



## **SOL Global Investments Corp.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine-month period ended August 31, 2021  
and  
the three and nine-month period ended August 31, 2020**

(Expressed in Canadian Dollars)

Dated as of October 29, 2021

# SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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## INTRODUCTION

SOL Global Investments Corp. (the "Company" or "SOL Global") was incorporated under the laws of the Province of Ontario, Canada on January 28, 2005. The common shares of the Company (the "Common Shares") are listed on the Canadian Securities Exchange (the "CSE") under the symbol "SOL", the OTCCK in the United States of America under the symbol "SOLCF", and on the Frankfurt Exchange under the symbol "9SB". The Canadian dollar is the Company's functional and reporting currency. Unless otherwise noted, all dollar amounts within this report are expressed in Canadian dollars. This management discussion and analysis ("MD&A") is dated October 29, 2021 and should be read in conjunction with the unaudited interim condensed financial statements of the Company for the three and nine-month period ended August 31, 2021 and the three-and nine-month period ended August 31, 2020 (the "Financial Statements"). Additional information about the Company is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) or the Company's website at <https://solglobal.com/>.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

*This MD&A contains forward-looking information and statements ("forward-looking statements") within the meaning of applicable securities laws, which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Forward-looking statements contained herein that are not clearly historical in nature may constitute forward-looking information. Forward-looking statements reflect the current expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "will", "expect", "likely", "should", "would", "plan", "anticipate", "intend", "potential", "proposed", "estimate", "believe" or the negative of these terms, or other similar words, expressions and grammatical variations thereof, have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the actual results, performance or events to be materially different from any future results, performance or events that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this MD&A. Although the Company has attempted to identify important factors that could cause actual results, performance or events to differ materially from those described in the forward-looking statements, there could be other factors unknown to management or which management believes are immaterial that could cause actual results, performance or events to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or events may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully, and readers should not place undue reliance on the forward-looking statements. Forward-looking statements contained herein are made as of the date of this MD&A and the Company assumes no responsibility to update forward looking statements, whether as a result of new information or otherwise, other than as may be required by applicable securities laws.*

## BUSINESS OVERVIEW

SOL Global is a diversified international investment and private equity holding company engaged in the small and mid-cap sectors. The Company's investments range from minority positions to large strategic holdings with active advisory mandates with an objective of providing shareholders with a long term returns through capital appreciation, dividends and interest from its investments. The investment sectors are primarily Cannabis but also include Retail, Agriculture, QSR & Hospitality, Media Technology & Gaming, Clean Energy and New Age Wellness.

The Company's investment objectives are to provide shareholders with long-term capital appreciation, dividends and interest by investing in an actively managed portfolio of securities of public and private companies. These companies may be operating in or derive a significant portion of their revenue from the cannabis and/or hemp industry. Notwithstanding the foregoing, the Company is not exclusively focused on investments in the cannabis industry. The Company continues to seek value investments and have invested significant capital in opportunities in other industries, with a view towards the Company's investment objectives. The Company plans to reinvest any profits on its investments to further the growth and development of the Company's investment portfolio.

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## UNITED STATES REGULATORY RISK AROUND THE CANNABIS INDUSTRY

In the United States of America, the possession and/or use of cannabis or cannabis related products remains in violation of federal law as cannabis continues to be categorized as a Schedule I controlled substance under the U.S. Controlled Substances Act (the "CSA"). However, medical and adult-use cannabis has been legalized and is regulated in certain states. Thirty-six states, four of five permanently inhabited U.S. territories and the District of Columbia recognize, in some way medical use of cannabis. In addition, fifteen states plus the District of Columbia recognize, in some way adult recreational use of cannabis. As such, companies who are involved in the cannabis industry in the United States are subject to conflicting and inconsistent state and federal legislation, regulation, and enforcement. Presently, violations of federal laws and regulations in the United States of America may result in fines, penalties, administrative sanctions, convictions or settlements arising from either civil or criminal proceedings commenced by the United States federal government or private citizens. Finally, given the inconsistency in the laws at the federal and state level in the United States of America, the approach to the enforcement of cannabis laws may change at any time. **For the reasons set forth above, the Company's existing interests and operations in the United States cannabis markets may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities due to the fact that the possession and/or use of cannabis or cannabis related products remains illegal under U.S. federal law, and that enforcement of relevant laws is uncertain and, therefore, a significant risk. Readers are also encouraged to review the following sections of this MD&A: "Regulatory Developments – Regulatory Developments in the United States", "Issues with U.S. Cannabis-Related Assets" and "Risk Factors".** As at August 31, 2021, the fair value of the Company's investments in cannabis and related investments in the United States of America totaled \$197.1 million (November 30, 2020: \$253.4 million). The fair value of non-U.S. cannabis, cannabis related investments and non-cannabis investments totaled \$268.1 million (November 30, 2020: \$26.1 million). In all U.S. jurisdictions in which the Company or its subsidiaries, as applicable, carries out cannabis-related activities, it (or the applicable subsidiaries) has obtained legal advice regarding compliance with applicable state regulatory frameworks, exposure and implication arising from U.S. federal laws in the states where it conducts operations. As of the date hereof, neither the Company nor, to its knowledge, any of its subsidiaries in which the Company has "direct", "indirect" or "material ancillary involvement" in the U.S. cannabis industry (as described under Staff Notice 51-352) have received any notices of violation, denial or non-compliance from U.S. authorities, and the Company believes that the activities of its subsidiaries who are engaged in direct involvement of the cultivation or distribution of cannabis in the United States are being done in compliance with applicable state law, however strict compliance with state laws may not act as a shield to federal criminal liability. See "Risk Factors" and "Regulatory Developments".

Notwithstanding the illegality of cannabis under U.S. federal law, the Company has historically had access to both public and private capital in Canada in order to continue to support its continuing operations, including public and/or private equity offerings of its Common Shares, warrants, convertible debentures and notes. The Company's executive team and the Board also have extensive relationships with sources of private capital (such as funds and high net worth individuals), that could potentially be available. Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high-net-worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to issuers that are involved in the cannabis industry. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. See "Risk Factors".

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## FINANCINGS

On July 8, 2019, the Company completed a \$50,000,000 private placement financing by way of the issue and sale of a senior secured non-convertible debenture (the "Debenture").

The Company expected that the Debenture would be repaid in cash on its July 5, 2021, maturity date. As previously disclosed on February 8, 2021, a dispute arose between the Company and its lender regarding whether the lender could demand that the Debenture be repaid not in cash but by delivery of certain shares held by the Company. As of the date of this MD&A, the dispute between the Company and the lender regarding the Debenture has been settled. For further information, please refer to the heading "Legal claims related to the Debenture commenced by the lender against the Company and commenced by the Company against the lender" below.

The agreement governing the Debenture (the "Debenture Agreement") considered that if an acquisition of Verano Holdings LLC ("Verano") by Harvest Health & Recreation Inc. ("Harvest") occurred, the lender would have the right to demand certain shares of Verano or Harvest instead of cash. An acquisition of Verano by Harvest did not occur and thus it was the Company's position that the lender did not have the right to demand for repayment in Verano shares instead of cash.

