liquidity and Capital Resources

Restricted cash and short-term investments held in escrow	December 31, 2018	September 30, 2018
Restricted cash	$126,155,821	$nil
Investment in Flexible Guaranteed Investment Certificate (redeemed on December 21, 2018)	$nil	$125,000,000
Investment in Flexible Guaranteed Investment Certificate due January 21, 2019	$9,750,000	$9,750,000
Accrued interest	$83,423	$933,564
Total restricted cash and short-term investments held in escrow	**$135,989,244**	**$135,683,564**
Per Class A Restricted Voting Shares subject to redemption	$10.00	$10.00
Cash held outside the Escrow Account	**$149,996**	**$703,237**

We intend to use substantially all of the funds held in the Escrow Account, including interest (which interest shall be net of taxes payable and certain expenses) to consummate a Qualifying Transaction. To the extent that, after redemptions, our share capital or debt is used, in whole or in part, as consideration to consummate a Qualifying Transaction, the remaining proceeds held in the Escrow Account may be used as working capital to finance the operations of the target business or businesses, make other acquisitions and/or pursue a growth strategy.

As at December 31, 2018, we had cash held outside of our Escrow Account of $149,996, which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We expect to generate negative cash flow from operating activities in the future until our Qualifying Transaction is completed and we commence revenue generation.

Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Transaction, with a view to preserving the Corporation's working capital.

We do not believe that we will need to raise additional funds to meet expenditures required for operating our business until the consummation of our Qualifying Transaction. We believe that we will have sufficient available funds outside of the Escrow Account to operate the business. However, we cannot be assured that this will be the case. To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction, we may seek funding by way of unsecured loans from our Sponsor and/or its affiliates, subject to the consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. Our Sponsor will not have recourse under such loans against the amounts in escrow. Such loans will collectively be subject to a maximum principal amount of $1.0 million in the aggregate and may be repayable in cash following the closing of a Qualifying Transaction.

Selected Annual Financial Information

	Three Months Ended December 31, 2018 ($)	Year Ended September 30, 2018 ($)	Period from July 31, 2017 (date of incorporation) to September 30, 2017 ($)
Revenues	nil	nil	nil
Interest and other income	305,680	933,564	nil
Net loss	(58,922,537)	(47,168,816)	nil
Net loss per share – basic	(15.94)	(15.97)	nil
Net loss per share - diluted	(15.94)	(15.97)	nil
	As at December 31, 2018 ($)	**As at September 30, 2018 ($)**	**As at September 30, 2017 ($)**
Total assets	136,514,240	136,691,176	10
Total non-current financial liabilities	236,190,616	180,080,308	nil
Distribution or cash dividends	nil	nil	nil

- The net loss for the three months ended December 31, 2018, consisted primarily of transaction costs of $nil, general and administrative of $3,091,226, foreign exchange loss of $26,683 and net unrealized loss on changes in the fair value of financial liabilities of $56,110,308. This was offset by interest income of $305,680.

- The net loss for the year ended September 30, 2018, consisted primarily of transaction costs of $9,130,817, general and administrative of $1,176,016, and net unrealized loss on changes in the fair value of financial liabilities of $37,795,547. This was offset by interest income of $933,564.

- The net loss for the period from July 31, 2017 (date of incorporation) to September 30, 2017, consisted of no activity to report.

Discussion of Operations

Three Months Ended December 31, 2018 Compared to Year ended September 30, 2018

During the three months ended December 31, 2018, the Corporation earned interest income of $305,680 and a loss of $58,922,537 ($15.94 basic and diluted loss per share) compared to interest income of $933,564 and a loss of $47,168,816 for the year ended September 30, 2018 ($15.97 basic and diluted loss per share). The loss for the three months ended December 31, 2018 and for the year ended September 30, 2018 primary related to transaction costs of $nil (year ended September 30, 2018 - $9,130,817), general and administrative expenses of $3,091,226 (year ended September 30, 2018 - $1,176,016), foreign exchange loss of $26,683 (year ended September 30, 2018 - $nil), and net unrealized loss on changes in the fair value of financial liabilities of $56,110,308 (year ended September 30, 2018 - $37,795,547).

