

*A copy of this preliminary short form base shelf prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, other than Quebec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form base shelf prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form base shelf prospectus is obtained from the securities regulatory authorities.*

*This short form prospectus is a base shelf prospectus. This short form base shelf prospectus has been filed under legislation each of the provinces of Canada, other than Quebec, that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in cases where an exemption from such delivery requirements has been obtained.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories, possessions or the District of Columbia (the “United States”), or to a U.S. person (as such term is defined in Regulation S under the U.S. Securities Act) (a “U.S. Person”) unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This short form base shelf prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to, or for the account or benefit of, any U.S. Person. See “Plan of Distribution”.*

*Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the General Counsel of Harvest Health & Recreation Inc., at 1155 W. Rio Salado Parkway, Suite 201, Tempe, Arizona 85281, telephone (480) 494-2261, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue

June 2, 2020

# HARVEST

## HARVEST HEALTH & RECREATION INC.

**\$300,000,000**

**Subordinate Voting Shares**

**Multiple Voting Shares**

**Debt Securities**

**Subscription Receipts**

**Warrants**

**Units**

Harvest Health & Recreation Inc. (“**Harvest**” or the “**Company**”) may from time to time offer and issue the following securities: (i) subordinate voting shares of the Company (“**Subordinate Voting Shares**”); (ii) multiple voting shares of the Company (“**Multiple Voting Shares**”); (iii) debt securities of the Company (“**Debt Securities**”); (iv) subscription receipts (“**Subscription Receipts**”) exchangeable for Subordinate Voting Shares Multiple Voting Shares and/or other securities of the Company; (v) warrants exercisable to acquire Subordinate Voting Shares, Multiple Voting Shares and/or other securities of the Company (“**Warrants**”); and (vi) securities comprised of more than one of Subordinate Voting Shares, Multiple Voting Shares, Debt Securities, Subscription Receipts and/or Warrants offered together as a unit (“**Units**”), or any combination thereof having an offer price of up to \$300,000,000 in aggregate (or the equivalent thereof, at the date of issue, in any other currency or currencies, as the case may be) at any time during the 25-month period that this short form base shelf prospectus (including any amendments hereto, the “**Prospectus**”) remains valid. The Subordinate Voting Shares, Multiple Voting Shares, Debt Securities, Subscription Receipts, Warrants and Units (collectively, the “**Securities**”) offered hereby may be offered in one or more offerings, separately or together, in separate series, in amounts, at prices and on terms to be set forth in one or more prospectus supplements

(collectively or individually, as the case may be, “**Prospectus Supplements**”). One or more securityholders of the Company may also offer and sell Securities under this Prospectus. See “The Selling Securityholders”.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices, including sales in transactions that are deemed to be “at-the-market distributions” as defined in National Instrument 44-102 — *Shelf Distributions* (“**NI 44-102**”), including sales made directly on the Canadian Securities Exchange (the “**CSE**”) or other existing trading markets for the Securities, and as set forth in an accompanying Prospectus Supplement. See “Plan of Distribution”.

The specific terms of any offering of Securities will be set forth in the applicable Prospectus Supplement and may include, without limitation, where applicable: (i) in the case of Subordinate Voting Shares and Multiple Voting Shares, the number of Subordinate Voting Shares and/or Multiple Voting Shares being offered, the offering price, whether the Subordinate Voting Shares and/or Multiple Voting Shares are being offered for cash, and any other terms specific to the Subordinate Voting Shares and/or Multiple Voting Shares being offered; (ii) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, maturity, interest provisions, authorized denominations, offering price, whether the Debt Securities are being offered for cash, the covenants, the events of default, any terms for redemption or retraction, any exchange or conversion rights attached to the Debt Securities, and any other terms specific to the Debt Securities being offered; (iii) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price, whether the Subscription Receipts are being offered for cash, the terms, conditions and procedures for the exchange of the Subscription Receipts into or for Subordinate Voting Shares, Multiple Voting Shares and/or other securities of the Company and any other terms specific to the Subscription Receipts being offered; (iv) in the case of Warrants, the number of such Warrants offered, the offering price, whether the Warrants are being offered for cash, the terms, conditions and procedures for the exercise of such Warrants into or for Subordinate Voting Shares, Multiple Voting Shares and/or other securities of the Company and any other specific terms; and (v) in the case of Units, the number of Units being offered, the offering price, the terms of the Subordinate Voting Shares, Multiple Voting Shares, Debt Securities, Subscription Receipts and/or Warrants underlying the Units, and any other specific terms.

All shelf information permitted under applicable securities legislation to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus, except in cases where an exemption from such delivery requirements has been obtained. Each Prospectus Supplement will be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement and only for the purposes of the distribution of the Securities covered by that Prospectus Supplement. The offerings are subject to approval of certain legal matters on behalf of the Company by Cassels Brock & Blackwell LLP.

This Prospectus does not qualify for issuance Debt Securities, or Securities convertible or exchangeable into Debt Securities, in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests including, for example, an equity or debt security, a statistical measure of economic or financial performance including, without limitation, any currency, consumer price or mortgage index, or the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items. This Prospectus may qualify for issuance of Debt Securities, or Securities convertible or exchangeable into Debt Securities, in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to published rates of a central banking authority or one or more financial institutions, such as a prime rate or bankers’ acceptance rate, or to recognized market benchmark interest rates such as CDOR (the Canadian Dollar Offered Rate) or LIBOR (the London Interbank Offered Rate), and/or convertible into or exchangeable for Subordinate Voting Shares, Multiple Voting Shares and/or other securities of the Company.

The Company may sell the Securities, separately or together: (i) to one or more underwriters or dealers; (ii) through one or more agents; or (iii) directly to one or more purchasers. The Prospectus Supplement relating to a particular offering of Securities will describe the terms of such offering of Securities, including: (i) the terms of the Securities to which the Prospectus Supplement relates, including the type of Security being offered, and the method of distribution; (ii) the name or names of any underwriters, dealers, agents or selling securityholders involved in such offering of Securities; (iii) the purchase price of the Securities offered thereby and the proceeds to, if any, and the expenses borne by, if any, the Company from the sale of such Securities; (iv) any commission, underwriting discounts and other items constituting compensation payable to underwriters, dealers or agents; and (v) any discounts or concessions allowed or re-allowed or paid to underwriters, dealers or agents. See “Plan of Distribution”.

In connection with any offering of the Securities, subject to applicable laws and other than an “at-the-market distribution”, the underwriters or agents may over-allot or effect transactions that stabilize or maintain the market price of the offered Securities at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See “Plan of Distribution”.

No underwriter or dealer involved in an “at-the-market distribution” under this Prospectus, no affiliate of such an underwriter or dealer and no person or company acting jointly or in concert with such an underwriter or dealer will over-allot securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the offered Securities.

The issued and outstanding Subordinate Voting Shares are listed and posted for trading on the CSE under the symbol “HARV” and on the OTCQX International tier of the OTC Markets in the U.S. (the “OTCQX”) under the symbol “HRVSF”. On June 1, 2020, the last trading day prior to the date of this Prospectus, the closing price per Subordinate Voting Share on the CSE was \$1.83 and on the OTCQX was US\$1.36. **Unless otherwise specified in the applicable Prospectus Supplement, the Multiple Voting Shares, Debt Securities, Subscription Receipts, Warrants and Units will not be listed on any securities exchange. There is no market through which these Securities may be sold and purchasers may not be able to resell such Securities purchased under this Prospectus. This may affect the pricing of the Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation.**

**Investing in Securities is speculative and involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. A prospective purchaser should therefore review this Prospectus and the documents incorporated by reference herein in their entirety and carefully consider the risk factors described or referenced under “Risk Factors” prior to investing in such Securities.**

**No underwriter, dealer or agent has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.**

The Company has three classes of issued and outstanding shares: the Subordinate Voting Shares, the Multiple Voting Shares and the super voting shares of the Company (the “**Super Voting Shares**”). The Subordinate Voting Shares and Multiple Voting Shares are “restricted securities” within the meaning of such term under applicable Canadian securities laws. Each Subordinate Voting Share is entitled to one vote per Subordinate Voting Share, each Multiple Voting Share is entitled to 100 votes per Multiple Voting Shares and each Super Voting Share is currently entitled to 200 votes per Super Voting Share on all matters upon which the holders of shares of the Company are entitled to vote, and holders of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares will vote together on all matters subject to a vote of holders of each of those classes of shares as if they were one class of shares, except to the extent that a separate vote of holders as a separate class is required by law or provided by the articles of the Company. Holders of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are entitled to receive, as and when declared by the board of directors of the Company, dividends in cash or property of the Company. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares, entitled to participate rateably along with all other holders of Subordinate Voting Shares, Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis). Each Multiple Voting Share is convertible into 100 Subordinate Voting Shares at any time at the option of the holders thereof and automatically in certain other circumstances. Each Super Voting Share is convertible into one Multiple Voting Share at any time at the option of the holders thereof and automatically in certain other circumstances. **The holders of Subordinate Voting Shares have certain conversion rights in the event of a take-over bid for the Multiple Voting Shares and each of the Subordinate Voting Shares and Multiple Voting Shares benefit from contractual provisions that give them certain rights in the event of a take-over bid for the Super Voting Shares See “Description of Share Capital of the Company” for further details.**

The directors, chief executive officer, chief financial officer and promoters of the Company reside outside of Canada and each has appointed Cassels Brock & Blackwell LLP, Suite 2200, HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, as his or her agent for service of process in Canada. Haynie and Company, the auditor in respect of the financial statements of the Company, prepared on a consolidated basis, as at and for the years ended December 31, 2019 and 2018, is incorporated, continued or otherwise organized under the laws of a

foreign jurisdiction. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

The Company's head office is located at 1155 W. Rio Salado Parkway, Suite 201, Tempe, Arizona 85281 and the Company's registered office is located at 885 W Georgia Street Suite 2200, Vancouver, British Columbia V6C 3E8.

**This Prospectus qualifies the distribution of securities of an entity that currently directly derives a substantial portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal Law. The Company is directly involved (through licensed subsidiaries) in both the adult-use and medical cannabis industry in certain states as permitted within such states under applicable state law which states have regulated such industries which would allow the Company to directly participate in the adult-use and medical cannabis industry in the States of Arizona, Arkansas, California, Florida, Maryland, North Dakota and Pennsylvania and with provisional licenses in Massachusetts and planned expansion into Nevada upon completion of the acquisition of GreenMart as permitted within such states under applicable state law and which states have regulated such industries. In addition, the Company owns CO2 extraction, distillation, purification and manufacturing technology used to produce a line of therapeutic cannabis topicals, vapes and gems featuring cannabinoids and a hemp-derived product line sold in Colorado and provides services to cannabis dispensaries in Washington.**

**In 2005, the U.S. Supreme Court ruled that Congress has the power to regulate cannabis. The U.S. federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice (the "DOJ") defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." However, the Food and Drug Administration (the "FDA") has approved Epidiolex, which contains a purified form of the drug CBD, a non-psychoactive ingredient in the cannabis plant, for the treatment of seizures associated with two epilepsy conditions. The FDA has not approved cannabis or cannabis compounds as a safe and effective drug for any other condition. Moreover, under the 2018 Farm Bill or Agriculture Improvement Act of 2018 (the "Farm Bill"), CBD remains a Schedule I controlled substance under the CSA, with a narrow exception for CBD derived from hemp with a tetrahydrocannabinol ("THC") concentration of less than 0.3%.**

**Marijuana is largely regulated at the state level in the United States. State laws that permit and regulate the production, distribution and use of cannabis for adult use or medical purposes are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company's activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.**

**As of the date of this Prospectus, 33 states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Islands), have legalized the cultivation and sale of cannabis for medical purposes. In 11 states, the sale and possession of cannabis is legal for both medical and adult use, and the District of Columbia has legalized adult use but not commercial sale. However, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.**

**Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.**

**The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.**

**For these reasons, the Company's investments in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of risks associated with the business of the Company. See the section entitled "Risk Factors", including "Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act", herein and within the AIF (as defined herein).**

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## **ABOUT THIS SHORT FORM BASE SHELF PROSPECTUS**

An investor should rely only on the information contained in this Prospectus (including the documents incorporated by reference herein) and is not entitled to rely on parts of the information contained in this Prospectus (including the documents incorporated by reference herein) to the exclusion of others. The Company has not authorized anyone to provide investors with additional or different information. The Company takes no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give readers of this Prospectus. Information contained on, or otherwise accessed through, the Company's website shall not be deemed to be a part of this Prospectus and such information is not incorporated by reference herein.

The Company is not offering to sell the Securities in any jurisdictions where the offer or sale of the Securities is not permitted. The information contained in this Prospectus (including the documents incorporated by reference herein) is accurate only as of the date of this Prospectus or as of the date as otherwise set out herein (or as of the date of the document incorporated by reference herein or as of the date as otherwise set out in the document incorporated by reference herein, as applicable), regardless of the time of delivery of this Prospectus or any sale of the Subordinate Voting Shares, Multiple Voting Shares, Debt Securities, Subscription Receipts, Warrants and/or Units. The business, financial condition, capital, results of operations and prospects of the Company may have changed since those dates. The Company does not undertake to update the information contained or incorporated by reference herein, except as required by applicable Canadian securities laws.

This Prospectus shall not be used by anyone for any purpose other than in connection with an offering of Securities as described in one or more Prospectus Supplements.

The documents incorporated or deemed to be incorporated by reference herein contain meaningful and material information relating to the Company and readers of this Prospectus should review all information contained in this Prospectus, the applicable Prospectus Supplement and the documents incorporated or deemed to be incorporated by reference herein and therein.

## **MEANING OF CERTAIN REFERENCES AND CURRENCY PRESENTATION**

References to dollars or "\$" are to Canadian currency unless otherwise indicated. All references to "US\$" refer to United States dollars. On June 1, 2020, the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US\$1.00 = \$1.3630.

Unless the context otherwise requires, all references in this Prospectus to the "Company" refer to the Company and its subsidiary entities on a consolidated basis.

## **MARKET AND INDUSTRY DATA**

Unless otherwise indicated, the market and industry data contained or incorporated by reference in this Prospectus is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Although the Company believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. The Company has not independently verified any of the data from third party sources referred to or incorporated by reference herein and accordingly, the accuracy and completeness of such data is not guaranteed.

## **NON-IFRS AND OTHER MEASURES**

### **Non-IFRS Financial and Performance Measures**

The following non-IFRS presentations of earnings before interest, taxes, depreciation and amortization ("EBITDA") and Working Capital, as defined below, are made to assist our investors and Management in evaluating our operating performance. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-IFRS financial measures are Adjusted EBITDA, as defined below, and Working Capital.