Notwithstanding the Company's position regarding the repayment of the Debenture, the option of the lender to demand shares of Verano or Harvest and the right of the Company to settle the Debenture on maturity in Verano shares in the event of certain conditions being met created a derivative liability or asset which was required to be accounted for. Accordingly, the Company determined the fair value liability of the put and call options, embedded in the Debenture Agreement, to be \$9,352,056 at the inception of the Debenture, based on a Black Scholes option pricing model, using the following assumptions: risk free interest rate of 1.55%, volatility of 65.4%, term of 2 years, and a \$nil dividend yield. The difference between the face value of the Debenture and the fair value of the derivative liability, in the amount of \$40,647,944, was allocated to the Debenture and accreted to its face value over the term of the Debenture on the effective interest rate method.

As at November 30, 2019, the Company remeasured the embedded derivative liability using a Black Scholes option pricing model using the following assumptions: risk free interest rate of 1.60%, volatility of 83.4% to 72.1%, term of 1.6 years, and a \$nil dividend yield. Based on these assumptions the Company determined that the derivative was in an asset position in the amount of \$651,071. Accordingly, a gain related to the change in fair value of the derivative liability in the amount of \$10,003,127 was recorded in the statement of income/(loss) and comprehensive income/(loss) for the period ended November 30, 2019. During the year ended November 30, 2019, the Company incurred an accretion expense of \$1,427,350 and interest expense of \$1,211,529 which was recorded in the statement of income/(loss) and comprehensive income/(loss) and was accrued in the financial statements.

On March 26, 2020, both Verano and Harvest announced the mutual termination of their previously announced business combination agreement dated April 22, 2019, governing the terms of the proposed acquisition of Verano by Harvest (the "Harvest Transaction"). Due to the termination of the Harvest Transaction, it was the Company's position that the lender lost any right to demand shares of Verano and the Debenture would be treated as a straight debt without the ability to be repaid in shares of Verano after it had completed its going-public transaction (the "New Verano Shares"). Accordingly, the Company derecognized the fair value of the derivative asset of \$651,071 related to the ability of the lender to demand shares of either Harvest or Verano which was recorded in the Unaudited Interim Condensed Statements of Income/(Loss) and Comprehensive Income/(Loss) (the "Interim Income Statements") for the year ended November 30, 2020. During the nine-month period ended August 31, 2021, the Company incurred accretion expense of \$3,334,829 and interest expense of \$2,250,000 (year ended November 30, 2020, accretion expense of \$6,017,228 and interest expense of \$3,000,000) which was recorded in the statement of income (loss) and comprehensive income / (loss). As at August 31, 2021, accrued interest of \$750,000 (November 30, 2020: \$1,250,000) has been recorded as interest payable on long term debt on the statement of financial position.

Pursuant to the terms of the Debenture Agreement, the Company pledged its interest in SOL Verano Blocker 2 Inc. There was also a general security agreement governing the Company's other assets. A director of the Company and certain other shareholders of the Company each provided guarantees under the Debenture. The Company did not compensate

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these parties for providing such guarantees or assuming or otherwise becoming subject to any liabilities of the guarantors in connection with them having provided these guarantees.

#### **Legal claims related to the Debenture commenced by the lender against the Company and commenced by the Company against the lender**

On February 7, 2021, the Company initiated litigation in the State of New York against its lender, 1235 Fund LP ("1235"), seeking declaratory relief that, among other things, this lender would not be entitled to be repaid in any property other than cash (the "US Claim"). The litigation commenced because 1235, on February 5, 2021, sent a formal notice of default pursuant to the Debenture Agreement, purportedly electing to receive, instead of cash, 1,730,794 shares of Verano that had been held by the Company prior to Verano becoming a public entity ("Old Verano Shares plus an additional 25% of the 1,730,794 shares if the Old Verano Shares were not freely tradeable). On February 7, 1235 took the formal position that the Company's participation in an exchange of Old Verano Shares for New Verano Shares that occurred automatically as a result of Verano's going public transaction (the "RTO") was a breach of the Company's obligations under the Debenture and related agreements. Pursuant to the RTO, each Old Verano Share previously held by the Company was exchanged for approximately 7.537 New Verano Shares.

As set out in the US Claim, the Company's position was that 1235's right to elect to receive shares instead of cash was dependent on a specific corporate transaction closing, which did not occur. In addition, the terms of the Debenture Agreement provide that in the case of an alleged breach of the Debenture claimed by 1235, its only remedy would be the immediate repayment of the principal of the Debenture in cash. Finally, the US Claim asserted that if 1235 had the right to be repaid in shares, which the Company denied, such repayment would result in a breach of Section 347 of the Criminal Code of Canada, as the effective annual rate of interest would have exceeded the highest permitted rate of 60% by a significant multiple.

On February 25, 2021, 1235 commenced litigation against the Company and others in the Ontario Superior Court of Justice seeking delivery of the equivalent in New Verano Shares of more Old Verano Shares than it previously demanded in its formal notice of default sent on February 5, 2021 or, in the alternative, more than \$550 million in damages (the "Ontario Claim"). The Company is considering all of its legal options to respond to the Ontario Claim, and will be asking the court to dismiss or stay the Ontario Claim as these matters had already been brought before the courts in New York. 1235 has asked that the proceedings in New York be stayed or dismissed, arguing that these matters should be decided by a court in Ontario. No amounts were reserved in the financial statements of the Company with respect to the Ontario Claim. The New York Court issued a decision on June 3, 2021 that it did not have jurisdiction to hear the matter, and that decision was appealed.

#### **Closing of Settlement with 1235 Fund LP**

On September 3, 2021, the Company announced the closing of its previously disclosed settlement of litigation with 1235 relating to the Debenture. Pursuant to the settlement, a subsidiary of the Company acquired all of 1235's rights under the Debenture for \$120 million (which was \$68.5 million above the Debenture's principal and accrued interest), which was paid to 1235 on September 3, 2021 (the "Settlement Payment"). To partially fund the acquisition, the subsidiary received an equity investment from the Company, which had entered into a loan agreement with an arm's length private lender (the "Lender") for a secured loan in the principal amount of \$50,000,000 (the "Loan"). The Loan has a term of 12 months, bears interest at the rate of 9% per annum and is secured by a general security agreement. Pursuant to the settlement, the legal proceedings commenced by the Company against 1235 and another entity were dismissed without costs. The Company recorded \$68.5M in accrued liability for the period ending August 31, 2021.

#### **IFRS 10, DESIGNATION AS AN INVESTMENT COMPANY**

The following criteria within IFRS 10, Financial Statements ("IFRS 10"), were assessed by the Company to determine whether it qualifies as an investment entity: (a) does the Company obtain funds from one or more investors for the purpose of providing those investors with investment management services; (b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all its investments on a fair value basis. As at August 1, 2018 and up to the date of these financial statements, the Company determined that it met the definition of an investment entity. As a result

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of this classification, effective August 1, 2018, the Company deconsolidated its subsidiaries and recognized the interests held as financial instruments classified at fair value through profit /loss.

#### NORMAL COURSE ISSUER BID

On March 2, 2021, the Company announced its intention to commence a normal course issuer bid ("NCIB"), which was completed on September 3, 2021 and under which the Company purchased 2,737,805 Common Shares representing approximately 5% of its issued and outstanding Common Shares. All Common Shares purchased under the NCIB were purchased on the open market through the facilities of the CSE at the prevailing CSE market price for the Common Shares at the time of purchase. Common Shares acquired by the Company under the NCIB were purchased for cancellation. During the nine-month ended August 31, 2021, total of 2,737,805 of Common Shares were re-purchased through the NCIB.