Transaction Costs

The Corporation incurred $nil (year ended September 30, 2018 - $9,293,446) in transaction costs associated with the Offering, including $nil (year ended September 30, 2018 - $8,085,000) in the underwriter's commission equal to 6.0% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. Other transaction costs included professional fees, underwriter's and management out-of-pocket expenditures associated with completion of the Offering. Of the total transaction costs incurred, $nil (September 30, 2018 - $9,130,817) has been included in the December 31, 2018 Financial Statements as a transaction cost, while $nil (year ended September 30, 2018 - $162,629) was allocated as a charge to shareholders' equity, as it was associated with the issuance of equity.

Interest Income

Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates and the consummation of the Transaction, and we do not expect to generate any operating revenues until the closing and completion of the Transaction. In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. On December 31, 2018, the Corporation's escrowed funds were included in restricted cash of $126,155,821 and $9,750,000 in a flexible guaranteed investment certificate due on January 21, 2019. Interest income on these investments is not expected to be significant in view of current low interest rates.

During the three months ended December 31, 2018, the Corporation earned interest income of $305,680 (year ended September 30, 2018 - $933,564).

General and Administrative Expenses

The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition. General and administrative costs were $3,091,226 during the three months ended December 31, 2018 (year ended September 30, 2018 – $933,564).

Net Unrealized Gain on Changes in the Fair Value of Financial Liabilities

Certain financial instruments are recorded in the Corporation's statement of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. If the financial instrument does not trade on an active market, the Corporation will use an option-pricing model to measure the fair value of the financial instrument. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instrument. Changes in the underlying trading value or estimates may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price or option price of a financial liability may not be equal to the amount that the Corporation may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate. The Corporation recognized a net unrealized loss of $56,110,308 in its net loss for the three months ended December 31, 2018 (year ended September 30, 2018 - $37,795,547).

Three months ended December 31, 2018 compared to three months ended December 31, 2017

During the three months ended December 31, 2018, the Corporation earned interest income of $305,680 and a loss of $58,922,537 ($15.94 basic and diluted loss per share) compared to interest income of $30,822 and a loss of $7,907,251 for the three months ended December 31, 2017 ($11.23 basic and diluted loss per share). The loss for the three months ended December 31, 2018 and December 31, 2017 primary related to transaction costs of $nil (three months ended December 31, 2017 - $8,546,051), general and administrative expenses of $3,091,226 (three months ended December 31, 2017 - $17,022), foreign exchange loss of $26,683 (three months ended December 31, 2017 - $nil), and net unrealized loss on changes in the fair value of financial liabilities of $56,110,308 (three months ended December 31, 2017 – gain of $625,000).

Interest Income

Since completion of the Offering, the Corporation's activity has been limited to the evaluation of business acquisition candidates, and we do not expect to generate any operating revenues until the closing and completion of the Transaction. In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. On December 31, 2018, the Corporation's escrowed funds were included in restricted cash of $126,155,821 and $9,750,000 in a flexible guaranteed investment certificate due on January 21, 2019. Interest income on these investments is not expected to be significant in view of current low interest rates.

During the three months ended December 31, 2018, the Corporation earned interest income of $305,680 (three months ended December 31, 2017 - $30,822).

General and Administrative Expenses

The Corporation's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition and consummation of the Proposed Transaction. General and administrative costs were $3,091,226 during the three months ended December 31, 2018 (three months ended December 31, 2017 – $17,022).

Net Unrealized Gain on Changes in the Fair Value of Financial Liabilities

Certain financial instruments are recorded in the Corporation's statement of financial position at values that are representative of or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. If the financial instrument does not trade on an active market, the Corporation will use an option-pricing model to measure the fair value of the financial instrument. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the financial instrument. Changes in the underlying trading value or estimates may significantly affect the amount of net income or loss for a particular period. Furthermore, the quoted market price or option price of a financial liability may not be equal to the amount that the Corporation may have to pay in settlement of the underlying obligation, should such obligation become immediately payable. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate. The Corporation recognized a net unrealized loss of $56,110,308 in its net loss for the three months ended December 31, 2018 (three months ended December 31, 2017 – gain of $625,000).