Management believes that these non-IFRS financial measures reflect the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial

results across accounting periods and to those of peer companies. Management also believes that these non-IFRS financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-IFRS financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results.

As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### **Adjusted EBITDA**

Adjusted EBITDA is a financial measure that is not defined under IFRS. We use non-IFRS financial measures and believe they enhance an investor's understanding of our financial and operating performance from period to period, because they exclude certain material non-cash items and certain other adjustments, we believe are not reflective of our ongoing operations and performance. In particular, we have and continue to make significant acquisitions and investments in cannabis properties and management resources to better position our organization to achieve our strategic growth objectives which have resulted in outflows of economic resources. Accordingly, we use these metrics to measure our core financial and operating performance for business planning purposes. In addition, we believe investors use both IFRS and non-IFRS measures to assess management's past and future decisions associated with our priorities and allocation of capital, as well as to analyze how our business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry. These measures, however, do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies in our industry. These financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as measures of liquidity.

Adjusted EBITDA has important limitations as an analytical tool and should not be considered in isolation or as a substitute for any standardized measure under IFRS (a) including net income or loss as an indication of our financial performance or (b) IFRS cash flows from operating activities as a measure of our liquidity. For example, these financial measures:

- exclude certain tax payments that may reduce cash available to us;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, our working capital needs; and
- do not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt.

Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

### **Working Capital**

The calculation of Working Capital provides additional information and is not defined under IFRS. We define Working Capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Company's liquidity.

Other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.



## Reconciliations of Non-IFRS Financial and Performance Measures

The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated.

|   | Three months ended<br>December 31, |                 | Twelve months ended<br>December 31, |                 |
|---|------------------------------------|-----------------|-------------------------------------|-----------------|
|   | 2019                               | 2018            | 2019                                | 2018            |
| Net loss (IFRS) before non-controlling interest           | \$ (89,546)                        | \$ (71,525)     | \$ (175,566)                        | \$ (68,066)     |
| Add (deduct) impact of:                                   |                                    |                 |                                     |                 |
| Net interest and other financing costs <sup>(1)</sup>     | 7,679                              | 885             | 16,926                              | 1,677           |
| Income tax  | 185                                | 1,423           | 3,756                               | 3,877           |
| Amortization and depreciation <sup>(2)</sup>              | 3,595                              | 466             | 12,693                              | 1,544           |
| Fixed and intangible asset impairments                    | 16,977                             | —               | 16,977                              | —               |
| (Gain) loss on disposal of assets                         | 2,431                              | 995             | 2,225                               | (566)           |
| Fair value adjustment of liability                        | 125                                | 50,716          | 488                                 | 50,716          |
| Other expense   | 7,771                              | —               | 8,286                               | —               |
| Foreign currency (gain) loss                              | 469                                | (512)           | 970                                 | (512)           |
| Share-based compensation expense                          | (1,420)                            | 1,545           | 17,695                              | 1,545           |
| Contract and other asset impairment                       | 35,098                             | —               | 35,098                              | —               |
| Realized fair value amounts included in inventory sold    | 13,355                             | —               | 44,474                              | 3,559           |
| Unrealized fair value gain on growth of biological assets | (9,093)                            | (267)           | (45,841)                            | (5,958)         |
| Other expansion expenses (pre-open)                       | 2,658                              | 5,876           | 9,770                               | 5,876           |
| Transaction & other special charges                       | 2,894                              | 12,760          | 17,200                              | 14,174          |
| Adjusted EBITDA (non-IFRS)                                | <u>\$ (6,822)</u>                  | <u>\$ 2,362</u> | <u>\$ (34,849)</u>                  | <u>\$ 7,866</u> |

(1) Includes \$162, \$-, \$684, and \$- of interest reported in cost of sales.

(2) Includes \$879, \$-, \$2,394, and \$- of depreciation reported in cost of sales.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this Prospectus, including information incorporated by reference, may contain “forward-looking statements” about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the effects of the weather, natural disasters, and health pandemics, including the novel coronavirus (COVID-19), on customer demand, the Company’s supply chain as well as its consolidated results of operation, financial position and cash flows;
- (b) the ability to raise sufficient capital to meet its debt obligations and advance the business of the Company

and to fund planned operating and capital expenditures and planned acquisitions;

- (c) the quality, efficacy and safety of the Company's products;
- (d) the ability of the Company to develop its brand and meet its growth objectives;
- (e) the ability of the Company to integrate recent acquisitions that are accretive to its revenue;
- (f) the ability of the Company to obtain and/or maintain licenses to operate in the jurisdictions in which it operates or in which it expects or plans to operate;
- (g) adverse changes in applicable laws or adverse changes in the application or enforcement of current laws, including those related to taxation;
- (h) the ability to locate and acquire suitable companies, properties and assets necessary to execute on the Company's business plans;
- (i) the increasing costs of compliance with extensive government regulation;
- (j) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest, and
- (k) other risks described in the AIF and described from time to time in documents filed by the Company.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt of required shareholder and regulatory approvals in a timely manner or at all; (ii) receipt and/or maintenance of required licenses and third party consents in a timely manner or at all; and (iii) the success of the operations of the Company.

Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to laws and regulations applicable to the production and sale of marijuana; and other factors beyond the Company's control, as more particularly described under the heading "**Error! Reference source not found.**" in this Prospectus and in the Company's AIF (as defined below).

Consequently, all forward-looking statements made in this Prospectus and any documents incorporated by reference into this Prospectus, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on their behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

## **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar regulatory authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the General Counsel of the Company, at 1155 W. Rio Salado Parkway, Suite 201, Tempe, Arizona 85281, telephone (480)- 494-2261 and are also available electronically at [www.sedar.com](http://www.sedar.com).

As of the date hereof, the following documents (or the sections or sub-sections thereof set out below), filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this Prospectus:

1. the annual information form of the Company dated June 1, 2020 in respect of the year ended December 31, 2019 (the "**AIF**");

2. the audited annual consolidated financial statements of the Company as at and for the years ended December 31, 2019 and 2018, together with the notes thereto, and the auditors' report therein (the "**Audited Financial Statements**");
3. management's discussion and analysis of financial condition and results of operations of the Company in respect of the three and twelve months ended December 31, 2019 and 2018 (the "**Annual MD&A**");
4. the unaudited condensed interim consolidated financial statements of the Company as at March 31, 2020 and for the three months ended March 31, 2020 and 2019 and related notes (the "**Interim Financial Statements**");
5. management's discussion and analysis of the financial condition and results of operations of the Company in respect of the three months ended March 31, 2020 and 2019 (the "**Interim MD&A**");
6. the management information circular of the Company dated May 24, 2019 prepared in connection with an annual and special meeting of shareholders held on June 26, 2019, other than all reports, valuations, statements of opinion of any person or company which the Company is permitted to not include by virtue of applicable securities laws related to the transactions contemplated by the business combination agreement entered into among the Company, 1204599 B.C. Ltd, Verano Holdings, LLC and 1204899 B.C. Ltd. dated April 22, 2019 (the "**BCA**");
7. the material change report filed March 27, 2020 relating to the mutual termination of the BCA; and
8. the material change report filed March 23, 2020 relating to the entering into of a definitive merger agreement to acquire Interurban Capital Group, Inc. ("**ICG**"), the completion of such merger, the closing of a private placement for gross proceeds of approximately USD\$59 million resulting in the issuance of 418,439.02 multiple voting shares in the capital of the Company ("**MVS**") and the resignation of the Executive Chairman of the Company.

Any document of the type required by National Instrument 44-101 — *Short Form Prospectus Distributions* to be incorporated by reference into a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), business acquisition reports, interim financial statements, annual financial statements and the auditor's report thereon, management's discussion and analysis and information circulars of the Company filed by the Company with securities commissions or similar authorities in Canada after the date of this Prospectus and prior to the completion or withdrawal of any offering under this Prospectus shall be deemed to be incorporated by reference into this Prospectus.

Upon a new interim financial report and related management's discussion and analysis of the Company being filed with the applicable securities regulatory authorities during the currency of this Prospectus, the previous interim financial report and related management's discussion and analysis of the Company most recently filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon new annual financial statements and related management's discussion and analysis of the Company being filed with the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual financial statements and related management's discussion and analysis and the previous interim financial report and related management's discussion and analysis of the Company most recently filed shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon a new annual information form of the Company being filed with the applicable securities regulatory authorities during the currency of this Prospectus, the following documents shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder: (i) the previous annual information form, if any; (ii) material change reports filed by the Company prior to the end of the financial year in respect of which the new annual information form is filed; (iii) business acquisition reports filed by the Company for acquisitions completed prior to the beginning of the financial year in respect of which the new annual information form is filed; and (iv) any information circular of the Company filed by the Company prior to the beginning of the financial year in respect of which the new annual information form is filed. Upon a new information circular of the Company prepared in connection with an annual general meeting of the Company being filed with the applicable securities regulatory authorities during the currency of this Prospectus, the Statement of Executive Compensation and any previous information circular of the Company, if prepared in connection with solely an annual general meeting of the Company, shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

A Prospectus Supplement to this Prospectus containing the specific variable terms in respect of an offering of the Securities will be delivered to purchasers of such Securities together with this Prospectus, unless an exemption from the prospectus delivery requirements has been granted or is otherwise available, and will be deemed to be incorporated by reference into this Prospectus as of the date of such Prospectus Supplement only for the purposes of the offering of the Securities covered by such Prospectus Supplement.

**Notwithstanding anything herein to the contrary, any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document incorporated or deemed to be incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall thereafter neither constitute, nor be deemed to constitute, a part of this Prospectus, except as so modified or superseded.**

## THE COMPANY

The Company was incorporated under the laws of British Columbia on November 20, 2007 under the name "RockBridge Energy Inc." On May 30, 2010, RockBridge Energy Inc. changed its name to "RockBridge Resources Inc." ("**RockBridge**"). On November 14, 2018, RockBridge completed a business combination with Harvest Enterprises, Inc. ("**Harvest PrivateCo**") and HVST Finco (Canada) Inc. ("**HVST Finco**"), which resulted in former shareholders of Harvest PrivateCo and HVST Finco obtaining control of RockBridge, and therefore constituted a reverse takeover of RockBridge under the policies of the CSE (the "**Reverse Takeover**"). Concurrently with the completion of the Reverse Takeover, RockBridge changed its name to "Harvest Health & Recreation Inc.".

Upon completion of the Reverse Takeover, the Company became a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan and Ontario.

The Company's head office and registered office is located at 1155 W. Rio Salado Parkway, Suite 201, Tempe, Arizona 85281 and the Company's registered office is located at 885 W Georgia Street Suite 2200, Vancouver, British Columbia V6C 3E8.

### Inter-corporate Relationships/Material Subsidiaries of the Company

The list of the Company's material subsidiaries together with the place of formation/governing law of such subsidiaries and the percentage of voting securities beneficially owned, directly or indirectly, by the Company as of December 31, 2019, is set forth below:

| Name of Subsidiary               | Harvest Ownership Interest (direct and indirect) | Place of Formation | Direct Parent of Subsidiary      |
|----------------------------------|--|--------------------|----------------------------------|
| Harvest Enterprises, Inc.        | 100.00%  | Delaware           | Harvest Health & Recreation Inc. |
| AD, LLC                          | 100.00%  | Arizona            | Harvest DCP                      |
| Byers Dispensary, Inc.           | 100.00%  | Arizona            | Harvest DCP                      |
| CBx Enterprises, LLC             | 100.00%  | Colorado           | Harvest Enterprises, Inc.        |
| Harvest DCP of Nevada, LLC       | 100.00%  | Nevada             | Harvest Enterprises, Inc.        |
| Harvest DCP of Maryland, LLC     | 95.00%   | Maryland           | Harvest Enterprises, Inc.        |
| Harvest DCP of Pennsylvania, LLC | 100.00%  | Pennsylvania       | Harvest Enterprises, Inc.        |

| <b>Name of Subsidiary</b>                                      | <b>Harvest Ownership Interest (direct and indirect)</b> | <b>Place of Formation</b> | <b>Direct Parent of Subsidiary</b> |
|--|---|---------------------------|------------------------------------|
| Harvest Dispensaries, Cultivations & Production Facilities LLC | 100.00%   | Arizona                   | Harvest Enterprises, Inc.          |
| Harvest IP Holdings, LLC                                       | 100.00%   | Arizona                   | Harvest Enterprises, Inc.          |
| Harvest Maryland Holding, LLC                                  | 100.00%   | Maryland                  | Harvest Enterprises, Inc.          |
| Harvest of California, LLC                                     | 100.00%   | California                | Harvest Enterprises, Inc.          |
| Randy Taylor Consulting LLC                                    | 100.00%   | Arizona                   | Harvest DCP                        |
| San Felasco Nurseries, Inc.                                    | 100.00%   | Florida                   | Harvest Enterprises, Inc.          |
| Svaccha LLC  | 100.00%   | Arizona                   | Harvest DCP                        |

### **Summary Description of the Business**

The Company is one of the largest multi-state vertically integrated operators in the cannabis industry in the United States that operates from “seed to sale.”

The business of the Company was established in Arizona and received its first license there in 2012. The Company was formed to own, operate and develop certain businesses related to the cultivation, processing, distribution and sale of cannabis and cannabis related products under the "Harvest" brand in jurisdictions where such cultivation, processing, distribution and sale is authorized under applicable state law.

The Company is one of the largest operators in the state of Arizona, which is one of the largest medical cannabis markets in the country and one of the oldest regulated cannabis markets in the world. Building on its success in Arizona, the Company has consistently grown its revenues and industry footprint every year since founding and currently operates facilities or provides services to cannabis dispensaries in Arizona, Arkansas, California, Florida, Maryland, North Dakota, Pennsylvania and Washington, with provisional licenses in Massachusetts and planned expansion into Nevada upon completion of the acquisition of GreenMart. In addition, the Company owns CO<sub>2</sub> extraction, distillation, purification and manufacturing technology used to produce a line of therapeutic cannabis topicals, vapes and gems featuring cannabinoids and a hemp-derived product line sold in Colorado. Since 2013, the Company has won a variety of operating awards, including seven Best Dispensary awards issued by four independent organizations, four Best Medical Cannabis Strain awards, and one Best Medical Cannabis Product award.