#### INCOME STATEMENT ANALYSIS COMPARISON FOR THE THREE-MONTH PERIOD ENDED August 31, 2021, AND THREE-MONTH PERIOD ENDED August 31, 2020

	Three-month period ended August 31, 2021 \$	Three-month period ended August 31, 2020 \$	Variance \$
<b>(Loss)/Income from investments</b>			
Realized/Unrealized gain on investments	12,512,790	60,296,352	(47,783,562)
Interest and other income	-	801,643	(801,643)
<b>Total (loss) / income from investments</b>	<b>12,512,790</b>	<b>61,097,995</b>	<b>(48,585,205)</b>
<b>Expenses</b>			
Salaries and consulting fees	3,972,608	3,073,545	899,063
Share based compensation	43,469	504,763	(461,294)
General and administrative	931,180	600,367	330,813
Interest expense	1,325,474	2,641,782	(1,316,308)
Financing expense	339,351	-	339,351
Professional fees and transaction costs	5,962,768	779,191	5,183,577
Foreign exchange loss (gain)	(2,494,913)	2,920,312	(5,415,225)
Settlement	68,500,000	-	68,500,000
Change in fair value of deferred share units	-	1,350,933	(1,350,933)
Change in fair value of derivatives	-	(8,562,472)	8,562,472
<b>Total expenses</b>	<b>78,579,937</b>	<b>3,308,421</b>	<b>75,271,516</b>
<b>Income (loss) from continuing operations before taxes</b>	<b>(66,067,147)</b>	<b>57,789,574</b>	<b>(123,856,721)</b>

#### Comparison of Income Statement for the three-month period ended August 31, 2021, and the three-month period ended August 31, 2020

Net loss from continuing operations before income taxes totalled \$66.1 million for the three-month period ended August 31, 2021, compared to an income of \$57.8 million for the three-month period ended August 31, 2020. This represents a decrease of \$123.9 million. Total gain from investments totalled \$12.5 million for the three-month ended August 31, 2021, compared to income of \$61.1 million for the three-month period ended August 31, 2020. This represents a decrease of \$48.6 million between periods. Total expenses were \$78.6 million for the three-month period ended August 31, 2021, compared to \$3.3 million for the three-month period ended August 31, 2020, which represents an increase of \$75.3 million.

Significant reasons for the changes in income and loss from operations:

- The change in realized/unrealized gain on equity investments of \$47.8 million is primarily due to \$52.8 million in unrealized loss recognized for the Company's investment in Verano. On December 15, 2020, Verano completed its merger with Alternative Medical Enterprises and its affiliated companies, as well as a capital raise of USD\$100 million. Concurrent with the merger, Verano also completed a reverse takeover of Majesta Minerals Inc. ("Majesta") and became publicly-listed on the CSE under the ticker "CNSX:VRNO". The Old Verano Shares were

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exchanged for New Verano Shares at an exchange ratio of one Old Verano Share for approximately 7.537 New Verano Shares. The Company received approximately 25.2 million New Verano Shares on the effective date of the transaction. At the value reflected in these financial statements as at August 31, 2021, \$14.25. Verano Holdings Corp. is directly engaged in the cultivation and/or distribution of cannabis in accordance with U.S. state licenses.

On March 15, 2021, the company completed an investment in Damon Motorcycles ("Damon") an electric motorcycle company. The Company invested \$6.1M into Damon. This investment as of August 31, 2021, is valued at \$12.3M an unrealized gain of \$6.2M. In the prior year, the majority of the Company's investments suffered due to regulatory, logistics and other reasons and, as a result, the Company impaired the majority of its investments. In addition, interest and other income decreased by \$0.8 million between periods.

- During the period ended August 31, 2021, the company closed a previously disclosed settlement of litigation with 1235 Fund LP relating to a senior, secured non-convertible debenture issued and sold to 1235 in the principal amount of CAD\$50 million (the "Debenture"). Pursuant to the settlement, the Company paid CAD\$120 million (which is CAD \$68.5 million above the Debenture's principal and accrued interest of \$1.5 million) to 1235 (the "Settlement Payment"). Legal proceedings commenced by the Issuer against 1235 and another entity were dismissed without costs.
- Change in fair value of derivatives decreased by \$8.6 million. This is related to the Debenture that the Company secured during July 2019. The Debenture was expected to be repaid in cash on or before June 30, 2021. For further information, please refer to the heading "*Legal claims related to the Debenture commenced by the lender against the Company and commenced by the Company against the lender*" above. On November 30, 2020, the Company reversed the fair value of the embedded derivative liability recorded previously. This was primarily due to the termination of the business combination agreement between Harvest and Verano which in turn resulted in Verano being valued as a stand-alone company, including being a company with low debt compared to its peers and having a high EBITDA and operating margins, leading to recording an unrealized gain.
- The non-cash expense of the change in fair value gain on the deferred share units ("DSUs") decreased by \$1.4M. The DSU's were previously recorded as a liability in the statement of financial position at fair value at the date of grant because the amount to be paid could either be settled by the issuance of shares or cash and historically it had been the Company's intention to settle the DSU's in cash. As of December 1, 2019, the Company determined that its intention, on a go forward basis, will be to settle the DSU's through the issuance of shares. Accordingly, DSU are no longer fair valued and are recorded as equity issuances
- Professional fees and transaction costs increased by \$5.2 million between periods. This is primarily due to increase in M&A activities, as well as settlement negotiations, which resulted in increased fees paid to external consultants, legal, investigative, due diligence and professional fees related to investment acquisitions made or assessed by the Company. During the prior period, the Company did not incur any transaction costs due to COVID-19. The remaining fluctuation relates primarily to legal, accounting, and other professional fees incurred.
- Salaries and consulting fees increased by \$0.9 million compared to the prior period and this is due to increase in employee compensation new hires and bonuses paid to senior management.
- Interest expense decreased by \$1.3 million between periods. This decrease can be attributed to full repayment of the USD\$5M Verano promissory note
- Foreign Exchange decreased by \$5.5M due to fluctuations in USD-CDN FX Markets over the past twelve months combined with increased US M&A activities which led to increased spending in USD Investments which resulted in increased legal, consulting, due diligence and other professional fees.
- Non-cash share-based compensation decreased by \$0.5 million between periods. During the three-month period ended August 31, 2021, the following share-based compensation were issued: 0.4 million committed deferred share units but not yet issued
- Financing expense incurred was \$0.3 million. This is due to costs incurred in securing \$50 million non-revolving line of credit with private lender. As of August 31, 2021, the company has not withdrawn any proceeds from line of credit and had paid standby fees of \$339,351.