Proposed Transaction

The shareholders of the Corporation have approved the concurrent acquisition of the target businesses of Washoe Wellness, LLC, The Canopy NV, LLC, Sira Naturals, Inc., LivFree Wellness, LLC and CannaPunch of Nevada LLC (the "Transaction") at the special meeting of the Corporation held on March 18, 2019. The Transaction is intended to constitute the Corporation's Qualifying Transaction. In connection with the Transaction, the Corporation intends to grant to the Founders the right, immediately prior to the closing of the Transaction, to have a one-time option to convert their existing Class B Shares on a one-for-one basis into new multiple voting shares of the Corporation (the "Multiple Voting Shares") carrying 25 votes per Multiple Voting Share, the Class B Shares would then have their terms amended and be re-named as subordinate voting shares of the Corporation (the "Subordinated Voting Shares"), and any non-redeemed Class A Restricted Voting Shares would be converted into Subordinate Voting Shares at the closing of the Transaction. The Qualifying Transaction is subject to regulatory approvals.

Please refer to the Corporation's final non-offering prospectus dated February 15, 2019 and the Corporation's management information circular dated February 19, 2019 for further information on the Transaction, including risk factors associated thereto.

Related Party Transactions

The Corporation has entered into an administrative services agreement with the Sponsor for an initial term of 18 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Transaction. The Corporation has agreed to pay $10,000 per month, plus applicable taxes for such services. As at December 31, 2018, the Corporation accrued $122,314 in respect of these services.

As at December 31, 2018, the amount due to the Sponsor was $nil (September 30, 2018 - $185,896), for out-of-pocket expenses paid by the Sponsor on behalf of the Corporation and the terms of the administrative services agreement. As at December 31, 2018, the amount payable to the Chief Executive Officer was $609,418 (September 30, 2018 - $495,564) for out-of-pocket expenses paid on behalf of the Corporation with respect to the Qualifying Transaction. The amounts due to the Sponsor are unsecured, non-interest bearing and are payable no earlier than the date of the consummation of a Qualifying Transaction, with no recourse against the funds held in the Escrow Account. Due to the short-term nature of this arrangement, the fair value of the amounts due to related parties approximates their carrying amount.

The Sponsor has executed a make whole agreement and undertaking in favour of the Corporation, whereby the Sponsor has agreed to indemnify the Corporation in certain limited circumstances where the funds held in the Escrow Account are reduced to below $10.00 per Class A Restricted Voting Share.

During the three months ended December 31, 2018, the Corporation paid professional fees of $8,840 (year ended September 30, 2018 - $29,968) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which Carmelo Marrelli, CSAC's Chief Financial Officer, is President. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at December 31, 2018, Marrelli Support was owed $5,836 (September 30, 2018 - $2,932) and this amount is included in accounts payable and accrued liabilities.

Share Capital

As of the date of this MD&A, the Corporation had 13,475,000 Class A Restricted Voting Shares of the Corporation issued and outstanding. In addition the Corporation had an aggregate of 3,434,298 Class B Shares, 262,188 Class B Units, 16,359,058 Warrants and 13,737,188 Rights issued and outstanding.

In connection with the Transaction, CSAC intends to grant to the Founders the right, immediately prior to the closing of the Transaction, to have a one-time option to convert their existing Class B Shares on a one-for-one basis into Multiple Voting Shares carrying 25 votes per Multiple Voting Share, the Class B Shares would then have their terms amended and be re-named as Subordinated Voting Shares, and any non-redeemed Class A Restricted Voting Shares would be converted into Subordinate Voting Shares at the closing of the Transaction. The number of Subordinate Voting Shares and Multiple Voting Shares, collectively, expected to be issued and outstanding upon completion of the Transaction will be approximately 17,171,485 (assuming no CSAC shareholders elect to redeem all or a portion of their Class A Restricted Voting Shares). Assuming redemption levels of Class A Restricted Voting Shares of 50%, it is expected that there will be approximately 10,433,985 Subordinate Voting Shares and Multiple Voting Shares collectively outstanding upon completion of the Transaction.

Selected Quarterly Information

A summary of selected information for each of the quarters presented below is as follows:

Three Months Ended	Net Revenues ($)	Net Loss Total ($)	Net Loss Basic and Diluted Loss per Class B Share ($) (6)
December 31, 2018	-	(58,922,537) (5)	(15.94)
September 30, 2018	-	(32,199,921) (4)	(10.90)
June 30, 2018	-	(7,186,878) (3)	(1.94)
March 31, 2018	-	125,234 (2)	0.03
December 31, 2017	-	(7,907,251) (1)	(11.23)
July 31, 2017 to September 30, 2017	-	nil	(0.00)

Notes:

(1) During the three months ended December 31, 2017, the Corporation earned interest income of $30,822 and reported a loss of $7,907,251 ($11.23 basic and diluted loss per Class B Share). The loss in the current

period primary related to transaction costs of $8,546,051, general and administrative expenses of $17,022 and net unrealized gain on changes in the fair value of financial liabilities of $625,000.