The management team at the Company brings broad operational expertise in real estate, legislation, permitting, zoning and retail sales. The Company has been extremely successful in winning licensure in non-competitive and competitive application processes throughout the country, winning many licenses across the states in which it operates or is expanding. The Company’s ability to navigate complex regulatory pathways that are different in each state, as well as extensive research into each market it enters, are key tenets to its success.

The Company’s success in obtaining licenses has created a large and expansive geographic presence in U.S. cannabis.

During 2020 and 2021, the Company plans to expand cultivation facilities in several states, investing in new and existing operations for indoor, outdoor, and greenhouse cannabis to support product sales in retail and wholesale channels. The Company believes its approach to design, construction and implementation results in competitive production costs.

The Company conducts business through wholly-owned and majority owned operating subsidiaries, operating agreements and other commercial arrangements established to conduct the different business areas of each business (each an “**Operating Subsidiary**” and together, “**Operating Subsidiaries**”).

The Company's principal operating locations, and type of operation are listed below:

| <b>State</b>               | <b>Nature of Operations</b>                | <b>Opened</b>                   |
|----------------------------|--|---------------------------------|
| Arizona – 11 locations     | Retail Dispensary                          | September 2013 – September 2019 |
| Maryland – 3 locations     | Retail Dispensary                          | September 2018 – September 2019 |
| Pennsylvania – 5 locations | Retail Dispensary                          | September 2018 – November 2019  |
| California – 4 locations   | Retail Dispensary                          | December 2018 – September 2019  |
| Florida – 6 locations      | Retail Dispensary                          | February 2019 – May 2019        |
| North Dakota – 2 locations | Retail Dispensary                          | July 2019 – August 2019         |
| Arizona                    | Greenhouse/Outdoor;<br>Grow/Processing Lab | July 2015 – July 2019           |
| Florida                    | Cultivation/Processing                     | February 2019                   |
| Maryland                   | Indoor Grow/Processing                     | September 2017 – July 2019      |
| Pennsylvania               | Indoor Grow/Processing                     | March 2020                      |

The Company is currently in various stages of expansion as the Company is growing its commercial footprint focusing on acquiring and building additional retail, cultivation and processing locations for medical and adult use cannabis.

Each Operating Subsidiary holds the active and/or pending cannabis licenses associated with its activities, staffs, manages or has a commercial arrangement with the operating locations, and/or owns the real estate and primary fixed assets used in the cannabis businesses.

The Company currently holds licenses or provides services to cannabis dispensaries in Arizona, Arkansas, California, Florida, Maryland, North Dakota, Pennsylvania and Washington with provisional licenses in Massachusetts and planned expansion into Nevada upon completion of the acquisition of GreenMart. In addition, the Company owns CO<sub>2</sub> extraction, distillation, purification and manufacturing technology used to produce a line of therapeutic cannabis topicals, vapes and gems featuring cannabinoids and a hemp-derived product line sold in Colorado.

In certain states, cannabis licenses are typically divided into three categories: dispensary, cultivation, and processing. Dispensary licenses comprise the retail operations and allow a company to dispense cannabis to patients. Cultivation licenses allow a company to grow cannabis plants and processing licenses allow for the conversion of cannabis into other products (e.g., edibles, oil, etc.). Cultivation and processing licenses comprise the wholesale operations.

In other states, for example Arizona where the Company's largest concentration of business activity is located, cannabis licenses are defined as vertically integrated, which allows the license holder the right to engage in dispensary, cultivation, and processing activities.

More detailed information regarding the business of the Company as well as its operations, assets, and properties can be found in the AIF and other documents incorporated by reference herein, as supplemented by the disclosure herein. See "Documents Incorporated by Reference" and "Additional Recent Developments".

## **DESCRIPTION OF SHARE CAPITAL**

The Company is authorized to issue an unlimited number of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares (collectively, the "Company Shares"). **As of June 1, 2020, there were: (i) 126,296,477 Subordinate Voting Shares of the Company issued and outstanding (representing approximately 16.5% of the voting rights attached to the outstanding shares of the Company); (ii) 2,373,287 Multiple Voting Shares of the Company issued and outstanding (representing approximately 31.1% of the voting rights attached to the outstanding shares of the Company); and (iii) 2,000,000 Super Voting Shares of the Company (representing approximately 52.4% of the voting rights attached to the outstanding shares of the Company).**

**The Subordinate Voting Shares and Multiple Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. The Company has complied with the requirements of Part 12 of National Instrument 41-101 — *General Prospectus Requirements* ("NI 41-101") to be able to file a prospectus under which the Subordinate Voting Shares, Multiple Voting Shares or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, the Subordinate Voting Shares or Multiple Voting Shares are distributed.**

The following is a summary of the rights, privileges, restrictions and conditions attached to the Subordinate Voting Shares, the Super Voting Shares and the Multiple Voting Shares, but does not purport to be complete. Reference should be made to the articles of the Company and the full text of their provisions for a complete description thereof, which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Take-Over Bid Protection**

Under applicable Canadian law, an offer to purchase Super Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares or Multiple Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares or of Multiple Voting Shares will be entitled to participate on an equal footing with holders of Super Voting Shares. The Company Initial Holders, as the owners of all the outstanding Super Voting Shares, will enter into a customary coattail agreement with the Company and a trustee (the "**Coattail Agreement**"). The Coattail Agreement will contain provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares or of Multiple Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if Super Voting Shares had been Subordinate Voting Shares or Multiple Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by any principal of Super Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares and Multiple Voting Shares that:

- i. offers a price per Subordinate Voting Share or Multiple Voting Share (on an as converted to Subordinate Voting Share basis) at least as high as the highest price per share paid pursuant to the take-over bid for Super Voting Shares (on an as converted to Subordinate Voting Share basis);
- ii. provides that the percentage of outstanding Subordinate Voting Shares or Multiple Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Super Voting Shares to be sold (exclusive of Super Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- iii. has no condition attached other than the right not to take up and pay for Subordinate Voting Shares or Multiple Voting Shares tendered if no shares are purchased pursuant to the offer for Super Voting Shares; and
- iv. is in all other material respects identical to the offer for Super Voting Shares.

In addition, the Coattail Agreement will not prevent the transfer of Super Voting Shares by a principal to certain permitted holders. The conversion of Super Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Super Voting Shares for the purposes of the Coattail Agreement.

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

The Coattail Agreement will contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of Subordinate Voting Shares or of Multiple Voting Shares. The obligation of the trustee to take such action will be conditional on the Company or holders of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares or Multiple Voting Shares, as the case may be, and reasonable funds and indemnity have been provided to the trustee. The Company will agree to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, pursuant to the Coattail Agreement.

The Coattail Agreement will provide that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable

securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares and 66- 2/3% of the votes cast by holders of Multiple Voting Shares excluding votes attached to Subordinate Voting Shares and to Multiple Voting Shares, if any, held by the Company Initial Holders, their affiliates and any persons who have an agreement to purchase Super Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

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

### **Description of Subordinate Voting Shares**

|                           |  |
|---------------------------|--|
| Right to Notice and Vote: | Holders of Subordinate Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.   |
| Class Rights:             | As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of Subordinate Voting Shares by separate special resolution, prejudice or interfere with any rights attached to Subordinate Voting Shares. Holders of Subordinate Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.  |
| Dividends:                | Holders of Subordinate Voting Shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. No dividend will be declared or paid on Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on Multiple Voting Shares and Super Voting Shares.   |
| Participation:            | In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to Subordinate Voting Shares, be entitled to participate ratably along with all other holders of Subordinate Voting Shares, Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis). |
| Changes:                  | No subdivision or consolidation of Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.  |
| Conversion:               | In the event that an offer is made to purchase Multiple Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which Multiple Voting Shares are then listed, to be made to all or substantially all the holders of Multiple Voting Shares in a given province or territory of Canada to which these requirements apply, each Subordinate Voting Share shall become convertible at the option of the holder into Multiple Voting Shares at the inverse of the MVS Conversion Ratio (as   |



defined below) then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Subordinate Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer, and for no other reason. In such event, the Company's transfer agent shall deposit the resulting Multiple Voting Shares on behalf of the holder. Should Multiple Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, Multiple Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Subordinate Voting Shares at the MVS Conversion Ratio then in effect.

The Company  
Redemption  
Right:

The Company will be entitled to redeem Subordinate Voting Shares of an "Unsuitable Person" in certain circumstances. See "*Description of Share Capital - Redemption Right for a Company Unsuitable Person*".

### **Description of Multiple Voting Shares**

Right to Vote:

Holders of Multiple Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Multiple Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could then be converted (initially 100 votes per Multiple Voting Share held).

Class Rights:

As long as any Multiple Voting Shares remain outstanding, the Company will not, without the consent of the holders of Multiple Voting Shares by separate special resolution, prejudice or interfere with any right attached to Multiple Voting Shares. Additionally, consent of the holders of a majority of the outstanding Multiple Voting Shares and Super Voting Shares will be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with Multiple Voting Shares. Holders of Multiple Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Multiple Voting Shares, or bonds, debentures or other securities of the Company.

Dividends:

The holders of Multiple Voting Shares are entitled to receive such dividends as may be declared and paid to holders of Subordinate Voting Shares in any financial year as the Board of the Company may by resolution determine, on an as-converted to Subordinate Voting Shares basis. No dividend will be declared or paid on Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Shares basis) on Subordinate Voting Shares and Super Voting Shares.

Participation:

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to Multiple Voting Shares, be entitled to participate ratably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

Changes: No subdivision or consolidation of Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Conversion: Multiple Voting Shares each have a restricted right to convert into one hundred (100) Subordinate Voting Shares (the "**MVS Conversion Ratio**"), subject to adjustments for certain customary corporate changes. In order to maintain the Company's "foreign private issuer" status, the ability to convert Multiple Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the U.S. Securities Act) may not exceed fifty percent (50%) of the aggregate number of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels.

In the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which Subordinate Voting Shares are then listed, to be made to all or substantially all the holders of Subordinate Voting Shares in a given province or territory of Canada to which these requirements apply, each Multiple Voting Share shall become convertible at the option of the holder into Subordinate Voting Shares at the MVS Conversion Ratio at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Subordinate Voting Shares pursuant to the offer. Should Subordinate Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, Subordinate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Multiple Voting Shares at the inverse of the MVS Conversion Ratio then in effect.

The Company has certain rights to convert all of the outstanding Multiple Voting Shares into Subordinate Voting Shares at the MVS Conversion Ratio in the event that certain conditions related to registration under the U.S. Exchange Act are met.

The Company  
Redemption Right: The Company will be entitled to redeem Multiple Voting Shares of an "Unsuitable Person" in certain circumstances. See "*Description of Share Capital - Redemption Right from a Company Unsuitable Person*".

#### *Description of Super Voting Shares*

Issuance: Super Voting Shares are only issuable in connection with the closing of the Business Combination.

Right to Vote: Holders of Super Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which

only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Super Voting Shares will be entitled to two hundred (200) votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (initially one (1) Subordinate Voting Share per Super Voting Share held).

**Class Rights:**

As long as any Super Voting Shares remain outstanding, the Company will not, without the consent of the holders of Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to Super Voting Shares. Additionally, consent of the holders of a majority of the outstanding Super Voting Shares will be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with Super Voting Shares. In connection with the exercise of the voting rights in respect of any such approvals, each holder of Super Voting Shares will have one vote in respect of each Super Voting Share held. The holders of Super Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Super Voting Shares, or bonds, debentures or other securities of the Company.

**Dividends:**

The holders of Super Voting Shares are entitled to receive such dividends as may be declared and paid to holders of Subordinate Voting Shares in any financial year as the Board of the Company may by resolution determine, on an as-converted to Subordinate Voting Shares basis. No dividend will be declared or paid on Super Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Shares basis) on Multiple Voting Shares and Subordinate Voting Shares.

**Participation:**

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Super Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to Super Voting Shares, be entitled to participate ratably along with all other holders of Super Voting Shares (on an as-converted to Subordinate Voting Shares basis), Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Shares basis).

**Changes:**

No subdivision or consolidation of Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

**Conversion:**

Each Super Voting Share will be convertible at the option of the holder into one Subordinate Voting Share, subject to customary adjustments for certain corporate changes.

**Automatic Conversion by the Company:**

Some or all of Super Voting Shares will automatically be converted into an equal number of Subordinate Voting Shares (subject to customary adjustments for certain corporate changes) in the following circumstances:

- (a) upon the transfer by the holder thereof to anyone other than (i) an immediate family member of the Company Initial Holders or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by a Company Initial Holder or immediate family members of a Company Initial Holder or which a Company Initial

Holder or immediate family members of a Company Initial Holder are the sole beneficiaries thereof; or (ii) a party approved by the Company, in which case Super Voting Shares that are the subject to such a transfer shall automatically be converted into Subordinate Voting Shares;

- (a) if at any time the aggregate number of issued and outstanding Super Voting Shares beneficially owned, directly or indirectly, at such time by a Company Initial Holder and the Company Initial Holder's permitted transferees and permitted successors, divided by the number of Super Voting Shares beneficially owned, directly or indirectly, by the Company at the date of completion of the Business Combination, is less than 50%, in which case all of Super Voting Shares held by such the Company Initial Holder will automatically be converted into Subordinate Voting Shares. Each the Company Initial Holders will, from time to time upon the request of the Company, provide to the Company evidence as to such the Company Initial Holder's direct and indirect beneficial ownership (and that of its permitted transferees and permitted successors) of Super Voting Shares to enable the Company to determine if the right to convert Super Voting Shares has occurred. For purposes of these calculations, a holder of Super Voting Shares will be deemed to beneficially own Super Voting Shares held by an intermediate company or fund in proportion to their equity ownership of such company or fund, unless such company or fund holds such shares for the benefit of such holder, in which case they will be deemed to own 100% of such shares held for their benefit.

The Company is not required to convert Super Voting Shares on a pro-rata basis among the holders of Super Voting Shares.