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## INCOME STATEMENT ANALYSIS COMPARISON FOR THE NINE-MONTH PERIOD ENDED August 31, 2021, AND NINE-MONTH PERIOD ENDED August 31, 2020

	Nine-month period ended August 31, 2021 \$	Nine-month period ended August 31, 2020 \$	Variance \$
(Loss)/Income from investments			
Realized/Unrealized gain on investments	340,956,571	87,693,974	253,262,597
Interest and other income	6,441,077	2,598,152	3,842,925
<b>Total (loss) / income from investments</b>	<b>347,397,648</b>	<b>90,292,126</b>	<b>257,105,522</b>
Expenses			
Salaries and consulting fees	20,910,691	4,117,023	16,793,668
Share based compensation	384,179	945,549	(561,370)
General and administrative	1,781,973	1,396,382	385,591
Interest expense	5,374,981	6,067,790	(692,809)
Financing expense	1,684,613	-	1,684,613
Professional fees and transaction costs	10,267,082	1,712,158	8,554,924
Foreign exchange loss (gain)	1,416,666	3,031,985	(1,615,319)
Settlement	68,500,000	-	68,500,000
Change in fair value of deferred share units	-	978,567	(978,567)
Change in fair value of derivatives	-	10,003,127	(10,003,127)
<b>Total expenses</b>	<b>110,320,185</b>	<b>28,252,580</b>	<b>82,067,604</b>
<b>Income (loss) from continuing operations before taxes</b>	<b>237,077,463</b>	<b>62,039,546</b>	<b>175,037,918</b>

### Comparison of Income Statement for the nine-month period ended August 31, 2021, to the nine-month ended August 31, 2020

Net gain from continuing operations totalled \$237.1 million for the nine-month period ended August 31, 2021, compared to an income of \$62.0 million for the nine-month period ended August 31, 2020. This represents a favourable change of \$175.0 million. Total gain from investments totalled \$347.4 million for the nine-month period ended August 31, 2021, compared to gain of \$90.3 million for the nine-month period ended August 31, 2020. This represents a favourable change of \$257.1 million between periods. Total expenses were \$110.3 million for the nine-month period ended August 31, 2021, compared to \$28.3 million for the nine-month period ended August 31, 2020, which represents an increase of \$82.1 million.

Significant reasons for the changes in income and loss from operations:

- The change in realized/unrealized gain on equity investments of \$341 million is due to \$267.6 million in realized gain recognized for the Company's investment in Verano LLC ("Verano"). Verano entered into a merger agreement with Harvest in early 2019. On March 26, 2020, Verano and Harvest announced the mutual termination of their business combination. As a result, the value of Verano shares were no longer tied to the public market share price of Harvest through a fixed exchange ratio. As of August 31, 2020, the primary driver of change in fair market value for this position was the decoupling of Harvest and Verano's share prices. On its own, Verano operates in 12 US states and Puerto Rico. It has very low debt compared to its peers and among the highest EBITDA and Operating Margins in the industry. On March 15, 2021, the company completed an investment in Damon. The Company invested \$6.1 million into Damon. This investment as of August 31, 2021, is valued at \$12.3 million an unrealized gain of \$6.2M. In the prior year, the majority of the Company's investments suffered due to regulatory, logistics and other reasons and, as a result, the Company impaired the majority of its investments. The remaining difference is primarily attributed to a decrease in the Company's other public and private company investments. In addition, interest and other income increased by \$3.8 million between periods.
- Change in fair value of derivatives decreased by \$10.0 million. This is related to the Debenture that the Company secured during July 2019. For further information, please refer to the heading "Legal claims related to the Debenture commenced by the lender against the Company and commenced by the Company against the lender" above. On November 30, 2020, the Company reversed the fair value of the embedded derivative liability recorded previously. This was primarily due to the termination of the business combination agreement between Harvest

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and Verano which in turn resulted in Verano being valued as a stand-alone company, including being a company with low debt compared to its peers and having a high EBITDA and operating margins, leading to recording an unrealized gain.

- During the period ended August 31, 2021, the company closed previously disclosed settlement of litigation with 1235 Fund LP relating to a senior, secured non-convertible debenture issued and sold to 1235 in the principal amount of CAD\$50 million (the "Debenture"). Pursuant to the settlement, the Company paid CAD\$120 million (which is CAD \$68.5 million above the Debenture's principal and accrued interest of \$1.5 million) to 1235 (the "Settlement Payment"). Legal proceedings commenced by the Issuer against 1235 and another entity were dismissed without costs.
- Professional fees and transaction costs increased by \$8.5 million between periods. This is primarily due to increase in M&A activities, as well as settlement negotiations, which resulted in increased fees paid to external consultants and legal, investigative, due diligence and professional fees related to investment acquisitions made or assessed by the Company. During the prior period, the Company did not incur any transaction costs due to COVID-19. The remaining fluctuation relates primarily to legal, accounting, and other professional fees incurred.
- Interest expense increased by \$1.2 million between periods. This increase is primarily due to interest and accretion accrued on the Debenture that the Company secured during July 2019.
- Salaries and consulting fees increased by \$16.8 million compared to the prior period. This is primarily due to increase in employee compensation, new hires and bonuses paid to senior management. The Company recorded bonuses of \$17.0 million CDN to senior management, employees and consultants.
- Non-cash share-based compensation decreased by 0.6 million between periods. During the nine-month period ended August 31, 2021, the following share-based compensation was issued: \$0.1 million in deferred share units, \$0.4 million committed deferred share units but not yet issued.
- Financing expense incurred was \$1.7 million. This is due to costs incurred in securing \$50 million non-revolving line of credit with private lender. As of August 31, 2021, the company has not withdrawn any proceeds from line of credit and had paid standby fees of \$339,351.
- Interest expense decreased by \$0.7 million between periods. This decrease can be attributed to full repayment of the USD\$5M Verano promissory note.
- Foreign Exchange decreased by \$1.6 million due to fluctuations in USD-CDN FX Markets over the past twelve months combined with increased US M&A activities which led to increased spending in USD Investments which resulted in increased legal, consulting, due diligence and other professional fees.
- The non-cash expense of change in fair value of deferred share units decreased by \$1.0 million. The DSU's were previously recorded as a liability in the statement of financial position at fair value at the date of grant because the amount to be paid could either be settled by the issuance of shares or cash and historically it had been the Company's intention to settle the DSU's in cash. As of December 1, 2019, the Company determined that its intention, on a go forward basis, will be to settle the DSU's through the issuance of shares. Accordingly, DSU are no longer fair valued and are recorded as equity issuances.

# SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

## INVESTMENTS

Investments are measured and carried at fair value at each reporting period. Fair value measurements are based on a three-level fair value hierarchy, based on inputs used in determining the fair value of financial assets and liabilities. The hierarchy of inputs is summarized as follows:

- Level 1 - inputs used to value financial assets and liabilities are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs used to value financial assets and liabilities are other than quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.
- Level 3 - inputs used to value financial assets and liabilities are not based on observable market data.

### Investments consisted of the following at August 31, 2021:

Financial assets measured at fair value	Cost \$	Level 1 \$	Level 2 \$	Level 3 \$	Total Fair Value \$
Common shares	372,429,155	231,298,556	-	200,029,387	431,327,943
Commercial Asset	11,964,558	-	20,014,573	-	20,014,573
Warrants	-	-	-	13,868,506	13,868,506
Investments Subtotal	384,393,713	231,298,556	20,014,573	213,897,893	465,211,022
Promissory notes receivable	7,254,422	-	-	8,136,581	8,136,581
Convertible debentures	11,845,747	-	-	19,908,468	19,908,468
<b>Total</b>	<b>403,493,882</b>	<b>231,298,556</b>	<b>20,014,573</b>	<b>241,942,942</b>	<b>493,256,071</b>

### Investments consisted of the following at November 30, 2020:

Financial assets measured at fair value	Cost \$	Level 1 \$	Level 2 \$	Level 3 \$	Total Fair Value \$
Common shares	228,889,605	1,166,313	11,794,318	263,549,442	276,510,073
Warrants	-	-	-	3,008,484	3,008,484
Investments subtotal	228,889,605	1,166,313	11,794,318	266,557,926	279,518,557
Promissory notes receivable	4,706,975	-	-	2,884,134	2,884,134
Convertible debentures	4,153,490	-	-	4,297,213	4,297,213
<b>Total</b>	<b>237,750,070</b>	<b>1,166,313</b>	<b>11,794,318</b>	<b>273,739,273</b>	<b>286,699,904</b>

### Change in level 3 investments

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the nine-month period ended August 31, 2021, and the year-ended November 30, 2020.