(2) During the three months ended March 31, 2018, the Corporation earned interest income of $294,076 and reported income of $125,234 ($0.03 basic and diluted loss per Class B Share). The income in the current period primary related to transaction costs of $584,766, general and administrative expenses of $200,808 and net unrealized gain on changes in the fair value of financial liabilities of $616,732.

(3) During the three months ended June 30, 2018, the Corporation earned interest income of $306,069 and reported a loss of $7,186,878 ($1.94 basic and diluted loss per Class B Share). The loss in the current period primary related to transaction costs of $nil, general and administrative expenses of $178,635 and net unrealized loss on changes in the fair value of financial liabilities of $7,314,312.

(4) During the three months ended September 30, 2018, the Corporation earned interest income of $302,597 and reported a loss of $32,199,921 ($10.90 basic and diluted loss per Class B Share). The loss in the current period primary related to transaction costs of $nil, general and administrative expenses of $779,551 and net unrealized loss on changes in the fair value of financial liabilities of $31,722,967.

(5) During the three months ended December 31, 2018, the Corporation earned interest income of $305,680 and reported a loss of $58,922,537 ($15.94 basic and diluted loss per Class B Share). The loss in the current period primary related to transaction costs of $nil, general and administrative expenses of $3,091,226 and net unrealized loss on changes in the fair value of financial liabilities of $56,110,308.

(6) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

New accounting standards adopted

IFRS 9 Financial Instruments

Recognition

The Corporation recognizes a financial asset or financial liability on the statements of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Corporation has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

Effective October 1, 2018, the Corporation adopted IFRS 9, Financial Instruments. The adoption of IFRS 9 did not have a material impact on the Corporation's financial statements.

The Corporation determines the classification of its financial instruments at initial recognition as a result of adopting IFRS 9. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Corporation has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Corporation's credit risk.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Corporation's financial asset consists of cash and restricted cash, which is classified and subsequently measured at FVTPL. The Corporation's financial liabilities consist of accounts payable and accrued liabilities, due to related parties and deferred underwriters' commission, which are classified and subsequently measured at amortized cost using the effective interest method. In addition, the Corporation's financial liabilities also include Class A Restricted Voting Shares subject to redemption and warrant liability which are classified and subsequently measured at FVTPL.

All financial instruments recognized at fair value in the statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

- Level 1 – Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

- Level 2 – Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

- Level 3 – Valuation techniques with significant unobservable market inputs.

Impairment

The Corporation assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Corporation compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was effective for the Corporation on October 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The adoption of IFRS 15 did not have a material impact on the Corporation's financial statements.

Accounting Policies and Critical Accounting Estimates

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and items in net income or loss and the related disclosure of contingent assets and liabilities. Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in note 4 to the December 31, 2018 Financial Statements.

Controls and Procedures

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109, *"Certification of Disclosure in Issuer's Annual and Interim Filings".*

Under their supervision, the Chief Executive Officer and Chief Financial Officer have implemented disclosure controls and procedures and internal controls over financial reporting appropriate for the nature of operations of the Corporation. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation's design of its internal controls over financial reporting is based on the principles set out in the *"Internal Control – Integrated Framework (2013)" issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO)"*.

The Corporation has filed certificates signed by its Chief Executive Officer and the Chief Financial Officer certifying certain matters with respect to the design of disclosure controls and procedures and the design of internal control over financial reporting as at December 31, 2018.

Outlook

For the immediate future, the Corporation intends to consummate its proposed Transaction and continue to identify and evaluate other potential transactions. The Corporation continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

Financial Instruments

Fair value measurements

The following table summarizes those assets and liabilities that are included at their fair values in the Corporation's statement of financial position as at December 31, 2018, or those assets and liabilities for which fair value is otherwise disclosed in the accompanying notes to the December 31, 2018 Financial Statements. These assets and liabilities have been categorized into hierarchal levels, according to the significance of the inputs used in determining fair value measurements.

