

# FORM 7

## MONTHLY PROGRESS REPORT

Name of Listed Issuer: Harborside Inc. ("Harborside" or the "Issuer")

Trading Symbol: HBOR

Number of Outstanding Listed Securities: 19,150,504 Subordinate Voting Shares

Date: December 31, 2019

### Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

**On December 2, 2019, the Issuer announced the appointment of Tom DiGiovanni as its new Chief Financial Officer ("CFO"), replacing Keith Li. Mr. DiGiovanni commenced his role on December 9, 2019, with Mr. Li remaining with Harborside as the Vice President of Finance. Mr. DiGiovanni most recently was a founding partner and the CFO at CannDESCENT, a vertically integrated cannabis company, where he managed the day-to-day financial accounting and reporting functions, as well as helped implement banking, financing and cash management procedures that allowed the company to grow into an industry leader.**

**On December 3, 2019, the Issuer announced that it had formally filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit") from the Tax Court decision in Patients Mutual Assistance Collective Corporation ("PMACC") (d.b.a. Harborside Health Center) v. Commissioner. The Tax Court decision was issued on November 29, 2018. The ruling became final on October 11, 2019, when liability of US\$11,013,237 was formally entered by the Tax Court. The Issuer is properly filing its appeal within 90 days from that date. No opinion is expected from the appeal until late 2020, when the case will be argued in the Ninth Circuit.**

**On December 5, 2019, the Issuer announced that its Co-founder & Chairman Emeritus, Steve DeAngelo, was named an inaugural inductee into *Marijuana Business Daily's* MJBizDaily Awards Hall of Fame.**

**On December 7, 2019, the Issuer opened its newest dispensary in Desert Hot Springs. The store, located on Interstate 10 between Los Angeles and Coachella, is Harborside's first retail location outside of the Bay Area and will also be the first drive-thru dispensary in Southern California. This latest expansion marks Harborside's fourth retail operation in California (see Question #3 for more details).**

On December 23, 2019, the Issuer announced the appointment of Conrad Gregory, its head of government relations, to the California Cannabis Industry Association (“CCIA”) board of directors. Mr. Gregory's tenure on the CCIA board will begin January 14, 2020. Mr. Gregory has led Harborside's Government Relations division since 2016 and his work covers both the policy and politics of the cannabis industry, including efforts to guide the creation of reasonable rules that balance the needs of consumers, producers and regulators.

2. Provide a general overview and discussion of the activities of management.

The Issuer’s management has integrated its two Oregon dispensaries in Portland and Eugene, which operate under the “Terpene Station” brand, with the Issuer’s other dispensaries of the Bay Area in Oakland and San Jose, which have over 10 years of operating history, over CAD \$400 million of historical sales, and in excess of 270,000 patients and customers served.

The Issuer’s management also continues to work on closing the acquisition previously announced by the Issuer of a 100% interest in Altai Partners, LLC (“Altai”), a Delaware limited liability company with its principal place of business located in California. Altai has a binding agreement to acquire a minimum 45% ownership interest in Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary (“LUX”), which is one of only 16 licensed dispensaries operating in San Jose, California. On March 28, 2019, concurrent to its agreement to acquire a 45% ownership interest in LUX, Altai entered into an additional agreement to acquire the remaining 55% ownership interest in LUX. LUX is a grassroots, community-based dispensary that offers support and alternative health resources to patients facing health challenges, and which provides a local, affordable, and safe environment to dispense medical marijuana. The Issuer expects to complete the acquisition of LUX by the first half of 2020, subject to satisfaction of closing conditions.

Issuer’s management also continues to work on the integration of San Leandro Wellness Solutions Inc. into the Issuer’s existing retail dispensary operations, and also continues to work on the development of its integrated cultivation and greenhouse grow operations.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

On December 7, 2019, the Issuer opened its Desert Hot Springs location. The 4,800 square foot facility carries both medical and adult-use products, including Harborside’s own KEY line of cannabis products. In addition to its highly anticipated drive-thru, the Desert Hot Springs location will partner with Pure Healing Clinic, offering professional acupuncture, herbal medicine and other wellness services.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**None noted.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**Aside from business relationships entered into in the normal course of business from time to time during the last month, the Issuer has no further new business relationships to report. None of the new business relationships entered into by Issuer during the last month was with a Related Person.**

6. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**Aside from business relationships entered into in the normal course of business from time to time during the last month, the Issuer has no further new business relationships to report. None of the new business relationships entered into by Issuer during the last month was with a Related Person.**

7. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**None noted.**

8. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**None noted.**

9. Describe the acquisition of new customers or loss of customers.  
**Aside from the acquisition or loss of retail consumer customers in the normal course of business, the Issuer has no further customer acquisitions or losses to report.**
10. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.  
**None noted.**
11. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.  
**Aside from the hiring or termination of employees in the normal course of business, the Issuer had no further hirings or terminations to report. There were no lay-offs or material reductions of employee workforce in the last month.**
12. Report on any labour disputes and resolutions of those disputes if applicable.  
**None noted.**
13. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.  
**As previously disclosed, certain of the Issuer's US subsidiaries are involved in five US Tax Court cases involving application of Internal Revenue Code Section 280E to the Issuer's business. Three of these cases involve the Issuer's subsidiary PMACC, while two of these cases involve Issuer subsidiary San Jose Wellness.**  
  
**On October 21, 2019, the US Tax Court issued a final decision under Tax Court Rule 155 on the income tax deficiency for PMACC, which ruled that PMACC owes an aggregate tax deficiency of approximately \$11 million for the fiscal years 2007 through 2012. The Issuer has 90 days within which to file an appeal with the Ninth Circuit.**  
  
**On December 3, 2019, the Issuer formally filed a notice of appeal to the Ninth Circuit. No opinion is expected from the appeal until late 2020, when the case will be argued in the Ninth Circuit.**
14. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.  
**None noted.**

15. Provide details of any securities issued and options or warrants granted.

Security	Number Issued (post-Consolidation)	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Subordinate Voting Shares	30,000	Issuance on option exercises	US\$ 5,700

16. Provide details of any loans to or by Related Persons.  
**None noted.**

17. Provide details of any changes in directors, officers or committee members.  
**Tom DiGiovanni commenced his role as CFO of the Issuer on December 9, 2019, with Keith Li remaining as the Vice President of Finance.**

18. Discuss any trends which are likely to impact the Issuer including trends in the Issuer’s market(s) or political/regulatory trends.  
**The trends and risks which are likely to impact the Issuer are detailed in the Issuer’s Listing Statement dated May 30, 2019, under the heading “Risk Factors”; in the Issuer’s most recently filed management’s discussion and analysis; and in the Issuer’s other public filings, all of which are available under the Issuer’s SEDAR profile at [www.sedar.com](http://www.sedar.com), and which are incorporated into this report by reference thereto.**

## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: January 8, 2020

Peter Bilodeau  
Name of Director or Senior Officer

"Peter Bilodeau"  
Signature

Interim Chief Executive Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer Harborside Inc. (formerly Lineage Grow Company Ltd.)	For Month End December 31, 2019	Date of Report 20/01/08
Issuer Address 2100 Embarcadero, Suite 202		
City/Province/Postal Code Oakland/California/94606	Issuer Fax No. ( )	Issuer Telephone No. (416) 840-3798
Contact Name Keith Li	Contact Position VP of Finance	Contact Telephone No. (647) 660-8703
Contact Email Address <a href="mailto:kli@bransonservices.com">kli@bransonservices.com</a>	Web Site Address <a href="http://www.investharborside.com">www.investharborside.com</a>	