	Private Equities \$	Convertible debentures \$	Promissory notes \$	Warrants \$	Total Fair Value \$
<b>Balance December 1, 2019</b>	<b>131,351,361</b>	<b>6,349,687</b>	<b>4,029,544</b>	<b>1,092,853</b>	<b>142,823,445</b>
Purchases	3,290,006	2,919,180	2,895,730	679,751	9,784,667
Unrealized gains (losses)	146,496,451	30,992	(2,099,200)	1,235,880	145,664,123
Disposal	(4,403,646)	(5,093,011)	-	-	(9,496,657)
Transfers <sup>(2)</sup>	(13,184,730)	-	(2,148,300)	-	(15,333,030)
Interest on income promissory note	-	90,365	206,360	-	296,725
<b>Balance, November 30, 2020</b>	<b>263,549,442</b>	<b>4,297,213</b>	<b>2,884,134</b>	<b>3,008,484</b>	<b>273,739,273</b>
Purchases	134,523,452	7,254,422	5,539,031	-	147,316,905
Unrealized gains (losses)	72,202,199	9,382,782	135,000	10,860,022	92,580,003
Disposal	(39,498,095)	(1,133,015)	(593,840)	-	(41,224,950)
Interest on income promissory note	-	107,066	172,256	-	279,322
Reclass to Level 2 <sup>(3)</sup>	(230,747,611)	-	-	-	(230,747,611)
<b>Balance, August 31, 2021</b>	<b>200,029,387</b>	<b>19,908,468</b>	<b>8,136,581</b>	<b>13,868,506</b>	<b>241,942,942</b>

## SOL Global Investments Corp

### Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

1. The promissory note receivable from CannCure Investments Inc. ("CannCure") was fully satisfied through the issuance of 13,872,602 of the common shares of CannCure.
2. The promissory note receivable valued at \$2,148,300 with a private company was terminated and the shares were transferred to SOL.
3. Verano went public via reverse takeover on February 17, 2021 and is listed on The CSE. Fair value of Verano are presented in Level 2 for the period ending November 30, 2020 and is show as part of level 1 for free-trading shares for the nine-month ending August 31, 2021.

#### Significant unobservable inputs

The key assumptions the Company used in the valuation of level 3 investments include, but are not limited to, the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

	Fair value as at August 31, 2021 \$	Fair value as at November 30, 2020 \$	Range of Input	Valuation technique	Unobservable inputs
Private company common shares	200,029,387	263,549,442	Discount rates: 16% - 48%, Illiquidity discount: 20%-32% Other Investment Specific Discounts: 5%-24%	Recent transaction and financings, Discounted cash flow methodology, trends in comparable companies and/or transactions	Period-end transaction prices, discount rates, growth and margin estimates, investment specific adjustments
Promissory notes	8,136,581	2,884,134	Discount rate 6% - 100%	Discounted cash flow methodology	Discount rate
Convertible debentures	19,908,468	4,297,213	102%, 9%	Black-Scholes option pricing and Discounted cash flow methodology	Expected volatility, Discount rate
Warrants	13,868,506	3,008,484	74% - 193%	Black-Scholes option pricing	Expected volatility
<b>Total</b>	<b>241,942,942</b>	<b>273,739,273</b>			

For the Level 3 investments, the inputs used are judgmental using managements best estimates. A small increase or decrease in the key assumptions would result in a corresponding significant change to the total fair value of Level 3 investments. The overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. The Company used a combination of valuation techniques as determined by the nature of each investment and security type. All valuation techniques rely on assumptions that may differ, to a reasonable degree, between informed professionals. This may include, but is not limited to, comparable multiples, discount rates, growth rates, increases or decreases in margins, the likelihood of certain events to take place in the future, the intensity of competition in a market, future volatility of market prices, credit worthiness of borrowers, and adjustments for investee specific factors.

## SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

	August 31, 2021	November 30, 2020
	\$	\$
<b>Investments</b>		
Common shares, in public and private companies	431,327,943	276,510,073
Commercial Assets	20,014,573	
Common share purchase warrants, in public companies	13,868,506	3,008,484
<b>Total Investments</b>	<b>465,211,022</b>	<b>279,518,557</b>
<b>Convertible debentures, in public companies</b>	<b>19,908,468</b>	<b>4,297,213</b>
<b>Promissory notes, in private companies</b>	<b>8,136,581</b>	<b>2,884,134</b>

As at August 31, 2021, the fair value of the Company's investments in cannabis and related investments in the United States of America totaled \$197,125,347 (November 30, 2020: \$253,408,232). The fair value of non-United States of America cannabis, cannabis related investments and non-cannabis investments totaled \$268,085,675 (November 30, 2020: \$26,110,325).

### Investments

The Company's investments totaling \$465,211,022 (November 30, 2020: \$279,518,557) include common shares in public and private companies, Commercial Assets, and common share purchase warrants of public companies. The Company values its common shares of public and private companies at price quotations in active markets. The Company values its common shares in private companies based on various factors including, but not limited to, present market conditions, values of comparable companies, internal or external valuations, the per share price of recent financings or transactions undertaken by the private company, and the like. Internal valuations of private companies generally rely on a combination of approaches including market multiples of comparable companies, valuations and multiples of comparable transactions and intrinsic estimates of value such as discounted or capitalized cash flow methodologies.

Comparable market multiples rely on assumptions about the comparability of publicly traded companies. Multiples are adjusted for factors that are specific to private companies or the investment. For example, an illiquidity discount of 20% - 32% was applied to companies that are not publicly traded. Additional adjustments for size, market share, superior or inferior margins, among other considerations were applied where appropriate. The application and size of each adjustment is subject to professional judgement. A 10% change in a revenue or earnings multiple may significantly change the estimated value of an investment.

Often, private companies raise capital in multiple rounds. Occasionally, the Company invests in a round that is subsequently followed by another capital raise at a different valuation and a different price per share where unrelated third-party investors subscribe. The Company generally considers these events to be strong evidence of the fair market value of the investment at the time of the raise.

Intrinsic methods for valuing private companies are highly subject to professional judgement and are recorded as the midpoint of a range following a sensitivity analysis. Factors specific to each investment, such as forward-looking projections of sales and costs often rely on material non-public information provided by investees to investors. Small changes in discount rates, meant to reflect the risk of future cash flows, can have material effects on valuations. Many of the Company's investments are of a "high risk, high reward" nature and often require discount rates of 16% - 48%.