	Carrying value as at December 31, 2018 ($)	Level 1 (*) ($)	Level 2 (*) ($)	Level 3 (*) ($)
Financial assets				
Cash	149,996	149,996	nil	nil
Restricted cash and short-term investments in escrow	135,989,244	135,989,244	nil	nil
Financial liabilities				
Class A Restricted Voting Shares subject to redemption	198,756,250	198,756,250	nil	nil
Warrants	32,718,116	32,718,116	nil	nil

(*) Fair values as at December 31, 2018

The Corporation is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Corporation's overall risk management strategy seeks to minimize potential adverse effects of the Corporation's financial performance.

During the year, the Class A Restricted Voting Shares subject to redemption and the warrant liability were transferred from Level 2 to Level 1. No activity occurred during the three months ended December 31, 2018.

Market risk

Fair value risk

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign exchange rates, because of changes in market prices. The Corporation is exposed to fair value risk in respect of its Class A Restricted Voting Shares subject to redemption and warrant liability, which are carried in the Corporation's financial statements at their fair value. A 1% increase in the fair value of Class A Restricted Voting Shares and warrant liability would result in an increase in net loss for the three months ended December 31, 2018 of $2,314,744. A 1% decrease in the fair value of Class A Restricted Voting Shares and warrant liability would result in a decrease in net loss for the three months ended December 31, 2018 of $2,314,744.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the fixed interest rate on the Corporation's restricted cash and short-term balance held in escrow, its exposure to interest rate risk is nominal.

Currency risk

Currency risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the Corporation's presentation currency of the Canadian dollar. The Corporation does not have any significant exposure to currency risk given the majority of transactions are in Canadian dollars.

Capital Management

(a) The Corporation defines the capital that it manages as its shareholders' deficiency, net of its Class A Restricted Voting Shares subject to redemption and Warrants. The following table summarizes the carrying value of the Corporation's capital as at December 31, 2018 and September 30, 2018:

	$
Shareholders' deficiency	(103,803,733)
Class A Restricted Voting Shares subject to redemption	198,756,250
Warrant liability	32,718,116
Balance, December 31, 2018	**127,670,633**

	$
Shareholders' deficiency	(44,881,196)
Class A Restricted Voting Shares subject to redemption	159,005,000
Warrant liability	16,359,058
Balance, September 30, 2018	**130,482,862**

The Corporation's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise.

(b) Liquidity

As at December 31, 2018, the Corporation had $149,996 (September 30, 2018 - $703,237) in cash. The Corporation expects to incur significant costs in pursuit of its acquisition plans.

To the extent that the Corporation may require additional funding for general ongoing expenses or in connection with sourcing its proposed Transaction, the Corporation may obtain such funding by way of unsecured loans from the Sponsor and/or its affiliates, subject to consent of the Exchange, which loans would, unless approved otherwise by the Exchange, bear interest at no more than the prime rate plus 1%. The Sponsor would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account. Such loans would collectively be subject to a maximum principal amount of $1,000,000 in the aggregate, and may be repayable in cash following the closing of a Qualifying Transaction and may only be convertible into Class B Shares and/or Warrants in connection with the closing of a Qualifying Transaction, subject to Exchange consent.

Otherwise, and subject to any relief granted by the Exchange, the Corporation may seek to raise additional funds through a rights offering in respect of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable Exchange rules.

Risk Factors

The following are certain factors relating to the business of CSAC. These risks and uncertainties are not the only ones facing CSAC. In addition, please see the information under the section entitled "Risk Factors" provided in the IPO Prospectus and the QT Prospectus. The following information is a summary only of certain risk factors. Additional risks and uncertainties not presently known to CSAC or currently deemed immaterial by CSAC may also impair the operations of CSAC. If any such risks actually occur, shareholders of CSAC could lose all or part of their investment and CSAC and the ability of CSAC to implement its growth plans could be adversely affected.

The acquisition of any of the securities of CSAC 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 CSAC 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. CSAC's shareholders should evaluate carefully the following risk factors associated with CSAC's securities.

While legal under applicable U.S. State law, the activities of the Target Businesses are illegal under U.S. federal law.

