

## FORM 7

### MONTHLY PROGRESS REPORT

Name of Listed Issuer: Harvest Health & Recreation Inc. (the "Issuer").

Trading Symbol: HARV

Number of Outstanding Listed Securities: 132,189,472 subordinate voting shares

Date: July 7, 2020

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

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

During the month the Issuer remained committed to executing on its business plan and remains focused on returning to profitability in its operations. The Issuer continues to operate in its existing markets with minimal disruption from the Covid-19 pandemic and remains vigilant with its safety precautions by continuously

reviewing, revising, and implementing appropriate protections and procedures related to its operations during the pandemic on a case by case basis.

On June 22, 2020, the Issuer closed on the initial portion of its previously announced sale with HighTimes Holding Corp, wherein Issuer sold all of the issued and outstanding membership interests of Interurban Capital Group, LLC, a Delaware limited liability company (fka Interurban Capital Group, Inc., a Delaware corporation) to HHI Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Hightimes Holding Corp., a Delaware corporation (“Hightimes”).

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

The Issuer continues to execute on its core goals which include:

- Scaling Issuer’s operating team and general operations to return to profitability.
- Expanding Issuer’s retail and wholesale footprint across its target key markets in the US.
- Building, acquiring and expanding brands and distributing them across its footprint and key markets in the U.S.
- Continued efforts to seek regulatory approval for planned acquisitions.
- Rationalization of resources following completion of acquisition(s).
- Continuing to operate in a disciplined way, evaluating all opportunities on ROIC.

Issuer continues working in collaboration with various local governmental bodies and regulators to address the impact of the COVID-19 pandemic on Issuer’s operations in its existing markets.

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

None.

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

None.

5. Describe any new business relationships entered into between the Issuer, the Issuer’s affiliates or third parties including contracts to supply products or services,

joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

None.

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

None.

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

On June 22, 2020, The Issuer sold all of the issued and outstanding membership interests of Interurban Capital Group, LLC, a Delaware limited liability company (fka Interurban Capital Group, Inc., a Delaware corporation) to HHI Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Hightimes Holding Corp., a Delaware corporation ("Hightimes"). The consideration for the membership interests was USD \$61.5 million, consisting of USD \$1.5 million in cash and USD \$60 million payable in 600,000 shares of Series A Preferred Stock of Hightimes.

8. Describe the acquisition of new customers or loss of customers.

None.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

None.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

48 total employee hirings; 46 hourly, non-exempt and 2 salary, exempt  
38 employee terminations  
3 employee layoffs that are permanent with no anticipated re-hire date

- 11. Report on any labour disputes and resolutions of those disputes if applicable.  
No labor disputes to report.
- 12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

On June 4, 2020, Rainbow HAH Council Bluffs LLC, Rainbow HAH Santa Cruz LLC, Rainbow HAH Coalinga LLC and Rainbow Realty Group LLC (collectively, the “Plaintiffs”) filed a complaint in the Supreme Court of the State of New York, County of Nassau (Index No.: 605323/2020) against Issuer and certain of its subsidiaries and certain of its current and former officers and directors (the “Harvest Defendants”), Interurban Capital Group, Inc. and certain of its subsidiaries, Hightimes Holding Corp. and one of its subsidiaries and others (the “Rainbow Lease Complaint”). The Rainbow Lease Complaint stems from the failure to pay rent at a former Have a Heart branded dispensary located in Council Bluffs, Iowa, among other things. The Plaintiffs allege breach of lease, breach of guaranty, breach of the implied covenant of good faith and fair dealing, fraud in the inducement, conspiracy to commit fraud and breach of fiduciary duty (the “Rainbow Litigation”). The Rainbow Litigation is in the pleading stage of litigation, no response has been filed by the Harvest Defendants and no discovery has commenced. The Harvest Defendants intend to vigorously defend themselves, believe that the allegations against them lack merit and plans to prosecute claims against other defendants in the Rainbow Litigation.

- 13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

Issuer made repayments of \$13,297,944.45 on its existing debt obligations consisting of \$90,569.46 of principal and \$13,207,374.99 of interest.

- 14. Provide details of any securities issued and options or warrants granted.  
None.

Security	Number Issued/Granted	Details of Issuance	Use of Proceeds <sup>(1)</sup>

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.  
None.
16. Provide details of any changes in directors, officers or committee members.  
On June 19, 2020, Issuer announced the resignation of Leo Jaschke as Chief Financial Officer.  
On June 22, 2020, Issuer announced the appointment and promotion of Deborah Keeley as Chief Financial Officer. Mrs. Keeley joined issuer in April 2020 as Issuer's Vice President of Finance and Tax.
17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

#### COVID-19 Update

In light of the COVID-19 crisis, many lawmakers have made rapid changes to operations affecting cannabis sales. As of the end of June, the following Harvest states have been able to enhance the customer experience by fully opening the retail floor to our patients and customers: Arizona, Arkansas, California, Florida, North Dakota. Maryland and Pennsylvania are in the process of transitioning to full in-store operations as county officials lift stay at home orders and ease mandates for our businesses, such as only allowing curbside service.

Harvest continues to work with the Federal government to advocate for inclusion of cannabis businesses in Federal relief packages in response to the COVID-19 crisis.

Legislation in most Harvest states has concluded without resolution to many cannabis-related bills, due to the outbreak of COVID-19.

#### Changes/Updates to State Laws

##### **Arizona**

Arizona adult use legalization campaigns are on track, despite the COVID-19 outbreak. The "Smart and Safe Arizona" initiative has collected more than 400,000 signatures. 237,645 are required in order to be added to the November 2020 ballot. On July 2, 2020, Smart and Safe Arizona will be submitting all signatures to the state for certification and ballot qualification.

##### **Colorado**

Colorado Governor Jared Polis signed HB1424 into law on Monday June 29<sup>th</sup>, allowing for a mass-pardon for Coloradans with minor cannabis possession convictions of 2 ounces or less. This bill aims to make the cannabis industry more accessible to people of color, particularly those who were previously convicted on drug charges. The bill further expands social equity programs and access to

business licenses for Colorado residents who have been arrested for or convicted of a cannabis offense, as well as for those who have been subject to civil asset forfeiture due to a cannabis offense. Pardons will begin in 90 days.

## **Pennsylvania**

In part due to the state budget deficit left as a result of the COVID-19 pandemic, some Republican lawmakers are warming to the idea of adult use cannabis in the state to help alleviate some of the state's budgetary shortfalls. According to recent polling, 62% of likely voters are in favor of legal, regulated adult use sales. Senate Bill 350, creating a path for adult use legalization, is currently stalled in the state legislature. Pennsylvania currently has more than 300,000 patients registered for the medical cannabis program as it continues to expand the list of eligible conditions.

### **Certificate Of Compliance**

The undersigned hereby certifies that:

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

Dated: July 7, 2020

Nicole Stanton  
Name of Director or Senior  
Officer



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Signature

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Secretary  
Official Capacity

<b>Issuer Details</b>		For Month End	Date of Report
Name of Issuer		June	07/07/2020
Harvest Health & Recreation Inc.			
Issuer Address			
1155 W. Rio Salado Parkway, Suite 201			
City/Province/Postal Code		Issuer Fax No.	Issuer Telephone No.
Tempe, Arizona 85281		( )	(480) 494-2261
Contact Name		Contact Position	Contact Telephone No.
Nicole Stanton		Secretary	(480) 493-2571
Contact Email Address		Web Site Address	
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