## SOL Global Investments Corp

### Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

Common Share purchase warrants are valued using the Black-Scholes option pricing model. The following are the assumptions used in valuing the Common Share purchase warrants:

	August 31, 2021	November 30, 2020
Expected volatility	74% - 193%	35% - 191%
Risk-free interest rate	0.45%	0.29% - 0.30%
Expected life (in years)	0.35-4.49	1.68-3.85
Expected dividend yield	0.0%	0.0%
Underlying share price	\$0.46-\$8.42	\$0.04-\$11.02

#### Convertible Debentures

The fair value of convertible debentures in public and private companies totaled \$19,908,468 (November 30, 2020: \$4,297,213). Convertible debentures represent an amount advanced bearing interest between 4% and 5% per annum and maturing before April 5, 2024. If exercised, the convertible debentures will convert into common shares in the underlying businesses or entity. Certain convertible debentures convert into units, which consist of common shares and a common share purchase warrant.

As of August 31, 2021, accrued interest totaled \$107,065 (November 30, 2020: \$90,365). The fair value of the convertible debentures were estimated using the present value of future cash flows, discounted at a market discount rate of 9% (November 30, 2020: 100%) based on an estimate of the synthetic credit rating. The ratings were estimated based on a range of factors used to assess the creditworthiness of a borrower. The fair value of the conversion features were estimated using a Black-Scholes option pricing model with the following assumptions:

	August 31, 2021	November 30, 2020
Expected volatility	95.48% - 192.62%	143.5%
Risk-free interest rate	0.45%	0.29%
Expected life (in years)	0.35-1.87	0.72
Expected dividend yield	0.0%	0.0%
Underlying share price	\$0.58-\$6.66	\$1,100

#### Promissory Notes

As of August 31, 2021, a total of \$8,136,581 with a cost of \$7,254,422 (November 30, 2020: \$2,884,134 with a cost of \$3,473,504) was held in promissory notes that were due from private companies. Interest accrued for the promissory notes as of August 31, 2021, was \$172,256 (November 30, 2020 - \$206,360). During the nine-month period ended August 31, 2021, the Company recorded \$Nil in unrealized loss (November 30, 2020: unrealized loss of \$2,099,200)

#### Commercial Asset

On July 23, 2021, one of the Company's subsidiaries entered into a joint venture agreement on a real estate development project, in which SOL currently owns a 69% interest in the joint venture. The Company has advanced \$11,352,123 CDN (\$9,084,915 USD) to the joint venture.

## SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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### Investment Holdings

#### Verano Holdings LLC

On October 23, 2018, the Company announced a \$114,842,644 (US\$88,000,000) investment in Class B units in Verano, a private, Delaware organized, vertically integrated, licensed operator of cannabis cultivation, manufacturing and retail facilities. As at August 31, 2021, Verano's footprint encompasses 14 states, 173 active and planned retail locations, and 11 cultivation facilities with 842,000 square feet of cultivation space. The estimated fair market value of this position at August 31, 2021, was \$129,187,465. During the nine-month period ended August 31, 2021, the Company recorded an unrealized gain of \$93,620,884 (Year-ended November 30, 2020: unrealized gain of \$199,703,348). As at August 31, 2021, the Company owned 2.9% of Verano's outstanding shares on an as converted basis.

On November 11, 2020, Verano announced that it had entered an agreement to merge with Alternative Medical Enterprises ("AltMed") and its affiliated companies in an all-stock transaction that would result in a combined equity value of USD\$2.8 billion on a fully diluted basis. AltMed was a vertically integrated cannabis company with retail locations in Florida and Arizona. It operated under the brand name müv with 43 active and planned retail locations in Florida, 1 active retail location in Arizona, and 250,000 square feet of cultivation space. Expansion of its Arizona facility was underway to add another 50,000 square feet.

On February 12, 2021, Verano announced that it had completed its merger with AltMed and affiliated companies, as well as a capital raise of USD\$100 million. Concurrent with the merger, Verano also completed a reverse takeover of Majesta and became publicly-listed on the CSE under the ticker "CNSX:VRNO". As a result, the original holders of Verano owned 73.84% of the resulting issuer. The RTO and merger established Verano as one of the three largest multi-state operators in the U.S. by 2020 revenue and EBITDA, driven by a portfolio that spans 14 U.S. states, with active operations in 11 U.S. States, including 54 operational retail locations.

The Old Verano Shares that the Company held were exchanged for New Verano Shares at an exchange ratio of one Old Verano Share for approximately 7.537 New Verano Shares. The Company received approximately 25.2 million New Verano Shares on the effective date of the transaction. Upon completion of the RTO, the company owned 8.68% of the fully diluted equity in the merged entity. On February 17, 2021, Verano commenced trading on the CSE at prices well above the RTO price of \$10.

At the close of trading on August 31, 2021, the share price of Verano was \$14.25, corresponding to an approximate 41% decrease from the previous quarter.

Throughout the quarter, the Company divested a portion of its free trading shares when market conditions provided a return in line with the Company's strategy. The resulting funds were allocated to new and exciting investments in both the public and private markets. Management believes that these new investments will provide an outsized return while the diversification will reduce the overall risk to the portfolio. The Company continues to hold its Verano shares with great confidence in the business and its potential for additional return on the investment.

As at August 31, 2021, the primary driver of the change in value for SOL Global's investment in Verano was its continued growth and expansion into new markets, coupled with a general decline in the valuations of large cannabis companies in the United States. Verano completed several accretive acquisitions and demonstrated strong organic growth. It has continued its incredibly strong financial performance, including some of the highest margins and top line growth in the industry. The Company valued its position in Verano at the publicly quoted share price.

Verano is directly engaged in the cultivation and/or distribution of cannabis in accordance with U.S. state licences, however the Company does not control Verano. Accordingly, the Company's investment in Verano may be considered to be "Ancillary industry involvement" as described under Staff Notice 51-352 – Issuers with U.S. Marijuana Related Activities ("Staff Notice 51-352"). See "Regulatory Developments – Regulatory Developments in the United States", "Issuers with U.S. Cannabis-Related Assets" and "Risk Factors". To the best of the Company's knowledge, Verano is in compliance with all applicable federal and state guidelines

## SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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### **Bluma Wellness Inc. (formerly Goldstream Minerals Inc.) ("Bluma") and Cresco Labs ("Cresco")**

On October 11, 2018, the Company entered into a binding share purchase agreement to acquire the issued and outstanding common shares of CannCure. At the time of signing, CannCure owned a 60% interest in the issued and outstanding common shares of 3 Boys Farms LLC, ("3 Boys") and held an indirect contractual right and obligation to purchase the remaining 40% interest. Subsequently, CannCure completed its acquisition of the remaining 40% interest in 3 Boys and, as a result, owned a 100% interest in 3 Boys. On April 8, 2019, the Company issued 7,317,500 of its common shares as partial consideration for acquiring CannCure. As a part of the consideration for this transaction, upon a future sale of 3 Boys, the Company would also pay an earn out structured as follows: i) the Company and the former shareholders of CannCure will each receive funds upon a sale for the amounts each has invested; and ii) any remaining amount from such sale will be split, with 42% of the remaining amount going to the Company and 58% of the remaining amount going to the former CannCure shareholders. If the Company failed to announce a binding agreement to sell 3 Boys within 2 years of the closing date, only then would the Company have been required to pay the former CannCure shareholders USD\$80,000,000.