Investors are cautioned that in the United States, cannabis is largely regulated at the State level. To CSAC's knowledge, some form of cannabis has been legalized in 33 U.S. states (each a "**State**"), the District of Columbia, Guam and Puerto Rice as of January 2019. Additional States have pending legislation regarding the same. Although each State in which CSAC will operate authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, 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 U.S. *Controlled Substances Act* (the "**Substances Act**"). The concepts of "medical cannabis", "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. The Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. Although CSAC believes that the business activities of the Target Businesses are compliant with applicable U.S. State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve CSAC or the Target Businesses of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against CSAC. Any such proceedings brought against CSAC or the Target Businesses may result in a material adverse effect on CSAC.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, CSAC may be deemed to be aiding and abetting illegal activities. The Target Businesses manufacture and/or distribute medical and adult-use 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 CSAC or the Target Businesses, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the Department of Justice, under the current administration, could allege that CSAC has "aided and abetted" violations of federal law by providing financing and services to the Target Businesses. Under these circumstances, the federal prosecutor could seek to seize the assets of CSAC, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, CSAC's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on CSAC.

U.S. Customs and Border Protection ("**CBP**") enforces the laws of the United States. Crossing the border while in violation of the Substances Act and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in CSAC, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission.

The Target Businesses derive 100% of their revenues from the cannabis industry in certain States, which industry is illegal under U.S. federal law. While the Target Businesses' business activities are believed to be compliant with applicable State and local law, such activities remain illegal under U.S. Federal law. **The enforcement of relevant laws is a significant risk.**

Medical cannabis has been protected against enforcement by enacted legislation from the United States Congress in the form of the Rohrabacher-Blumenauer Amendment, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the State-level, subject to the United States Congress restoring such funding. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the U.S. DOJ up and through the 2018 appropriations deadline of September 30, 2018.

The deadline passed, but the Rohrbacher-Leahy Amendment remained in effect by virtue of a continuing resolution under which the entire 2018 budget continued to operate. Following the expiration of the continuing resolution on December 7, 2018, Congress failed to agree upon an appropriations bill, and the United States government entered a partial shutdown. The Rohrabacher-Leahy Amendment was no longer in effect during the partial shutdown. The partial shutdown ended on January 25, 2019 when the United States Congress passed an appropriations bill funding the United States government through February 15, 2019. This temporary appropriations bill includes language similar to the Rohrabacher Leahy Amendment (now referred to as the "Joyce/Leahy Amendment"). Given that the current dispute between the United States House and the President of the United States is tied to funding security along the border with Mexico, it is likely the Joyce/Leahy Amendment language will be included in any further temporary appropriations bills that are signed into law. Notably, the Unites States House and Senate appropriations committees have included the Joyce/Leahy Amendment language in their base appropriations bill for fiscal year 2019. If the base bill is ultimately passed, the language will no longer be an "amendment," and will be part of base appropriations. As explained above, the base appropriations bills are awaiting passage, and meanwhile the temporary appropriations bill containing the Joyce/Leahy Amendment continues to be in force until February 15, 2019. While it is possible that the United States government will re-enter a partial shutdown when funding under the current temporary appropriations bill ends, it is not expected that the U.S. Department of Justice will act contrary to the Joyce/Leahy Amendment language. However, this would be subject to change until passage of new Joyce/Leahy Amendment language, or passage of the fiscal year 2019 base appropriations bill which includes the Joyce/Leahy Amendment language. Notably, such Amendments have always applied only to medical cannabis programs, and have no effect on pursuit of recreational cannabis activities. Should the Joyce/Leahy Amendments language not be included, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon CSAC or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on CSAC, even if such proceedings were concluded successfully in favour of CSAC.

Violations of any Federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the Federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on CSAC, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for CSAC to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

<u>Prohibition on public company ownership under local law.</u>

At least one U.S. county currently prohibits the ownership of cannabis businesses by public companies. CSAC may not be able to acquire LivFree's City of Henderson operations or any interest therein. Pursuant to HMC 4.116.030(B) and 4.118.030(B), certain persons are declared unqualified to hold a marijuana establishment license in the City of Henderson, including any publicly-traded company. The prohibition against issuance of a marijuana establishment business license is not limited to the direct licensee but extends to owners of such licensees including parent-companies. Under the HMC as currently written, a publicly-traded company would be denied issuance of a marijuana establishment business license in the City of Henderson. CSAC understands that the City of Henderson's municipal code may be amended to allow public company ownership of cannabis operations located in the City of Henderson jurisdiction in the near-to-medium term, though no such amendments can be assured. As a result of the failure of a proposed licensee to obtain a local jurisdiction business license, the State enforcement agency (the Nevada Department of Taxation) may revoke the State-issued operating certificate / license of the marijuana establishment. Accordingly, unless the restrictions under the HMC are changed, CSAC will not be able to acquire LivFree's City of Henderson operations or any interest therein. If other U.S counties or localities have adopted or adopt a similar prohibition this could limit CSAC's ability to expand.