### **Redemption Right from the Company Unsuitable Person**

The Company will, subject to certain conditions, be entitled to redeem Subordinate Voting Shares and/or Multiple Voting Shares held by certain shareholders in order to permit the Company to comply with applicable licensing regulations. The purpose of the redemption right is to provide the Company with a means of protecting itself from having a shareholder (or a group of persons who the Board of Directors reasonably believes are acting jointly or in concert) (a "**Company Unsuitable Person**") with an ownership interest of, whether of record or beneficially (or having the power to exercise control or direction over), five percent (5%) or more of the issued and outstanding the Company Shares (calculated on as-converted to Subordinate Voting Shares basis), who a Governmental Entity granting licenses to the Company (including to any subsidiary) has determined to be unsuitable to own shares, or whose ownership of Subordinate Voting Shares and/or Multiple Voting Shares may result in the loss, suspension or revocation (or similar action with respect to any licenses relating to the conduct of the Company's business relating to the cultivation, processing and dispensing of cannabis and cannabis-derived products in the United States or in the Company being unable to obtain any new licenses in the normal course, including, but not limited to, as a result of such person's failure to apply for a suitability review from or to otherwise fail to comply with the requirements of a Governmental Entity, as determined by the Board of Directors in its sole discretion after consultation with legal counsel and, if a license application has been filed, after consultation with the applicable Governmental Entity. "Governmental Entity" means: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign; (b) any stock exchange, including the CSE; (c) any subdivision, agent, commission, board or authority of any of the foregoing; or (d) any quasi- governmental body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any jurisdiction, regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

The terms of Subordinate Voting Shares and Multiple Voting Shares will provide the Company with a right, but not the obligation, at its option, to redeem Subordinate Voting Shares and/or Multiple Voting Shares held by a Company Unsuitable Person at a redemption price per share, unless otherwise required by any Governmental Entity, equal to the Company Unsuitable Person Redemption Price (as described below). This right is required in order for the Company to comply with regulations in various jurisdictions where the Company conducts business or is expected to conduct business, which provide that the shareholders of a company requiring a license who hold over a certain

percentage threshold of the issued and outstanding shares of the Company cannot be deemed "unsuitable" by the applicable Governmental Entity issuing the license in order for such license to be issued and to remain valid and in effect.

A redemption notice may be delivered by the Company to any Company Unsuitable Person setting forth: (i) the redemption date, (ii) the number of Subordinate Voting Shares and/or Multiple Voting Shares to be redeemed, (iii) the formula pursuant to which the redemption price will be determined and the manner of payment therefor, (iv) the place where such Subordinate Voting Shares and/or Multiple Voting Shares (or certificate thereto, as applicable) will be surrendered for payment, duly endorsed in blank or accompanied by proper instruments of transfer, (v) a copy of the Company Valuation Opinion (as defined below) if the Company is no longer listed on the CSE or another recognized securities exchange, and (vi) any other requirement of surrender of the redeemed shares. The redemption notice will be sent to the Company Unsuitable Person not less than 30 trading days prior to the redemption date, except as otherwise provided below. The Company will send a written notice confirming the amount of the redemption price as soon as possible following the determination of such redemption price. The redemption notice may be conditional such that the Company need not redeem Subordinate Voting Shares and/or Multiple Voting Shares on the redemption date if the Board of Directors determines, in its sole discretion, that such redemption is no longer advisable or necessary.

For purposes of the foregoing, the "**Company Unsuitable Person Redemption Price**" means: (i) in the case of Subordinate Voting Shares, the volume-weighted average trading price of Subordinate Voting Shares during the five (5) trading day period immediately after the date of the redemption notice on the CSE or other national or regional securities exchange on which Subordinate Voting Shares are listed; (ii) in the case of Multiple Voting Shares, the amount determined under (i) multiplied by the MVS Conversion Ratio in effect at the time the redemption notice is delivered, or (iii) if no such quotations are available, the fair market value per share of such Subordinate Voting Shares and/or Multiple Voting Shares as set forth in a valuation and fairness opinion ("**the Company Valuation Opinion**") from an investment banking firm of nationally recognized standing in Canada (qualified to perform such task and which is disinterested in the contemplated redemption and has not in the then past two years provided services for a fee to the Resulting or its affiliates) or a disinterested nationally recognized accounting firm.

The redemption date will be not less than 30 trading days from the date of the redemption notice unless a Governmental Entity requires that Subordinate Voting Shares and/or Multiple Voting Shares be redeemed as of an earlier date, in which case the redemption date will be such earlier date, and if there is an outstanding redemption notice, the Company will issue an amended redemption notice reflecting the new redemption date forthwith.

From and after the date the redemption notice is delivered, a Company Unsuitable Person owning Subordinate Voting Shares and/or Multiple Voting Shares called for redemption will cease to have any voting rights. From and after the redemption date, any and all rights of any nature which may be held by a Company Unsuitable Person with respect to such person's Subordinate Voting Shares and/or Multiple Voting Shares will cease and, thereafter, the Company Unsuitable Person will be entitled only to receive the redemption price, without interest, on the redemption date; provided, however, that if any such Subordinate Voting Shares and/or Multiple Voting Shares come to be owned solely by persons other than a Company Unsuitable Person (such as by transfer of such Subordinate Voting Shares and/or Multiple Voting Shares to a liquidating trust, subject to the approval of any applicable Governmental Entity), such persons may exercise voting rights of such Subordinate Voting Shares and/or Multiple Voting Shares and the Board of Directors may determine, in its sole discretion, not to redeem such Subordinate Voting Shares and/or Multiple Voting Shares. The Company's redemption right is unilateral, and unless a Company Unsuitable Person otherwise disposes of his, her or its Subordinate Voting Shares and/or Multiple Voting Shares, such the Company Unsuitable Person cannot prevent the Company from exercising its redemption right.

Following redemption, the redeemed Subordinate Voting Shares and/or Multiple Voting Shares will be cancelled.

If the Company exercises its right to redeem Subordinate Voting Shares and/or Multiple Voting Shares from a Company Unsuitable Person, (i) the Company may fund the redemption price, which may be substantial in amount in certain circumstances, from its existing cash resources, the incurrence of indebtedness, the issuance of additional securities including debt securities, the issuance of a promissory note issued to the Company Unsuitable Person or a combination of the foregoing sources of funding, (ii) the number of Subordinate Voting Shares and/or Multiple Voting Shares outstanding will be reduced by the number of applicable shares redeemed, and (iii) the Company cannot provide any assurance that the redemption will adequately address the concerns of any Governmental Entity or enable the Company to make all required governmental filings or obtain and maintain all licenses, permits or other governmental approvals that are required to conduct its business. The Company cannot prevent a Company Unsuitable Person from acquiring

or reacquiring the Company Shares, and can only address such unsuitability by exercising its redemption rights pursuant to the redemption provision. To the extent required by applicable Laws, the Company may deduct and withhold any tax from the redemption price. To the extent any amounts are so withheld and are timely remitted to the applicable Governmental Entity, such amounts shall be treated for all purposes as having been paid to the person in respect of which such deduction and withholding was made.

A person (or group of persons acting jointly or in concert) will be prohibited from acquiring or disposing of five percent (5%) or more of the issued and outstanding shares of the Company (calculated on an as-converted to Subordinate Voting Share basis), directly or indirectly, in one or more transactions, without providing 15 days' advance written notice to the Company by mail sent to the Company's registered office to the attention of the corporate secretary. The foregoing restriction will not apply to the ownership, acquisition or disposition of shares as a result of: (i) a transfer of the Company Shares occurring by operation of law including, inter alia, the transfer of the Company Shares to a trustee in bankruptcy, (ii) an acquisition or proposed acquisition by one or more underwriters or portfolio managers who hold the Company Shares for the purposes of distribution to the public or for the benefit of a third party, provided that such third party is in compliance with the foregoing restriction, or (iii) a conversion, exchange or exercise of securities of the Company, duly issued or granted by the Company, into or for Subordinate Voting Shares in accordance with their respective terms. If the Board reasonably believes that any such holder of the Company Shares may have failed to comply with the foregoing restrictions, the Company may apply to the Court, or such other court of competent jurisdiction, for an order directing that such shareholder disclose the number of the Company Shares held.

Notwithstanding the adoption of the redemption provisions, the Company may not be able to exercise its redemption rights in full or at all. Under the BCBCA, the Company may not make any payment to redeem shares if there are reasonable grounds for believing that the Company is unable to pay its liabilities as they become due in the ordinary course of its business or if making the payment of the redemption price or providing the consideration would cause the Company to be unable to pay its liabilities as they become due in the ordinary course of its business. In the event that such restrictions prohibit the Company from exercising its redemption rights in part or in full, the Company will not be able to exercise its redemption rights absent a waiver of such restrictions, which the Company may not be able to obtain on acceptable terms or at all.

## **DESCRIPTION OF DEBT SECURITIES**

The following sets forth certain general terms and provisions of the Debt Securities. The particular terms and provisions of the Debt Securities offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement, which particular terms and provisions of such Debt Securities may differ from the general terms and provisions described below in some or all respects.

The Debt Securities will be issued in series under one or more trust indentures to be entered into between the Company and a financial institution to which the *Trust and Loan Companies Act* (Canada) applies or a financial institution organized under the laws of any province of Canada and authorized to carry on business as a trustee. Each such trust indenture, as supplemented or amended from time to time, will set out the terms of the applicable series of Debt Securities. The statements in this Prospectus relating to any trust indenture and the Debt Securities to be issued under it are summaries of anticipated provisions of an applicable trust indenture and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of such trust indenture, as applicable.

Each trust indenture may provide that Debt Securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by the Company. Any Prospectus Supplement for Debt Securities will contain the terms and other information with respect to the Debt Securities being offered, including (i) the designation, aggregate principal amount and authorized denominations of such Debt Securities, (ii) the currency for which the Debt Securities may be purchased and the currency in which the principal and any interest is payable (in either case, if other than Canadian dollars), (iii) the percentage of the principal amount at which such Debt Securities will be issued, (iv) the date or dates on which such Debt Securities will mature, (v) the rate or rates at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any), (vi) the dates on which any such interest will be payable and the record dates for such payments, (vii) any redemption term or terms under which such Debt Securities may be defeased, (viii) any exchange or conversion terms (including, as applicable, the terms in respect of any convertibility to Subordinate Voting Shares), and (ix) any other specific terms.

Each series of Debt Securities may be issued at various times with different maturity dates, may bear interest at different rates and may otherwise vary.

The Debt Securities will be direct obligations of the Company. The Debt Securities will be senior or subordinated indebtedness of the Company as described in the relevant Prospectus Supplement.

### **DESCRIPTION OF SUBSCRIPTION RECEIPTS**

The following sets forth certain general terms and provisions of the Subscription Receipts. The particular terms and provisions of the Subscription Receipts offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement, which particular terms and provisions of such Subscription Receipts may differ from the general terms and provisions described below in some or all respects.

The Company may issue Subscription Receipts that may be exchanged by the holders thereof for Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company upon the satisfaction of certain conditions. The Company may offer Subscription Receipts separately or together with Subordinate Voting Shares, Multiple Voting Shares, Debt Securities, Warrants or Units, as the case may be. The Company will issue Subscription Receipts under one or more subscription receipt agreements. Under each subscription receipt agreement, a purchaser of Subscription Receipts will have a contractual right of rescission following the issuance of the Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company, as the case may be, to such purchaser upon exchange of Subscription Receipts, entitling the purchaser to receive the amount paid for the Subscription Receipts upon surrender of the Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company, as the case may be, if this Prospectus, the relevant Prospectus Supplement, and any amendment thereto, contains a misrepresentation, provided such remedy for rescission is exercised within 180 days of the date the Subscription Receipts are issued.

Any Prospectus Supplement will contain the terms and conditions and other information relating to the Subscription Receipts being offered including:

- the number of Subscription Receipts;
- the price at which the Subscription Receipts will be offered and whether the price is payable in instalment;
- any conditions to the exchange of Subscription Receipts into Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company, as the case may be, and the consequences of such conditions not being satisfied;
- the procedures for the exchange of the Subscription Receipts into Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company, as the case may be;
- the number of Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company, as the case may be, that may be exchanged upon exercise of each Subscription Receipt;
- the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- the dates or periods during which the Subscription Receipts may be exchanged into Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company;
- whether such Subscription Receipts will be listed on any securities exchange;
- any other rights, privileges, restrictions and conditions attaching to the Subscription Receipts; and
- any other specific terms.

Prior to the exchange of their Subscription Receipts, holders of Subscription Receipts will not have any of the rights of holders of the securities issuable on the exchange of the Subscription Receipts.

## DESCRIPTION OF WARRANTS

The following sets forth certain general terms and provisions of the Warrants. The particular terms and provisions of the Warrants offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement, which particular terms and provisions of such Warrants may differ from the general terms and provisions described below in some or all respects.

The Company may issue Warrants for the purchase of Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company. Warrants may be issued independently or together with Subordinate Voting Shares, Multiple Voting Shares, Debt Securities and Subscription Receipts offered by any Prospectus Supplement and may be attached to, or separate from, any such offered Securities. Warrants will be issued under one or more warrant agreements entered into between the Company and a warrant agent named in the applicable Prospectus Supplement.

Selected provisions of the Warrants and the warrant agreements are summarized below. This summary is not complete. The statements made in this Prospectus relating to any warrant agreement and Warrants to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement.

Any Prospectus Supplement will contain the terms and other information relating to the Warrants being offered including:

- the exercise price of the Warrants;
- the designation of the Warrants;
- the aggregate number of Warrants offered and the offering price;
- the designation, number and terms of the Subordinate Voting Shares, Multiple Voting Shares and/or other Securities of the Company purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- the dates or periods during which the Warrants are exercisable;
- the designation and terms of any securities with which the Warrants are issued;
- if the Warrants are issued as a unit with another security, the date on and after which the Warrants and the other security will be separately transferable;
- the currency or currency unit in which the exercise price is denominated;
- any minimum or maximum amount of Warrants that may be exercised at any one time;
- whether such Warrants will be listed on any securities exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- any rights, privileges, restrictions and conditions attaching to the Warrants; and
- any other specific terms.

Prior to the exercise of their Warrants, holders of Warrants will not have any of the rights of holders of the Securities subject to the Warrants.

## DESCRIPTION OF UNITS

Units are a security comprised of more than one of the other Securities described in this Prospectus offered together as a "Unit". A Unit is typically issued so the holder thereof is also the holder of each Security included in the Unit. As a result, the holder of a Unit will have the rights and obligations of a holder of each Security comprising the Unit. The



agreement, if any, under which a Unit is issued may provide that the Securities comprising the Unit may not be held or transferred separately at any time or at any time before a specified date.

The particular terms and provisions of the Units offered pursuant to this Prospectus will be set forth in the applicable Prospectus Supplement, which particular terms and provisions of such Units may differ from the general terms and provisions described below in some or all respects. This description will include, where applicable: (i) the designation and terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those Securities may be held or transferred separately; (ii) any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units; (iii) whether the Units will be issued in registered or global form; and (iv) any other material terms and conditions of the Units.