On January 8, 2020, CannCure entered into a letter of intent with Bluma (formerly "Goldstream Minerals Inc."), a Canadian public company, whereby CannCure would complete a reverse takeover of Bluma. Further, on February 20, 2020, the Company announced that a definitive business combination agreement had been signed between CannCure and Bluma. As a result of the closing of the CannCure reverse takeover transaction on June 11, 2020, the former securityholders of CannCure were issued equivalent securities of Bluma in exchange for their CannCure securities and their CannCure securities were subsequently cancelled. On June 15, 2020, the common shares of Bluma commenced trading on the CSE. Bluma operated in the Florida medical cannabis market through its wholly owned subsidiary, One Plant Florida.

On January 14, 2021, Bluma announced that it had entered an agreement to be acquired by Cresco Labs (CNSX:CL) in an all-stock transaction valued at USD\$213 million (the "Cresco Transaction"). Under the terms of the Cresco Transaction, shareholders of Bluma would receive 0.0859 of a subordinate voting share of Cresco Labs ("Cresco Shares") for each share of Bluma ("Bluma Share") held (the "Exchange Ratio"), subject to adjustment as described below. The Exchange Ratio implied a price per Bluma Share of approximately US\$1.12, representing a premium of approximately 29% based on the closing price of Bluma Shares on the CSE as of January 13, 2021. The Exchange Ratio was subject to adjustment in the following circumstances: (i) if the 5-day volume weighted average price of Cresco Shares immediately preceding the 2nd business day prior to the closing of the Cresco Transaction (the "Cresco Closing Price") was below US\$9.99 but greater than US\$7.00, the Exchange Ratio per Bluma Share would be calculated as US\$0.86 divided by the Cresco Closing Price; and (ii) if the Cresco Closing Price was less than or equal to US\$7.00, the Exchange Ratio would be fixed at 0.1229 Cresco Shares for each Bluma Share. This transaction closed on April 14, 2021.

On February 12, 2021, the Company announced that it had divested its direct holdings in Bluma. This divestiture was necessary under Florida state laws that prohibit ownership in more than one state licensed entity above certain thresholds. As a result of the Company's holdings in Verano, which was entering Florida via its merger with AltMed, the Company decided to sell its position to arm's length parties.

On April 15, 2021, the Company announced the closing of the Cresco Transaction. Cresco acquired all of the issued and outstanding Bluma Shares, in exchange for 15,875,449 Cresco Shares. Prior to the completion of the Cresco Transaction, SOL Global held an indirect economic interest in approximately 36.3% of Bluma's shares on a partially-diluted basis through its interest in 48,256,502 common shares and 29,665,515 warrants to purchase common shares. Following completion of the Cresco Transaction, the Company held an indirect interest in 4,145,233 Cresco Shares and 2,548,267 warrants to purchase Cresco Shares. The Bluma Shares were delisted from the CSE on April 16, 2021.

As at August 31, 2021, acting as a limited partner in independent limited partnership agreements ("LP"), the Company had indirect economic exposure to 473,469 shares, and 2.3 million common share purchase warrants of Cresco. The warrants have strike prices of US\$11.64 USD and US\$11.76. The estimated fair market value of the position was \$11,343,436 CDN. During the nine-month ended August 31, 2021, the company recorded an unrealized gain of \$3,582,138 (nine-month period ended August 31, 2020 - \$6,151,220). The Company's position reflects the value of the LP units which were measured at fair value based on the market price of Cresco with appropriate discounts applied to shares held in escrow or otherwise restricted. Warrants were valued using the Black-Scholes option pricing model.

## SOL Global Investments Corp

### Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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Cresco is directly engaged in the cultivation and/or distribution of cannabis in accordance with U.S. state licences, however the Company does not control Cresco. Accordingly, the Company's investment in Cresco may be considered to be "Ancillary industry involvement" as described under Staff Notice 51-352 – Issuers with U.S. Marijuana Related Activities ("Staff Notice 51-352"). See "Regulatory Developments – Regulatory Developments in the United States", "Issuers with U.S. Cannabis-Related Assets" and "Risk Factors". To the best of the Company's knowledge, Cresco is in compliance with all applicable federal and state guidelines

#### **Heavenly Rx Ltd.**

On February 25, 2019, the Company announced the formation of a new international hemp-focused company, Heavenly Rx Ltd. ("Heavenly Rx"). Heavenly Rx intends to hold controlling ownership interests in various industry leading assets in the hemp/CBD and THC-free cannabinoid wellness space, with an initial focus on hemp cultivation, processing and the manufacturing of a diverse range of traditional CBD products including oils, tinctures, balms and vape-ready products. Additionally, Heavenly Rx intends to include several proprietary brands across numerous consumer product group verticals such as cosmetics and beauty products, bath and body products and infused foods (subject to governmental approvals and/or compliance with health standards).

As at August 31, 2021, the Company owned approximately 37.6% (November 30, 2020: 37.6%, of Heavenly Rx's issued and outstanding common shares. The estimated fair market value of this position was \$3,941,079. During the nine-month period ended August 31, 2021, the company recorded an unrealized loss of \$1,775,858. (November 30, 2020: unrealized loss of \$7,447,511).

Throughout 2019 and 2020, Heavenly Rx made several investments in its target industries. The most significant of these investments included PureKana, LLC ("PureKana"), Jones Soda Co., and TRU Brands.

On November 20, 2020, AF1 Capital Corp. ("AF1"), Heavenly Rx, Heavenly Rx, LLC (a subsidiary of Heavenly Rx), and PureKana, LLC entered into a business combination agreement dated November 20, 2020, providing for the indirect acquisition by AF1 of Heavenly Rx's indirectly-held 50.1% equity interest in PureKana. The transaction would result a reverse take-over of AF1 by PureKana, and would constitute AF1's qualifying transaction under TSX Venture Exchange policies.

On May 12, 2020, AF1 Capital Corp. entered into a non-binding letter of intent to acquire Heavenly Rx's 50.1% stake in PureKana LLC for \$68.9M in an RTO transaction. On November 20, 2020, PureKana announced that it had completed its business combination agreement and would commence trading on the TSX Venture Exchange on or about December 10, 2020 under the ticker TSXV:PKAN. Pursuant to the transaction, Heavenly Rx received 4,000,000 shares of the new combined company "PureK Holdings" at a deemed value of \$8.00 USD per share. This represented approximately 49.7% of the fully diluted equity of PureK Holdings. Following the transaction and subsequent to November 30, 2020, Heavenly Rx distributed 1,349,934 PureK Holdings shares to its shareholders.

Subsequent to the financial year end, AF1 was renamed "PureK Holdings Corp." ("PureK"), and announced on December 8, 2020 that the transaction had closed, and that the PureK common shares would commence trading on the TSX Venture Exchange on or about December 10, 2020 under the ticker symbol "PKAN". In connection with the closing, Heavenly Rx received aggregate consideration of US\$69.6M, of which \$22.5M was satisfied through the assumption of obligations, US\$15.1M was satisfied through the assumption and partial settlement of promissory notes of Heavenly Rx, LLC, in the aggregate principal amount of US\$14.3 million plus applicable interest, and US\$32.0M was satisfied through the issue of 4,000,000 PureK common shares at a deemed issue price of US\$8.00 per share. Immediately upon closing, Heavenly Rx distributed to its shareholders 1,349,934 PureK common shares, and contributed 2,050,000 PureK common shares to arm's length third party limited partnerships.