<u>The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.</u>

As a result of the conflicting views between State legislatures and the Federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memo addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the Federal level in the United States, several States have enacted laws relating to cannabis for medical purposes.

The Cole Memo outlined certain priorities for the Department of Justice ("**DOJ**") relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the Federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memo standard.

In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited Federal resources and acknowledged that much of the Cole Memo had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, former Attorney General Jeff Sessions issued the Sessions Memo, which rescinded the Cole Memo. The Sessions Memo rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing Federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the USAM and require Federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including Federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memo, 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 Memo as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active Federal prosecutors will be in relation to such activities.

As discussed above, should the Rohrabacher-Leahy Amendment not be renewed, there can be no assurance that the Federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law.

Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. While dozens of U.S. attorneys from across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurances that such views are universally held or will continue in the near future. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act, stating that the Sessions Memorandum and the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. These and other so called "enforcement hawks" in California or elsewhere may choose to enforce the Controlled Substances Act in accordance with federal policies prior to the issuance of the Cole Memorandum. As such, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with State law. Contrastingly, Andrew Lelling, the U.S. Attorney for the District of Massachusetts, issued a statement explaining that while marijuana is illegal under federal law, his "office's resources […] are primarily focused on the opioid epidemic." In this statement, U.S. Attorney Lelling also clarified that his marijuana enforcement efforts will be focused on overproduction, targeted sales to minors, and organized crime and interstate transportation of drug proceeds.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on U.S. federal government enforcement policy on marijuana. Mr. Whitaker has not taken a stance on prosecution of cannabis activities, and he is not expected to be more aggressive than Mr. Sessions. In any event, Mr. Whitaker's appointment as acting Attorney General is temporary, and President Trump has nominated William Barr to take on the role. Mr. Barr is a former Attorney General under George H.W. Bush, with an anti-drug stance during his tenure. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by States to legalize marijuana, but won't go after marijuana companies in states that legalized it under Obama administration policies. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum. Mr. Barr supported Mr. Sessions while Mr. Sessions ran the Department of Justice, and if confirmed by the Senate, he may take a similar approach to cannabis policy.

Such potential proceedings could involve significant restrictions being imposed upon CSAC or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on CSAC, as well as CSAC's reputation, even if such proceedings were concluded successfully in favour of CSAC. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of CSAC or the seizure of corporate assets; however as of the date hereof, CSAC believes that proceedings of this nature are remote.

There is no certainty as to how the DOJ, Federal Bureau of Investigation and other 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. CSAC regularly monitors the activities of the current administration in this regard.

Risk of legal, regulatory or other political change.

The success of the business strategy of CSAC depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To CSAC's knowledge, some form of cannabis has been legalized in 33 States, the District of Columbia, Guam and Puerto Rico as of January 2019; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting CSAC's business, results of operations, financial condition or prospects.

Delays in enactment of new State or Federal regulations could restrict the ability of CSAC to reach strategic growth targets. The growth strategy of CSAC is contingent upon certain Federal and State regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of CSAC, and thus, the effect on the return of investor capital, could be detrimental. CSAC is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, 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, including prohibiting ownership of cannabis businesses by public companies. 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, CSAC's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect CSAC's continued operations. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable marijuana legislation could adversely affect CSAC and its business, results of operations, financial condition and prospects.

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

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the State and Federal level. The inability of CSAC to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

CSAC's operations in the U.S. cannabis market may become the subject of heightened scrutiny.

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

Given the heightened risk profile associated with cannabis in the U.S., CDS Clearing and Depository Services Inc. ("**CDS**"), Canada's central securities depository, may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the U.S. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with the Exchange, the Canadian Stock Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of CSAC shares to make and settle trades. In particular, CSAC shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of CSAC shares through the facilities of a stock exchange.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memo discussed above, on February 8, 2018, the Canadian Securities Administrators revised their previously released CSA Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. CSAC views the Staff Notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as CSAC's ability to pursue further investment and opportunities in CSAC.