## **PLAN OF DISTRIBUTION**

The Company and/or any selling securityholders may sell the Securities, separately or together: (i) to one or more underwriters or dealers; (ii) through one or more agents; or (iii) directly to one or more purchasers. The Prospectus Supplement relating to a particular offering of Securities will describe the terms of such offering of Securities, including: (i) the terms of the Securities to which the Prospectus Supplement relates, including the type of Security being offered, and the method of distribution; (ii) the name or names of any underwriters, dealers, agents or selling securityholders involved in such offering of Securities; (iii) the purchase price of the Securities offered thereby and the proceeds to, if any, and the expenses borne by, if any, the Company from the sale of such Securities; (iv) any commission, underwriting discounts and other items constituting compensation payable to underwriters, dealers or agents; and (v) any discounts or concessions allowed or re-allowed or paid to underwriters, dealers or agents.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices, including sales in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made directly on the CSE or other existing trading markets for the Securities, and as set forth in an accompanying Prospectus Supplement. The prices at which the Securities may be offered may vary as between purchasers and during the period of distribution. If, in connection with the offering of Securities at a fixed price or prices, the underwriters have made a bona fide effort to sell all of the Securities at the initial offering price fixed in the applicable Prospectus Supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial public offering price fixed in such Prospectus Supplement, in which case the compensation realized by the underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Securities is less than the gross proceeds paid by the underwriters to the Company and/or any selling securityholders.

Only underwriters, dealers or agents so named in the Prospectus Supplement are deemed to be underwriters, dealers or agents in connection with the Securities offered thereby. If underwriters are used in an offering, the Securities offered thereby will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase Securities will be subject to the conditions precedent agreed upon by the parties and the underwriters will be obligated to purchase all Securities under that offering if any are purchased. If agents are used in an offering, unless otherwise indicated in the applicable Prospectus Supplement, such agents will be acting on a “best efforts” basis for the period of their appointment. Any public offering price and any discounts or concessions allowed or re-allowed or paid to underwriters, dealers or agents may be changed from time to time.

Underwriters, dealers and agents who participate in the distribution of Securities may be entitled under agreements to be entered into with the Company and/or any selling securityholders to indemnification by the Company and/or such selling securityholders against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company and/or any selling securityholders in the ordinary course of business.

Any offering of Debt Securities, Subscription Receipts, Warrants or Units will be a new issue of securities with no established trading market. Unless otherwise specified in the applicable Prospectus Supplement, the Multiple Voting Shares, Debt Securities, Subscription Receipts, Warrants or Units will not be listed on any securities exchange. Unless otherwise specified in the applicable Prospectus Supplement, there is no market through which the Debt Securities, Subscription Receipts, Warrants or Units may be sold and purchasers may not be able to resell Debt Securities,

Subscription Receipts, Warrants or Units purchased under this Prospectus or any Prospectus Supplement. This may affect the pricing of the Debt Securities, Subscription Receipts, Warrants or Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities, and the extent of issuer regulation. Subject to applicable laws, certain dealers may make a market in these Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any dealer will make a market in these Securities or as to the liquidity of the trading market, if any, for these Securities.

In connection with any offering of the Securities, subject to applicable laws and other than an “at-the-market distribution”, the underwriters or agents may over-allot or effect transactions that stabilize or maintain the market price of the offered Securities at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be interrupted or discontinued at any time.

No underwriter or dealer involved in an “at-the-market distribution” under this Prospectus, no affiliate of such an underwriter or dealer and no person or company acting jointly or in concert with such an underwriter or dealer will over-allot securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the offered Securities.

The Securities have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state in the United States and, subject to certain exceptions, may not be offered, sold, exercised, transferred or otherwise disposed of in the United States or to or for the account of U.S. Persons absent registration under the U.S. Securities Act and applicable state securities laws or pursuant to an applicable exemption therefrom. In addition, until 40 days after closing of an offering of Securities, an offer or sale of the Securities within the United States by any dealer (whether or not participating in such offering) may violate the registration requirement of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption under the U.S. Securities Act.

#### **USE OF PROCEEDS**

Unless otherwise specified in a Prospectus Supplement, the net proceeds to the Company from any offering of Securities, the proposed use of those proceeds and the specific business objectives that the Company expects to accomplish with such proceeds will be set forth in the applicable Prospectus Supplement relating to that offering of Securities. The Company will not receive any proceeds from any sale of any Securities by the selling securityholders.

**During the financial year ended December 31, 2019, the Company had negative operating cash flows. The Company expects to continue to have negative cash flows for the foreseeable future.**

#### **EARNINGS COVERAGE RATIO**

The applicable Prospectus Supplement will provide, as required by applicable Canadian securities laws, the earnings coverage ratios with respect to the issuance of Securities pursuant to such Prospectus Supplement.

#### **CONSOLIDATED CAPITALIZATION**

There have been no material changes in the share and loan capital of the Company, on a consolidated basis, since the date of the Annual Financial Statements, which are incorporated by reference in this Prospectus, other than the following:

##### *Real Property Financing*

On January 31, 2020, the Company closed on a \$20,000,000 term loan secured by real property owned by certain of the Company’s wholly owned indirect subsidiaries. The term loan bears interest at a fixed rate of 16% per annum. Accrued and unpaid interest is payable monthly, with monthly principal amortization payments in the amount of \$200,000 payable commencing on October 1, 2020. The term loan has an initial term of 18 months, which may be extended by the Company for two additional six-month increments upon the satisfaction of certain terms and conditions.

##### *Debt Private Placement*

On January 24, 2020, the Company closed a third tranche of its debt offering, resulting in the issuance of \$140,000 of 15% Coupon Notes and \$11,197,000 of 9.25% Units. On February 13, 2020, the Company closed a fourth tranche of its debt offering, resulting in the issuance of \$10,000,000 of 9.25% Units.

### *Redistribution and New Equity Option Award*

On February 4, 2020, the Company announced that key members of senior leadership, Jason Vedadi, the Company's former Co-Executive Chairman, CEO Steve White, and another member of the Company's management team, voluntarily surrendered without consideration a total of 2,400,000 stock options which increased the number of stock options available to other eligible employees of the Company. Following the surrender, key personnel of the Company were awarded approximately 3,000,000 equity options in recognition of their work and incentive for continued dedication to the company.

### *Acquisition of Arizona Natural Selections*

On February 18, 2020, the Company completed the acquisition of Arizona Natural Selections, including four vertical medical licenses in Arizona. The acquisition was completed by issuing 122,672 Class B shares of a wholly owned acquisition subsidiary of the Company which are convertible on a one-to-one basis to Multiple Voting Shares and the issuance of a \$6,650,000 promissory note with interest at 4% issued to the former owners with a term of three years and payable in three equal installments of principal on each anniversary of the closing with accrued interest payable on the third anniversary of the closing along with the final installment of principal. The principal amount under the note will be available as a reserve to the Company for indemnification purposes. The Class B shares will automatically convert to Multiple Voting Shares on the earlier of the exchange of at least 50% of the Sellers' Class B Shares into Multiple Voting Shares or on December 15, 2021. The Company will assume \$3,969,000 in debt at closing and will payoff another \$2,950,000 at closing. The four licenses acquired through the agreement include retail locations: Green Desert Patient Center of Peoria, Inc., Green Sky Patient Center of Scottsdale North, Inc., The Giving Tree Wellness Center of Mesa, Inc. and a fourth location to be opened, each of which currently conducts business under the retail brand name Arizona Natural Selections. The acquisition provided Harvest with two operational cultivation facilities: a 55,000 sq. ft. indoor cultivation and production facility in Phoenix and a 322-acre site of which 25 acres are zoned for cannabis with 70,000 square feet of greenhouse in Willcox. The acquisition includes the Darwin line of precision-dosed cannabis products.

### *Non-Brokered Equity Private Placement*

On March 11, 2020, the Company announced that it completed an offering (the "Offering") on a non-brokered private placement basis to a select group of investors, of \$59,000,000 of the Company's multiple voting shares at a price of \$141 per share (or \$1.41 per subordinate voting share on an as-converted basis) resulting in the issuance of 418,439 multiple voting shares. Proceeds of the Offering will be used for capital expenditures, pending acquisitions, and general corporate purposes.

### *Agreement and Plan of Merger and Reorganization with Interurban Capital Group, Inc.*

The Company, through its wholly owned subsidiary, completed a merger with Interurban Capital Group, Inc ("ICG") on March 13, 2020 pursuant to an Agreement and Plan of Merger and Reorganization (the "ICG Merger"). ICG is a Seattle-based multistate retail cannabis company. The merger consideration transferred was 318,652 Multiple Voting Shares (the "Merger Shares") plus the assumption of debt in the principal amount of \$19,128,000 convertible into 205,594 Multiple Voting Shares of the Company. The fair value of the Merger Shares at the time of closing was \$29,315,984 based on 100 times the \$0.92 closing price of the Subordinate Voting Shares on the March 13, 2020 closing date of the ICG Merger. The Merger Shares are subject to lock-up agreements pursuant to which the holders of such shares have agreed, subject to customary carve-outs and exceptions, not to sell any Merger Shares (or announce any intention to do so), or any securities issuable in exchange therefor, for a period of up to 30 months after the March 13, 2020 closing date of the ICG Merger. 10% of the Merger Shares issued at the time of the ICG Merger are free from the lockup at the time of closing with 10% free from the lockup six months after the closing and then an additional 10% each three months thereafter until the remaining balance of the Merger Shares are free from restriction. Additionally, the Company has agreed to issue a number of Multiple Voting Shares for an aggregate price of \$9,299,000 (the "WA Interests Consideration") upon exercise of an option to acquire certain ownership interests in five entities that hold licenses to operate recreational cannabis dispensaries in the state of Washington or alternatively an aggregate price of \$12,382,000 (the "WA Assets Consideration") to acquire substantially all of the assets of these five entities (the "Options"). Exercise of the Options by the Company is subject to fulfilment of certain conditions. The Multiple Voting Shares will be determined by (a) converting the WA Interests Consideration or the WA Assets Consideration to CAD\$ based on the exchange rate of USD\$:CAD\$ reported by the Bank of Canada on the day prior

to the closing of the acquisition of the WA Interests or the WA Assets as the case may be; and (b) dividing such amount by 100 times the volume weighted average sales price for each share of Subordinate Voting Shares of the Company on the Canadian Securities Exchange (the “CSE”) during the last 15 completed trading days prior to the closing of the acquisition of the WA Interests or the WA Assets. In addition, the Company agreed to issue to a business consultant a consulting fee at the time of closing of the merger of 1,274,608 Subordinate Voting Shares. In connection with the merger with ICG, Scott Atkison has been appointed to the Company’s Board of Directors subject to receipt of required regulatory approval.

#### *Acquisition of Franklin Labs, LLC, a subsidiary of CannaPharmacy*

On March 26, 2020, the Company acquired from CannaPharmacy, Inc. all of the issued and outstanding membership interests of Franklin Labs, LLC, a Pennsylvania limited liability company (“Franklin Labs”) for \$15,500,000 in cash and a \$10,000,000 promissory note. Franklin Labs holds one grower/processor cannabis permit in Pennsylvania and operates a 46,800 sq. ft. cultivation and processing facility in Reading, Pennsylvania.

The applicable Prospectus Supplement will describe any material change in, and the effect of such material change on, the share and loan capitalization of the Company that will result from the issuance of Securities pursuant to such Prospectus Supplement.

## **UNITED STATES REGULATORY ENVIRONMENT**

### **Regulation of the Cannabis Market in the United States Federally**

In 2005, the U.S. Supreme Court ruled that Congress has the power to regulate cannabis. The U.S. federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the “CSA”), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice (the “DOJ”) defines Schedule I drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” However, the Food and Drug Administration (the “FDA”) has approved Epidiolex, which contains a purified form of the drug CBD, a non-psychoactive ingredient in the cannabis plant, for the treatment of seizures associated with two epilepsy conditions. The FDA has not approved cannabis or cannabis compounds as a safe and effective drug for any other condition. Moreover, under the 2018 Farm Bill or Agriculture Improvement Act of 2018 (the “Farm Bill”), CBD remains a Schedule I controlled substance under the CSA, with a narrow exception for CBD derived from hemp with a tetrahydrocannabinol (“THC”) concentration of less than 0.3%.

Marijuana is largely regulated at the state level in the United States. State laws that permit and regulate the production, distribution and use of cannabis for adult use or medical purposes are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company’s activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

As of the date of this Prospectus, 33 states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Islands), have legalized the cultivation and sale of cannabis for medical purposes. In 11 states, the sale and possession of cannabis is legal for both medical and adult use, and the District of Columbia has legalized adult use but not commercial sale. However, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state

laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.

The risk of federal enforcement and other risks associated with the Company's business are described in "*Risk Factors*" and the Company's AIF.

### **Regulation of the Cannabis Market at State and Local Levels**

A summary overview of the licensing and regulatory framework in the markets where the Company is expected to hold licenses, rights to operate or where its subsidiaries are expected to be actively expanding into the cannabis industry can be found in the Company's AIF.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The applicable Prospectus Supplement may describe certain Canadian federal income tax considerations generally applicable to investors described therein of purchasing, holding and disposing of the applicable Securities, including, in the case of an investor who is not a resident of Canada, Canadian non-resident withholding tax considerations.

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a summary of the U.S. federal income tax considerations generally applicable to the ownership and disposition of the Subordinate Voting Shares. This summary is based upon U.S. federal income tax law as of the date of this Prospectus, which is subject to change or differing interpretations, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances, including investors subject to special tax rules (including, but not limited to, financial institutions, insurance companies, broker-dealers or traders in securities or currencies, tax-exempt organizations (including private foundations), individual retirement accounts or qualified pension plans, taxpayers that have elected mark-to-market accounting, S corporations, regulated investment companies, real estate investment trusts, U.S. expatriates (or former long-term residents of the United States), investors that will hold the Subordinate Voting Shares as part of a straddle, hedge, conversion, or other integrated transaction for U.S. federal income tax purposes, investors that have a functional currency other than the U.S. dollar, or persons subject to special tax accounting rules as a result of any item of gross income with respect to the Subordinate Voting Shares being taken into account in an applicable financial statement), all of whom may be subject to tax rules that differ materially from those summarized below. In addition, this summary does not discuss other U.S. federal tax consequences (e.g., estate or gift tax), any state, local, or non-U.S. tax considerations or the Medicare tax or alternative minimum tax. In addition, this summary is limited to investors that will hold the Subordinate Voting Shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), and that acquired the Subordinate Voting Shares pursuant to this Prospectus. No ruling from the Internal Revenue Service (the "**IRS**") has been or will be sought regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain a position contrary to any of the tax aspects set forth below.