Government policy changes or 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 public's perception of medical and/or adult-use 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 and/or adult-use cannabis, thereby limiting the number of new State jurisdictions into which CSAC could expand. Any inability to fully implement CSAC's expansion strategy may result in a material adverse effect on CSAC's business, financial condition, results of operations or prospects.

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

CSAC's business activities rely on newly established and/or developing laws and regulations in the various States in which CSAC operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect CSAC's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration ("**FDA**"), Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other Federal, State or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical and/or adult-use 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 CSAC's industry may adversely affect the business and operations of CSAC, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of CSAC or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in CSAC.

CSAC's investments in the U.S. are subject to applicable anti-money laundering laws and regulations.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the Substances Act, 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, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. 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 Substances Act. As a result, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of CSAC.

In February 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued the FCEN Memo providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo 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. It refers to supplementary guidance that Deputy Attorney General Cole issued to Federal prosecutors in the now repealed 2014 Cole Memo relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Substances Act. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

In the event that any of CSAC's or the Target Businesses' operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of CSAC to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while CSAC has no current intention to declare or pay dividends on the CSAC Shares in the foreseeable future, in the event that a determination was made that CSAC's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, CSAC may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect CSAC'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, and the resulting re-classification would result in the requirement for FDA approval if medical claims are made for CSAC'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 Drug Enforcement Administration ("**DEA**"). In that case, CSAC 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 CSAC'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 CSAC'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.

CSAC may be subject to the risk of civil asset forfeiture.

Because the cannabis industry remains illegal under U.S. Federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

CSAC may lack of access to U.S. bankruptcy protections.

Because the use of cannabis is illegal under Federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If CSAC or the Target Businesses were to experience a bankruptcy, there is no guarantee that U.S. Federal bankruptcy protections would be available, which could have a material adverse effect on CSAC.

CSAC may be subject to the risk of an inability to enforce its contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a Federal level, judges in multiple States have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate Federal law, even if there is no violation of State law. There remains doubt and uncertainty that CSAC will be able to legally enforce contracts it enters into if necessary. CSAC cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on CSAC.

CSAC may be subject to the risk of changes in Canadian laws or regulations, or a failure to comply with any such laws and regulations.

CSAC is subject to laws and regulations enacted by the Federal and provincial governments of Canada. In particular, CSAC will be required to comply with certain Canadian securities law, income tax law and the Exchange and other legal and regulatory requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on CSAC business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could result in a material adverse effect on CSAC.

CSAC is subject to general regulatory and licensing risks.

The Target Businesses are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of CSAC's business objectives are contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of CSAC may result in a material adverse effect on CSAC.

The Target Businesses are required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Target Businesses' part. The duration and success of the Target Businesses' efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Target Businesses may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Target Businesses. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Target Businesses may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on CSAC.

Several of the licenses held by the Target Businesses are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations.

While CSAC believes that the Target Businesses' compliance controls have been developed to mitigate the risk of any material violations of any licenses they hold arising, there is no assurance that the Target Businesses' licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Target Businesses could impede the ongoing or planned operations of the Target Businesses and have a material adverse effect on CSAC.

CSAC or the Target Businesses may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm CSAC's or the Target Businesses' reputation, require CSAC or the Target Businesses to take, or refrain from taking, actions that could harm its operations or require CSAC or the Target Businesses to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on CSAC.

Limitations on ownership of licenses.

In certain States, the cannabis laws and regulation limit, not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person may have an ownership interest, or control over, more than three license holders in any category – cultivation, processing or dispensing. CSAC believes that, where such restrictions apply, it may still capture significant share of revenue in the market through the provision of management or support services and similar arrangement with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain States may limit CSAC's ability to grow organically or to increase its market share in such States. In Henderson, Nevada, public company ownership of a licensee is currently restricted. If not changed, this may prevent a portion of the LivFree transaction.

Regulatory action and approvals from the Food and Drug Administration.

The Target Business' cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Target Businesses' cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Food, Drug and Cosmetic Act ("**FDCA**").

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Target Businesses could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Target Businesses' production or distribution of its products. Any such event could have a material adverse effect on CSAC.