For purposes of this summary, a "U.S. Holder" is a beneficial holder of Subordinate Voting Shares who or that, for U.S. federal income tax purposes is:

- an individual who is a United States citizen or resident of the United States;
- a corporation or other entity treated as a corporation for United States federal income tax purposes created in, or organized under the laws of, the United States, any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source; or

- a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons (within the meaning of the Code) who have the authority to control all substantial decisions of the trust or (B) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a United States person.

A “non-U.S. Holder” is a beneficial holder of the Subordinate Voting Shares who or that is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Subordinate Voting Shares, the tax treatment of a partner, member or other beneficial owner in such partnership will generally depend upon the status of the partner, member or other beneficial owner, the activities of the partnership and certain determinations made at the partner, member or other beneficial owner level. An investor that is a partner, member or other beneficial owner of a partnership holding the Subordinate Voting Shares is urged to consult the investor’s own tax advisors regarding the tax consequences of the ownership and disposition of the Subordinate Voting Shares.

THIS DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE COMPANY URGES PROSPECTIVE HOLDERS TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF OWNING AND DISPOSING OF THE SUBORDINATE VOTING SHARES, AS WELL AS THE APPLICATION OF ANY, STATE, LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSIDERATIONS.

### **U.S. Tax Classification of the Company**

Pursuant to Section 7874(b) of the Code and the U.S. Treasury Regulations promulgated thereunder, notwithstanding that the Company has been organized under Canadian law, solely for U.S. federal income tax purposes, the Company will be classified as a U.S. domestic corporation. Accordingly, the Company will be subject to a number of significant and complicated U.S. federal income tax consequences as a result of being treated as a U.S. domestic corporation for U.S. federal income tax purposes and will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

### **Taxation of U.S. Holders**

#### *Distributions on Subordinate Voting Shares*

If the Company makes distributions with respect to a Subordinate Voting Share, the distributions generally will be treated as U.S. source dividends to a U.S. Holder of a Subordinate Voting Share to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles at the end of the tax year in which the distribution occurs. To the extent the distributions exceed the Company’s current and accumulated earnings and profits, the excess will be treated first as a tax-free return of capital to the extent of the U.S. Holder’s adjusted tax basis in the Subordinate Voting Share, and thereafter as gain from the sale or exchange of that Subordinate Voting Share. Corporate U.S. Holders may be entitled to claim the dividends-received deduction with respect to dividends paid on the Subordinate Voting Shares and such dividends may constitute qualified dividend income to individual U.S. Holders, subject in each case to applicable restrictions and eligibility requirements.

Dividends on the Subordinate Voting Shares will not constitute foreign source income for U.S. foreign tax credit limitation purposes because the Company, even though organized as a Canadian corporation, will be treated as a U.S. corporation for U.S. federal income tax purposes, as described above under “—U.S. Tax Classification of the Company.” Therefore, a U.S. Holder may not be able to claim a U.S. foreign tax credit for any Canadian tax unless the U.S. Holder has sufficient other foreign source income.

#### *Sale or Other Taxable Disposition of Subordinate Voting Shares*

Upon the sale or other taxable disposition of a Subordinate Voting Share, U.S. Holders generally will recognize capital gain or loss equal to the difference between the amount realized by such holders on the disposition and their adjusted tax basis in such Subordinate Voting Share. Such gain or loss generally will be long-term capital gain or loss if the U.S. Holder held such a Subordinate Voting Share for more than one year as of the time of disposition. Long-term

capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

To the extent a sale or other taxable disposition of the Subordinate Voting Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder, such U.S. Holder may not be able to claim a U.S. foreign tax credit for any Canadian tax unless the U.S. Holder has sufficient other foreign source income.

#### *Foreign Currency*

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Subordinate Voting Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

#### *Information Reporting and Backup Withholding*

In general, information reporting requirements may apply to dividends paid to a U.S. Holder and to the proceeds of the sale or other disposition of the Subordinate Voting Shares, unless the U.S. Holder is an exempt recipient. Backup withholding may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number (generally, on a properly completed IRS Form W-9) or a certification of exempt status, or has been notified by the IRS that it is subject to backup withholding (and such notification has not been withdrawn). Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided that the holder timely furnishes the required information to the IRS.

### **Taxation of Non-U.S. Holders**

#### *Distributions on Subordinate Voting Shares*

If the Company makes distributions with respect to a Subordinate Voting Share, the distributions generally will be treated as dividends to a non-U.S. Holder of a Subordinate Voting Share to the extent of the Company's current and accumulated earnings and profits as determined under U.S. federal income tax principles at the end of the tax year in which the distribution occurs. To the extent the distributions exceed the Company's current and accumulated earnings and profits, the excess will be treated first as a tax-free return of capital to the extent of the non-U.S. Holder's adjusted tax basis in the Subordinate Voting Share, and thereafter as gain from the sale or exchange of that Subordinate Voting Share.

Dividends paid to a non-U.S. Holder generally will be subject to U.S. withholding tax at a rate of 30% of the gross amount, unless the non-U.S. Holder is eligible for and properly claims a reduced rate of withholding under an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. Holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment of the non-U.S. Holder) will not be subject to U.S. withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. Holder were a United States person, as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" equal to 30% of its effectively connected earnings and profits (subject to certain adjustments) or at such lower rate as may be specified by an applicable income tax treaty. A non-U.S. Holder eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

### *Gain on Sale, Taxable Exchange or Other Taxable Disposition of Subordinate Voting Shares*

Subject to the discussions below under “Taxation of Non-U.S. Holders—Information Reporting and Backup Withholding,” and “Taxation of Non-U.S. Holders—Foreign Account Tax Compliance Act”, a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax in respect of gain recognized on a sale, taxable exchange or other taxable disposition of a Subordinate Voting Share, unless:

- the gain is effectively connected with the conduct of a trade or business by the non-U.S. Holder within the United States (and, if an applicable tax treaty so requires, is attributable to a U.S. permanent establishment or fixed base maintained by the non-U.S. Holder);
- the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or
- the Company is or has been a United States real property holding corporation (“**USRPHC**”) for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. Holder held the Subordinate Voting Share, and, in the case where the Company’s shares are regularly traded on an established securities market, the non-U.S. Holder has owned, directly or constructively, more than 5% of our shares at any time within the shorter of the five-year period preceding the disposition or such non-U.S. Holder’s holding period for the Subordinate Voting Share. There can be no assurance that Subordinate Voting Shares will be treated as regularly traded on an established securities market for this purpose.

Gain described in the first bullet point above will be subject to tax at generally applicable U.S. federal income tax rates. Any gains described in the first bullet point above of a non-U.S. Holder that is a foreign corporation may also be subject to an additional “branch profits tax” at a 30% rate (or lower applicable treaty rate). Gain described in the second bullet point above generally will be subject to a flat 30% U.S. federal income tax. Non-U.S. Holders are urged to consult their own tax advisors regarding possible eligibility for benefits under income tax treaties and the availability of U.S. source capital losses to offset gain described in the second bullet point.

If the third bullet point above applies to a non-U.S. Holder, gain recognized by such holder on the sale, taxable exchange or other disposition of Subordinate Voting Shares will be subject to tax at generally applicable U.S. federal income tax rates. In addition, a buyer of Subordinate Voting Shares from such holder may be required to withhold U.S. income tax at a rate of 15% of the amount realized upon such disposition. The Company has not performed any analysis to determine whether it is currently, or has ever been, a USRPHC. You are urged to consult your own tax advisors regarding the application of these rules.

### *Information Reporting and Backup Withholding*

Generally, the Company must report to the IRS and to the non-U.S. Holder the amount of dividends paid with respect to, and the proceeds from the sale or other disposition of, Subordinate Voting Shares to such holder and the amount of tax, if any, withheld with respect to those payments or proceeds. Copies of the information returns and any withholding may also be made available to the tax authorities in the country in which the non-U.S. Holder resides under the provisions of an applicable income tax treaty.

A non-U.S. Holder may be subject to backup withholding of tax on dividends paid, and, depending on the circumstances, the proceeds of a sale, exchange, redemption or other taxable disposition unless the non-U.S. Holder complies with certain certification requirements to establish that it is not a U.S. Person or it otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the non-U.S. Holder’s U.S. federal income tax liability, provided that the holder timely furnishes the required information to the IRS.

### *Foreign Account Tax Compliance Act*

Under the Foreign Account Tax Compliance Act (“**FATCA**”), a 30% withholding tax may apply to payments of dividends on stock made to foreign financial institutions (including amounts paid to a foreign financial institution on behalf of a holder) and certain other non-financial foreign entities. Additionally, a 30% withholding tax may apply to payments of gross proceeds from the disposition of stock made to such institutions and entities; however, recently proposed Treasury regulations eliminate this 30% withholding tax on payments of gross proceeds. Taxpayers may



rely on these proposed Treasury regulations until final Treasury regulations are issued. There can be no assurance that final Treasury regulations would provide an exemption from FATCA for gross proceeds.

Withholding under FATCA generally will not apply where such payments are made to (i) a foreign financial institution that undertakes, under either an agreement with the United States Treasury or pursuant to an intergovernmental agreement between the jurisdiction in which it is a resident and the United States Treasury, to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to noncompliant foreign financial institutions and certain other account holders; (ii) a non-financial foreign entity that either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner to the United States Treasury; or (iii) a foreign financial institution or non-financial foreign entity that is exempt from these rules. Investors should consult their tax advisors regarding this legislation and the regulations thereunder.

## **RISK FACTORS**

Before making an investment decision, prospective purchasers of Securities should carefully consider the information and risk factors described in this Prospectus and the documents incorporated by reference herein (including subsequently filed documents incorporated by reference herein), including the applicable Prospectus Supplement. Additional risk factors relating to a specific offering of Securities may be described in the applicable Prospectus Supplement. Some of the risk factors described herein and in the documents incorporated by reference herein (including subsequently filed documents incorporated by reference herein), including the applicable Prospectus Supplement are interrelated and, consequently, investors should treat such risk factors as a whole. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations and cash flows, and an investment in the Securities, could be materially adversely affected. Additional risks and uncertainties of which the Company is currently unaware or that are unknown or that the Company currently deems to be immaterial could have a material adverse effect on the Company's business, prospects, financial condition, results of operations and cash flows. The Company cannot provide any assurances that it will successfully address any or all of these risks.

### **Regulatory Risks**

*The United States federal government has not legalized marijuana for medical or adult-use*

The federal government of the United States regulates drugs through the Controlled Substance Act ("CSA"), which places controlled substances on one of five schedules. Currently, cannabis is classified as a Schedule I controlled substance. This means it has a high potential for abuse and currently has no accepted medical use in treatment in the United States. Schedule I substances are subject to production quotas imposed by the Drug Enforcement Agency ("DEA"). Thus, the federal government of the United States has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by state law.

Currently, 33 U.S. states, the District of Columbia and the U.S. territories of Guam and Puerto Rico, allow the use of medical cannabis. Additionally, the states of Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington and the District of Columbia have legalized cannabis for adult recreational use. However, since cannabis is a Schedule I controlled substance, the development of a legal cannabis industry under the laws of these states is in conflict with the CSA. In light of this conflict between state and federal law, the DOJ Deputy Attorney General of the Obama Administration, James Cole, issued a memorandum (the "Cole Memorandum"), dated August 29, 2013, providing updated guidance to federal prosecutors concerning cannabis enforcement under the CSA. The Cole Memorandum provided, in part, that when states have implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other states, prohibiting access to marijuana by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, the Cole Memorandum provided that enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing marijuana-related activity. In contrast, if the state enforcement efforts are not sufficient to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

In 2014, the United States House of Representatives passed an amendment (commonly known as the Rohrabacher-Blumenauer Amendment, the Rohrabacher-Leahy Amendment or the "**Rohrabacher-Farr Amendment**") to the Commerce, Justice, Science, and Related Agencies Appropriations Bill, which funds the DOJ. The Rohrabacher-Farr Amendment prohibits the DOJ from using funds to prevent states with medical cannabis laws from implementing such laws. In August 2016, the U.S. Court of Appeals for the Ninth Circuit ruled in *United States v. McIntosh* that the Rohrabacher-Farr Amendment bars the DOJ from spending funds on the prosecution of conduct that is allowed by state medical cannabis laws, provided that such conduct is in strict compliance with applicable state law. In March 2015, bipartisan legislation titled the Compassionate Access, Research Expansion, and Respect States Act (the "**CARERS Act**") was introduced, proposing to allow states to regulate the medical use of cannabis by changing applicable federal law, including by reclassifying cannabis under the CSA to a Schedule II controlled substance and thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses. More recently, the Respect State Marijuana Laws Act of 2017 has been introduced in the U.S. House of Representatives, which proposes to exclude persons who produce, possess, distribute, dispense, administer or deliver marijuana in compliance with state laws from the regulatory controls and administrative, civil and criminal penalties of the CSA.

Although these developments have been met with a certain amount of optimism in the cannabis industry, neither the CARERS Act nor the Respect State Marijuana Laws Act of 2017 have yet been adopted, and the Rohrabacher-Farr Amendment must be renewed annually and has currently been renewed until September 30, 2019. Furthermore, the ruling in *United States v. McIntosh* is only applicable in the Ninth Circuit, which includes the states of Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington. The Company has, and plans to have, operations in states outside of the Ninth Circuit.

In early 2017, President Donald J. Trump nominated Alabama Republican Jeff Sessions as the United States Attorney General. In addition to the election of President Trump, the Republican party retained control of United States Congress. On January 4, 2018, then Attorney General Sessions issued a written memorandum (the "**Sessions Memorandum**") to all U.S. Attorneys stating that the Cole Memorandum was rescinded, effectively immediately. In particular, Attorney General Sessions stated that "prosecutors should follow the well-established principles that govern all federal prosecutions," which 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." Attorney General Sessions went on to state in the Sessions Memorandum that given the Justice Department's well-established general principles, "previous nationwide guidance specific to marijuana is unnecessary and is rescinded, effective immediately." Attorney General Sessions reiterated that the cultivation, distribution and possession of marijuana continues to be a crime under the CSA.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, William Barr was confirmed as the new Attorney General. Mr. Barr stated during his confirmation hearings in a response to a question from Senator Cory Booker, "I'm not going to go after companies that have relied on the Cole memorandum." Mr. Barr also reconfirmed this response in writing as part of the formal confirmation proceedings.

On the same day Mr. Sessions resigned, the Justice Department announced that the U.S. Attorney for the District of Oregon, William "Billy" J. Williams, was taking over as chair of the Attorney General's Marijuana Working Group. Formed in 2012, the Working group is comprised of US Attorneys from across the country and has been studying the outcomes of legal cannabis across the country.

In an interview published February, 2019, U.S. Attorney Williams stated: "[w]ell, when the Cole Memo was replaced by the Sessions Memo, the discretion was left to individual US Attorneys to address the issues in their respective districts, based upon the law enforcement issues that come up. What are the issues that have been identified? In terms of regulation: the efficiency of the state regulatory schemes; black market out-of-state diversion; the effects [of legalization] upon minors' consumption; public health-related issues; and in many states, certainly in Oregon, keeping track of what the environmental issues are that have resulted. And then the livability questions. Those are all common themes that fit into the priorities of this working group. The issues have only been exacerbated, quite frankly. And whether or not a state, how a state is addressing them—that varies from state to state."

More recently, on April 10, 2019 during a Senate Appropriations subcommittee hearing, while responding to questions from Senator Murkowski (R- AK) Mr. Barr testified: "I am accepting the Cole Memorandum for now, but I have generally left it up to the U.S. Attorneys in each State to determine what the best approach is in that state." He also stated that "I haven't heard any complaints from the States that have legalized marijuana."

However, a significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could have a material adverse effect on the business, financial condition or results of operations of the Company. The Company has provided products and services to state-approved cannabis cultivators and dispensary facilities. As a result, the Company could be deemed to be aiding and abetting illegal activities, a violation of United States federal law.

*There is a substantial risk of regulatory or political change*

The success of the business strategy of the Company depends on the legality of the cannabis industry in the United States. The political environment surrounding the cannabis industry in the United States in general can be volatile and the regulatory framework in the United States remains in flux. Despite the currently implemented laws and regulations in the U.S. and its territories to legalize and regulate the cultivation, processing, sale, possession and use of cannabis, and additional states that have pending legislation regarding the same, 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 the Company's ability to successfully invest and/or participate in the selected business opportunities.

Further, there is no guarantee that at some future date, voters and/or the applicable legislative bodies will not repeal, overturn or limit any such legislation legalizing the sale, disbursement and consumption of medical or adult-use cannabis. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry.

Cannabis remains illegal under U.S. federal law, and the U.S. federal government could bring criminal and civil charges against the Company or their subsidiaries or their investments at any time. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis-related legislation could have a material adverse effect on the business, financial condition or results of operations of the Company.

*The Company intends to invest in businesses with little or no operating history and that are engaged in activities considered illegal under U.S. federal law*

The Company will invest in businesses that are directly or indirectly engaged in the medical and adult-use cannabis industry in the United States where local law permits such activities. Presently, the cultivation, processing, possession, sale, and use of cannabis are illegal under U.S. federal statutes and the laws of other jurisdictions. Some of those laws, including the applicable federal laws of the United States, apply to the subject activities even though the subject activities may be permissible under local law.

The Company's anticipated funding of the activities of businesses engaged in the medical and adult-use cannabis industry, whether through loans or through other forms of investment, is illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. THE CONSEQUENCES OF SUCH ENFORCEMENT WOULD LIKELY BE MATERIALLY DETRIMENTAL TO THE COMPANY, THE COMPANY'S BUSINESS AND THE HOLDERS OF THE COMPANY'S SHARES AND COULD RESULT IN THE FORFEITURE OR SEIZURE OF ALL OR SUBSTANTIALLY ALL OF THE COMPANY'S ASSETS.

*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.

*Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the United States*

The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

No guarantee or assurances can be given by the Company that it will be able to secure and/or maintain stable banking services arrangements, nor can the Company guarantee or provide assurances that it will be able to secure an alternative to traditional banking services should the Company not be able to secure and maintain traditional banking services with a national or state chartered banking institution.

*Lack of access to U.S. bankruptcy protections; other bankruptcy risks*

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 the Company was to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available, which would have a material adverse effect on any restructuring transaction.

Additionally, there is no guarantee that the Company will be able to effectively enforce any interests it may have in its other subsidiaries and investments. A bankruptcy or other similar event related to an entity in which the Company holds an interest that precludes such entity from performing its obligations under an agreement may have a material adverse effect on the business, financial condition or results of operations of the Company. Further, should an entity in which the Company holds an interest have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities or equity owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the business, financial condition or results of operations of the Company.

**Business and Operational Risks**

*The Company incurred a net loss for the fiscal year of 2019 with negative cash flows and cannot assure as to when, or if, the Company will become profitable and generate positive cash flows*

The Company incurred a net loss of \$173,487,000 and 67,465,000 for the years ended December 31, 2019 and 2018, respectively, and negative cash flows from operations for the year ended December 31 30, 2019. As of December 31, 2019, the Company had an aggregate accumulated deficit of \$235,348,000. Such losses have historically required the Company to seek additional funding through the issuance of debt or equity securities. The Company's long-term success is dependent upon among other things, achieving positive cash flows from operations and augmenting such cash flows using external resources to satisfy its cash needs. The Company has historically experienced and may prospectively experience fluctuations in its quarterly earnings due to the nature of its business and may be unable to achieve positive cash flows and actual results could differ from its estimates and assumptions. Accordingly, the Company will have to supplement its cash flow, by debt financing or sales of equity securities. There can be no assurance that the Company will be able to obtain additional funding, if needed, on commercially reasonable terms, or of all.

*The cannabis industry presents substantial risks and uncertainty*

The anticipated business of the Company and any other businesses in which the Company will invest will be engaged directly or indirectly in business within the medical and adult-use cannabis industry in the United States. The relatively new development of the medical and adult-use cannabis industry nationally presents numerous and material risks. Many of these risks are not inherent in other developing or mature industries. Many of the risks are unknown and the eventual consequences to the Company and its subsidiaries in which the Company will invest.

The risks range from the potential catastrophic collapse of the medical and adult-use cannabis industry nationally or in the states in which the Company conducts business or makes investments that might result from changes in laws or the enforcement of existing laws to the failure of individual businesses that might result from volatile market conditions that sometime accompany the development of new markets and industries. Additionally, the medical and adult-use cannabis industry is characterized by fragmented markets, immature companies, inexperienced managers lacking conventional business and financial discipline, a lack of well-known brands, an absence of industry and product standards, ever-shifting legal landscapes with multiple frameworks (from state to state), rapidly shifting public opinion, and a scarcity of significant capital.

## **Risks Relating to Taxes**

*The Company will be subject to Canadian and United States tax on its worldwide income*

The Company will be deemed to be a resident of Canada for Canadian federal income tax purposes by virtue of being organized under the laws of a Province of Canada. Accordingly, the Company will be subject to Canadian taxation on its worldwide income, in accordance with the rules in the Tax Act generally applicable to corporation's resident in Canada.

Notwithstanding that the Company will be deemed to be a resident of Canada for Canadian federal income tax purposes, the Company is treated as a United States corporation for United States federal income tax purposes, pursuant to Section 7874(b) of the Code, and will be subject to United States federal income tax on its worldwide income. As a result, the Company will be subject to taxation both in Canada and the United States, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

*Dispositions of Subordinate Voting Shares will be subject to Canadian and/or United States tax*

Dispositions of Subordinate Voting Shares will be subject to Canadian tax. In addition, dispositions of Subordinate Voting Shares by U. S. Holders will be subject to U.S. tax, and certain dispositions of Company Shares by non-U.S. Holders (including, if the Company is treated as a USRPHC, as defined below) will be subject to U.S. tax.

*Dividends on the Subordinate Voting Shares may be subject to Canadian and/or United States withholding tax*

It is currently not anticipated that the Company will pay any dividends on the Subordinate Voting Shares in the foreseeable future.

To the extent dividends are paid on the Subordinate Voting Shares, dividends received by shareholders who are residents of Canada for purposes of the Tax Act (and non-U.S. Holders for purposes of the Code) will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a Canadian foreign tax credit or a deduction in respect of such U.S. withholding taxes paid may not be available.

Dividends received by U.S. Holders (as defined in the discussion under “*Certain United States Federal Income Tax Considerations*”) will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. Accordingly, U.S. Holders may not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty. These dividends may, however, qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant tax treaty.

*Transfers of Subordinate Voting Shares may be subject to United States estate and generation-skipping transfer taxes*

Because the Company Shares will be treated as shares of a U.S. domestic corporation, the U.S. estate and generation-skipping transfer tax rules generally will apply to a Non-U.S. Holder of Subordinate Voting Shares.

*The application of Section 280E of the Code may substantially limit the Company's ability to deduct certain expenses for United States tax purposes*

Pursuant to Section 280E of the Code, the ability of any business to take certain tax deductions is severely limited if such business is involved in any trade or business consisting of the trafficking in controlled substances (within the

meaning of Schedule I and II of the CSA) which is prohibited by federal law. Cannabis is currently a controlled substance within the meaning of Schedule I of the CSA. As a result, because the Company operates in the cannabis industry, the taxable income of the Company is likely to exceed its actual profits.

#### *U.S. Tax Classification – United States Real Property Holding Company*

The Company is treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874 of the Code. As a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Company's non-U.S. Holders upon a disposition of Subordinate Voting Shares generally depends on whether the Company is classified as a USRPHC (as defined in the discussion under "*Certain United States Federal Income Tax Considerations*") for U.S. federal income tax purposes. The Company has not performed any analysis to determine whether it is currently, or has ever been, a USRPHC. In addition, the Company has not sought and does not intend to seek formal confirmation of its status as a non-USRPHC from the IRS. If the Company ultimately is determined by the IRS to constitute a USRPHC, its non-U.S. Holders may be subject to U.S. federal income tax on any gain associated with the disposition of the Subordinate Voting Shares.

#### *Changes in tax laws may affect the Company and holders of Subordinate Voting Shares*

There can be no assurance that the Canadian and U.S. federal income tax treatment of the Company or an investment in the Company will not be modified, prospectively or retroactively, by legislative, judicial or administrative action, in a manner adverse to the Company or holders of Subordinate Voting Shares.

### **Market, Securities and Other Risks**

#### *Holders of Company Super Voting Shares will have voting control of the Company*

As of June 1, 2020, the holder Company's Super Voting Shares, Steven White exercises in the aggregate approximately 55% of the voting power in respect of the Company's outstanding shares. As a result, Mr. White has the ability to control the outcome of all matters submitted to the Company's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Company. Additionally, if Mr. White does not retain any employment with the Company, he will continue to have the ability to exercise the same significant voting power.

The concentrated control through the Company Super Voting Shares could delay, defer, or prevent a change of control of the Company, arrangement involving the Company or sale of all or substantially all of the assets of the Company that its other shareholders support. Conversely, this concentrated control could allow the holders of Company Super Voting Shares to consummate such a transaction that the Company's other shareholders do not support. In addition, the holder of Company Super Voting Shares may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company's business.

As a director and Chief Executive Officer of the Company, Mr. White has control over the day-to-day management and the implementation of major strategic decisions of the Company, subject to authorization and oversight by the Board of Directors. As a board member, Mr. White will owe a fiduciary duty to the Company's shareholders and will be obligated to act honestly and in good faith with a view to the best interests of the Company. As a shareholder, even the controlling shareholder, Mr. White will be entitled to vote his shares, and shares over which he has voting control, in his own interest, which may not always be in the interests of the Company or the other shareholders of the Company.

#### *Unpredictability caused by capital structure and voting control*

Although other Canadian-based companies have dual class or multiple voting share structures, given the unique capital structure contemplated in respect of the Company and the concentration of voting control that is held by the holders of the Company Super Voting Shares, this structure and control could result in a lower trading price for or greater fluctuations in the trading price of the Company's common shares or will result in adverse publicity to the Company or other adverse consequences.

#### *The Company is a holding company*

The Company is a holding company and essentially all of its assets are the capital stock or membership interests of its subsidiaries, management services agreement or other commercial arrangements with entities in each of the markets

the Company, its strategic partner or acquisition target operates in, including Arizona, Arkansas, California, Florida, Maryland, North Dakota, Pennsylvania and Washington with provisional licenses in Massachusetts and planned expansion into Nevada upon completion of the acquisition of GreenMart. In addition, the Company owns CO2 extraction, distillation, purification and manufacturing technology used to produce a line of therapeutic cannabis topicals, vapes and gems featuring cannabinoids and a hemp-derived product line sold in Colorado. As a result, shareholders of the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

#### *Additional capital requirements*

The Company will need additional capital to sustain its operations and will likely need to seek further financing, which the Company may not be able to obtain on acceptable terms or at all. If the Company fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised. To date, the Company's operations and expansion of its business have been funded primarily from cash-flow from operations as substantially supplemented by the proceeds of debt and equity financings. The Company expects to require substantial additional capital in the near future to commence the expansion of its business into additional states in the United States, expand its product lines, develop its intellectual property base, and establish its targeted levels of commercial production. The Company may not be able to obtain additional financing on terms acceptable to it, or at all. In particular, because cannabis is illegal under federal law, the Company may have difficulty attracting investors.

Even if the Company obtains financing for its near-term operations and expansion, the Company expects that it will require additional capital thereafter. Its capital needs will depend on numerous factors including: (i) its profitability; (ii) the release of competitive products by its competition; (iii) the level of its investment in research and development; and (iv) the amount of its capital expenditures, including acquisitions. The Company cannot assure investors that the Company will be able to obtain capital in the future to meet its needs.

If the Company raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by its existing stockholders will be reduced and its stockholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of its securities. If the Company raises additional capital by incurring debt, this will result in increased interest expense. If the Company raises additional funds through the issuance of securities, market fluctuations in the price of its securities could limit its ability to obtain equity financing.

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

#### *Additional issuance of Company Shares will result in dilution*

The Company plans to issue additional securities in the future in connection with its planned and completed acquisitions, offerings and financing transactions (including through the sale of securities convertible into or exchangeable or exercisable for Subordinate Voting Shares), which will dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Subordinate Voting Shares and Multiple Voting Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The Board of Directors has discretion to determine the price and the terms of further issuances. The Company cannot predict the effect that future issuances and sales of its securities will have on the market price of the Subordinate Voting Shares. Issuances of a substantial number of additional securities of the Company, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Subordinate Voting Shares. With any additional issuance of the Company's securities, investors will suffer dilution to their voting power and the Company may experience dilution in its revenue per share.

### *A Significant Portion of Harvest's Outstanding Securities are Restricted from Immediate Resale but may be Sold in the Near Future*

Certain shareholders of Harvest have entered into lock-up agreements in connection with the Reverse Takeover pursuant to which such parties have agreed, subject to customary carve-outs and exceptions, not to sell any Multiple Voting Shares (or announce any intention to do so), or any securities issuable in exchange therefor, for a period of five years from the date of the Reverse Takeover subject to early release dates which permit holders to sell up to 10% of shares subject to the resale restrictions each six months after the date of the Reverse Takeover. Certain shareholders agreed to extend the November 14, 2019 release date for a tranche representing 19,490,618 Subordinate Voting Shares on an as converted basis. The release date for this tranche of shares was deferred until May 14, 2020, or 18 months after the Reverse Takeover. In addition, in connection with the merger with ICG, the former shareholders of ICG entered into lock-up agreements pursuant to which the holders of such shares have agreed, subject to customary carve-outs and exceptions, not to sell up to 31,865,200 Subordinate Voting Shares on an as converted basis (the "Merger Shares") (or announce any intention to do so), or any securities issuable in exchange therefor, for a period of up to 30 months after the March 13, 2020 closing date of the ICG Merger. 10% of the Merger Shares issued at the time of the ICG Merger are free from the lockup at the time of closing with 10% free from the lockup six months after the closing and then an additional 10% each three months thereafter until the remaining balance of the Merger Shares are free from restriction. The sale of a substantial number of such securities, or the perception in the market that holders of a large number of security holders intend to sell securities, could reduce the market price of the Subordinate Voting Shares and could impair Harvest's ability to raise capital through the sale of additional equity securities. The effect of any such sales on the prevailing market price of the Subordinate Voting Shares is not predictable. See "Securities Subject to Contractual Restriction on Transfer" for further details.

### *Sales by Existing Shareholders*

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time either by existing holders of Subordinate Voting Shares or by holders of the Multiple Voting Shares that are convertible into Subordinate Voting Shares. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares or Multiple Voting Shares intend to sell Subordinate Voting Shares, could reduce the market price of the Subordinate Voting Shares. If this occurs and continues, it could impair Harvest's ability to raise additional capital through the sale of securities.

### *Conversion limitations on the Multiple Voting Shares*

The Multiple Voting Shares are subject to conversion limitations, which may prevent the holders of Multiple Voting Shares from converting such Multiple Voting Shares into Subordinate Voting Shares. These restrictions are based on the number of outstanding voting shares issued and outstanding and the number of such voting shares that are held by U.S. residents. Under such limitations, subject to certain circumstances which permit the Company to allow conversions, the Company may not effect any conversion of Multiple Voting Shares, and the holders of such Multiple Voting Shares may not convert such Multiple Voting Shares into Subordinate Voting Shares, to the extent that, after giving effect to all permitted issuances after such conversions or exercises, as applicable, the aggregate number of voting shares held of record, directly or indirectly, by U.S. residents would exceed 49% of the aggregate number of voting shares of the Company issued and outstanding after giving effect to such conversions.

Until such time as the conversion limitations are removed, the restrictions may materially limit the timeframe in which a holder of Multiple Voting Shares could convert their Multiple Voting Shares into Subordinate Voting Shares, and accordingly the rate of such conversion and total number of Subordinate Voting Shares to be acquired. Since only the Subordinate Voting Shares (and not the Multiple Voting Shares) are listed on the CSE and quoted on the OTCQX, these restrictions on conversion will materially limit the liquidity of the Multiple Voting Shares and could adversely affect the value of Multiple Voting Shares.

### *Loss of Foreign Private Issuer status*

As a "foreign private issuer", the Company is not required to comply with all the periodic disclosure and current reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, and related rules and regulations. As a result, there may currently be less publicly available information about the Company than if it were a United States domestic issuer. For example, currently the Company is not subject to the proxy rules in the United States and disclosure with respect to its annual meetings is currently governed by Canadian requirements. Under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently



completed second fiscal quarter and, accordingly, the next determination will be made with respect to the Company is on June 30, 2020. Effective January 1, 2021, the Company expects to become a domestic issuer under the rules of the SEC as it anticipates it will no longer qualify as a “foreign private issuer” as of the last business day of the Company's second fiscal quarter in 2020 because more than 50% of its outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are expected to be directly or indirectly held of record by residents of the United States.

The regulatory and compliance costs to the Company under U.S. securities laws as a U.S. domestic issuer may be significantly more than costs the Company incurs as a “foreign private issuer”. If the Company is not a “foreign private issuer”, it will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive in certain respects than the forms available to a “foreign private issuer”. The Company will be required under current SEC rules to prepare its consolidated financial statements in accordance with US generally accepted accounting principles (“U.S. GAAP”) and modify certain of its policies to comply with corporate governance practices associated with U.S. domestic issuers. Further, should the Company seek to list on a securities exchange in the United States, loss of “foreign private issuer” status may increase the cost and time required for such a listing. In addition, the Company may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. securities exchanges that are available to “foreign private issuers”, and exemptions from requirements related to the preparation and solicitation of proxies (including compliance with full disclosure obligations regarding executive compensation in proxy statements and the requirements of holding a nonbinding advisory vote on certain executive compensation matters, such as “say on pay” and “say on frequency”). Moreover, the Company will no longer be exempt from certain of the provisions of U.S. securities laws, such as Regulation FD (which restricts the selective disclosure of material information), exemptions for filing beneficial ownership reports under Section 16(a) for officers, directors and 10% shareholders and the Section 16(b) short swing profit rules. In light of the Company’s expectations, it has begun preparations for the consequences of becoming a U.S. domestic issuer, including those described above, and the Company expects that the loss of “foreign private issuer” status will increase its legal and financial compliance costs and will make some activities highly time-consuming and costly. The additional costs could have an adverse impact on our results of operations, financial position and cash flows.

In addition, the transition to being treated as a U.S. domestic issuer may make it more difficult and expensive for the Company to obtain director and officer liability insurance, and the Company may be required to accept reduced coverage or incur substantially higher costs to obtain coverage.

#### *The Company faces potential conflicts of interest*

The Company's operations may present potential conflicts of interest, including, but not limited to, the following:

1. **Other Personal Investments.** Certain members of the Board of Directors and certain officers who work for the Company serve in advisory capacities to businesses engaged in the cannabis industry and have equity interests in a business engaged in various aspects of the cannabis industry.
2. **Time Commitment.** The officers will be employed on a full-time basis with the Company and will devote substantially all of their business time to the Company's affairs. The Board of Directors and executive officers may spend a portion of their personal time managing other business endeavors, subject to the condition that such personal time not interfere with their respective duties to the Company.

*Trading on the OTC Markets is volatile and sporadic, which could depress the market price of the Company's Subordinate Voting Shares and make it difficult for the Company's security holders to resell their Subordinate Voting Shares*

The Company's Subordinate Voting Shares are quoted on the OTCQX tier of the OTC Markets. Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's operations or business prospects. This volatility could depress the market price of Subordinate Voting Shares for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like the NYSE. These factors may result in investors having difficulty reselling Subordinate Voting Shares.

### *Price volatility of publicly traded securities*

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company will operate;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Subordinate Voting Shares;
- sales or perceived sales of additional Subordinate Voting Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

In recent years, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price of the Subordinate Voting Shares will not occur. The market price of the Subordinate Voting Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Subordinate Voting Shares.

### *Liquidity*

Although the Subordinate Voting Shares are quoted on the OTCQX and CSE, the Company cannot predict at what prices the Subordinate Voting Shares of the Company will trade and there can be no assurance that an active trading market will be sustained. There is a significant liquidity risk associated with an investment in the Company.

### *Shareholders will have little or no rights to participate in the Company's affairs*

With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Board of Directors and its officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs, including, without limitation, the selection and investment in dispensaries, cultivation operations and real estate. The Company may also retain other officers and agents to provide various services to the Company, over which the

shareholders will have no control. There can be no assurance that the Board of Directors, officers or its other agents will effectively manage and direct the affairs of the Company. Moreover, due to the fact that the holders of Company Super Voting Shares will have the power to elect the Board of Directors, other shareholders will not have the power to change the Board of Directors if they disagree with the decisions being made by the Board of Directors and management.

#### *Dividends*

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

#### *Costs of maintaining a public listing*

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

#### *Canada-United States border risks*

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

#### *Newly established legal regime*

The Company's business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

#### *The Company's business, financial condition, results of operations, and cash flow may in the future be negatively impacted by challenging global economic conditions*

Future disruptions and volatility in global financial markets and declining consumer and business confidence, including as a result of COVID-19, could lead to decreased levels of consumer spending. The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn

could have a material adverse effect on the Company's business, financial condition, results of operations, and cashflow.

*The recent outbreak of COVID-19 may have a significant negative impact on the Company's business and financial results*

In December 2019, there was an outbreak of COVID-19 in China that has since spread to many other regions of the world. The outbreak was subsequently labeled as a global pandemic by the World Health Organization in March 2020. As the pandemic continues to spread throughout the United States, businesses as well as federal, state and local governments have implemented significant actions to attempt to mitigate this public health crisis. Although the ultimate severity of the COVID-19 outbreak is uncertain at this time, the pandemic may have adverse impacts on the Company's financial condition and results of operations, including, but not limited to:

- The Company may experience significant reductions or volatility in demand for its products as customers may not be able to purchase merchandise due to illness, quarantine or government or self-imposed restrictions placed on our stores' operations. Currently all of our stores are open with some having temporarily ceasing operations or reduced operational hours due to labor shortages and we expect them to remain open. Social distancing measures or changes in consumer spending behaviors due to COVID-19 may, however, impact traffic in our stores and such actions could result in a loss of sales and profit.
- The Company may experience temporary or long-term disruptions in its supply chain. While the outbreak has impacted manufacturing and distribution throughout the world, we have not currently experienced any material impact in our supply chain. Transportation delays and cost increases, closures or disruptions of businesses and facilities or social, economic, political or labor instability, may impact our or our suppliers' operations or our customers.
- The Company's liquidity may be negatively impacted if its stores are unable to maintain their current level of sales and the Company may be required to pursue additional sources of financing to meet its financial obligations. Obtaining such financing is not guaranteed and is largely dependent upon market conditions and other factors. Further actions may be required to improve the Company's cash position, including but not limited to, monetizing Company asset and foregoing capital expenditures and other discretionary expenses.
- The Company may experience temporary or long-term delays in obtaining regulatory approvals for the completion of the acquisition of GreenMart and other regulatory approvals required in connection with, among other things, the Company's operations, expansion and staffing due to governmental office shut downs or delays. Such actions could cause a delay in completion of the acquisition of GreenMart, result in labor shortages, or delay completion of expansion projects and could result in a loss of sales and profit.

The extent of the impact of COVID-19 on the Company's operations and financial results depends on future developments and is highly uncertain due to the unknown duration and severity of the outbreak. The situation is changing rapidly and future impacts may materialize that are not yet known.

## **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement relating to an offering of Securities, certain legal matters relating to the offering of Securities will be passed upon on behalf of the Company by Cassels Brock & Blackwell LLP with respect to matters of Canadian law. As of the date hereof, Cassels Brock & Blackwell LLP, and its partners and associates, beneficially own, directly or indirectly, as a group, less than 1% of any class of outstanding securities of the Company.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Haynie and Company, LLC, Certified Public Accountants and Management Consultants, is independent of the Company in accordance with the rules of professional conduct of the Public Company Accounting Oversight Board (United States) and the Canadian Securities Authority. Haynie and Company, LLC has performed the audit in respect of certain financial statements incorporated by reference herein or attached hereto. As of the date hereof, Haynie and Company, LLC, and its partners and associates, beneficially own, directly or indirectly, in their respective groups, less

than 1% of any class of outstanding securities of the Company. The transfer agent and registrar for the Subordinate Voting Shares is Odyssey Trust Company at its principal offices in Calgary, Alberta.

### **PURCHASERS' STATUTORY RIGHTS**

Unless provided otherwise in a Prospectus Supplement, the following is a description of a purchaser's statutory rights. Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. However, purchasers of Securities under an "at-the-market distribution" by the Company will not have the right to withdraw from an agreement to purchase Securities and will not have remedies for rescission or, in some jurisdictions, revisions of the price or damages for non-delivery of the prospectus, because this Prospectus, Prospectus Supplements relating to Securities purchased by the purchaser and any amendment relating to Securities purchased by the purchaser will not be delivered in cases where an exemption from such delivery requirement has been obtained. Any remedies under securities legislation that a purchaser of Securities under an "at-the-market distribution" by the Company may have against the Company or agents for rescission or, in some jurisdictions, revisions of the price or damages if this Prospectus, Prospectus Supplements relating to Securities purchased by the purchaser and any amendment relating to Securities purchased by the purchaser contain a misrepresentation will remain unaffected by the non-delivery in cases where an exemption from such delivery requirement has been obtained. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Original purchasers of Securities which are convertible, exchangeable or exercisable for other securities of the Company (unless the Securities are reasonably regarded by the Company as incidental to the applicable offering as a whole) will have a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such Securities. The contractual right of rescission will be further described in any applicable Prospectus Supplement, but will, in general, entitle such original purchasers to receive, upon surrender of the underlying securities, the amount paid for the applicable convertible, exchangeable or exercisable Securities (and any additional amount paid upon conversion, exchange or exercise) in the event that this Prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of such Securities under this Prospectus and the applicable Prospectus Supplement; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of such Securities under this Prospectus and the applicable Prospectus Supplement.

In an offering of Securities which are convertible, exchangeable or exercisable for other securities of the Company, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in this Prospectus, the relevant Prospectus Supplement or an amendment thereto is limited, in certain provincial and territorial securities legislation, to the price at which the Securities which are convertible, exchangeable or exercisable for other securities of the Company are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion, exchange or exercise of the Security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of this right of action for damages, or consult with a legal adviser.

### **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS**

The directors, chief executive officer and chief financial officer and promoter of the Company, being Mark Barnard, Elroy Sailor, Ana Dutra, Eula Adams, Steven White and Leo Jaschke, reside outside of Canada and each has appointed Cassels Brock & Blackwell LLP, Suite 2200, HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8, as his or her agent for service of process in Canada. Haynie and Company, LLC, the auditor in respect of the financial statements of the Company, prepared on a consolidated basis, as at and for the year ended December 31, 2019, is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that

resides outside of Canada or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

## **CERTIFICATE OF THE COMPANY**

Dated June 2, 2020

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, other than Quebec.

(Signed) STEVE WHITE  
Chief Executive Officer

(Signed) LEO JASCHKE  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) MARK BARNARD  
Director

(Signed) EULA ADAMS  
Director

## **CERTIFICATE OF THE PROMOTERS**

Dated: June 2, 2020

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada, other than Quebec.

(Signed) STEVE WHITE  
Promoter