On April 29, 2021, PureK changed its name to Simply Better Brands Corp. ("SBBC"). The company now trades under the ticker TSXV:SBBC. As at August 31, 2021, Heavenly Rx owned approximately 13 million shares of Jones Soda Co., representing approximately 19.2% of the undiluted shares outstanding. It also owned approximately 55.6% of the equity in TRU Brands.

## **SOL Global Investments Corp**

### **Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)**

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The Company valued its position in Heavenly Rx using a NAV approach. It included adjustments for debt, working capital needs, and other factors. The Company then discounted the unadjusted NAV by 23.4% to reflect its minority position and lack of control over the assets. The primary drivers of change in fair value for Heavenly Rx included impressive performance of its core assets including Jones Soda and Simply Better Brands Corp.

#### **Engine Media Holdings Inc (Formerly Torque Esports Corp).**

Engine Media Holdings Inc. (Formerly Torque Esports Corp.) ("Engine"), is a TSX Venture Exchange listed gaming and esports company with operations in North America and Europe. It uses a growth strategy centred around the acquisition of complementary businesses to enhance its current ecosystem. Through its subsidiaries, Engine offers industry leading gaming content production, data, esports events and hardware. Its popular racing games, Gear. Club and F1 Mobile have seen more than 23 million downloads since their launch. Its subsidiary, Stream Hatchet, is uniquely positioned to capture the data that drives customer engagement and sales throughout the entire gaming industry. Additionally, Engine enhances the monetization of its wide reach and data abilities through live events and tournaments.

As at August 31, 2021, the Company owned 24,500 common shares, representing approximately 0.2% of Engine's issued and outstanding common shares. The estimated fair market value of this position was \$206,290 (November 30, 2020: \$1,198,313). The Company also held convertible debentures with a combined principal value of \$1,592,963 CDN (USD\$1,375,000). The debentures carry an interest rate of 5% and convert into common equity at a price between USD\$8.90 and USD\$11.25 depending on specific factors and dates. The Company also held 453,576 share purchase warrants with various strike prices and expiry dates. The combined fair market value of the warrants was estimated to be \$2,475,173 (November 30, 2020: \$2,819,556) using the Black-Scholes option pricing model. During the nine-month period ended August 31, 2021, the company recorded an unrealized loss of \$77,006 (November 30, 2020: unrealized gain of \$1,552,039.).

SOL Global's position in Engine was measured at fair value based on the market price of Engine's shares with appropriate discounts applied to shares held in escrow or otherwise restricted. Material drivers of fair value included potential synergies and growth opportunities associated with the previously mentioned transactions, as well as rapid growth in the broader esports market. Additionally, adjustments to the capital structure of Engine decreased the overall cost of capital, creating a more tax efficient structure. The growth in the market, and Engine's uniquely broad exposure to different facets of it further enhanced the company's value. Stream Hatchet, Engine's big data focused subsidiary, is of particular note with its proprietary data and analysis, which serves a largely untapped market of major companies looking to enter the rapidly growing esports space.

In July 2021, Engine Media Holdings up listed from the OTC markets to the NASDAQ which provided access to new investors and increased liquidity. On April 19, 2021, it was added to the S&P/TSXV composite index.

## **SOL Global Investments Corp**

**Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)**

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### **OG DNA Genetics Inc.**

On December 12, 2018, the Company invested in OG DNA Genetics Inc. ("DNA Genetics"). The Company acquired an approximate 8% interest in DNA Genetics for \$13,302,633 (\$10,000,000 USD). DNA Genetics is recognized worldwide for its highly selective, genetics-based approach to cannabis cultivation. DNA Genetics is established in the U.S. cannabis marketplace, where they have begun developing high-quality cannabis seeds for the global market. DNA Genetics is also the exclusive provider of DNA certified products to a subsidiary of one of the world's largest diversified cannabis and hemp companies based in Ontario, Canada. DNA Genetics is directly involved in the cultivation and/or distribution of cannabis in accordance with United States state licenses, however the Company does not control DNA Genetics. Accordingly, the Company's investment in DNA Genetics may be considered to be "Ancillary industry involvement" as described under Staff Notice 51-352 (defined below). See "Regulatory Developments – Regulatory Developments in the United States", "Issuers with U.S. Cannabis-Related Assets" and "Risk Factors". As at August 31, 2021, the estimated fair market value of this position was \$324,805 (November 30, 2020: \$324,805)

To the best of the Company's knowledge, OG DNA Genetics is in compliance with all applicable state and federal guidelines. Material drivers of change in fair market value for this investment included a shift towards a greater reliance on licensing agreements and the discontinuance of the wholesale and retail business lines. On May 7, 2021, SOL Global Investments Corp. filed a lawsuit in the Supreme Court of British Columbia against OG DNA Genetics Inc., seeking damages for misrepresentation and shareholder oppression. As of August 31, 2021, the lawsuit has not been resolved. As such, nine-month period ended August 31, 2021, the company recorded an unrealized loss of \$Nil. (November 30, 2020: unrealized loss of \$12,977,828) on this investment.

### **GS Holistic LLC**

On July 29, 2019, SOL Global invested USD\$2,000,000 into GS Holistic LLC ("GS Holistic"). GS Holistics markets and sells popular brands of vaporizers, vape pens, cartridges, bongs, and other accessories. Its brands include GPEN, GIO, Accudose, Vapium, BND, Boundless, and Stüdennglass. GS Holistic products are sold online and in more than 10,000 retail locations around the world. GPEN is an established and well recognized brand of premium vaporizers. Accudose is a range of medically focused next generation vaporizers using a closed system solution that allows patients to track, analyze and optimize care plans. It was developed in partnership with Johnson & Johnson and MaRS to be the go-to hardware for medical cannabis administration. As at August 31, 2021, the estimated fair market value of this position was \$1,904,554 (November 30, 2020: \$1,904,554).

### **Casters Holdings Inc. (Fyllo)**

In September 2019, the Company purchased convertible notes with a principal value of USD\$400,000 in Casters Holdings Inc. ("Casters") which operates through its subsidiary Fyllo Inc. The Company subsequently converted the notes into 1,345,889 shares. During the nine-month period ended August 31, 2021, the Company invested an additional USD\$200,000 in Fyllo's series A2 funding round and approximately USD\$4 million in its Series B funding round. The Company has committed to participating in Fyllo's upcoming Series C round.

The fair value of the Company's investment at August 31, 2021 was \$12,472,435 (November 30, 2020: \$533,183). During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$6,636,429 (November 30, 2020: unrealized loss of \$21,490). Fyllo develops and markets a suite of compliance cloud software and services built to overcome the complexities of highly regulated industries. It delivers data, media, retail and regulatory solutions that enable organizations to streamline compliance, increase efficiencies, and scale with speed. Fyllo's products have seen widespread success in cannabis, cannabidiol ("CBD"), and related industries. It also markets its products to law firms, marketing agencies and other customers that interact or operate in regulated industries.

In January 2021, Fyllo purchased DataOwl, a software company that develops customer relationship management ("CRM") and business operating solutions for cannabis dispensaries. Following integration of the platforms, Fyllo intends to market what it describes as the industry's "first end-to-end marketing solution" combining consumer data, digital advertising, regulatory compliance, CRM, and loyalty programs tied to a business's point of sale system. In the future, the platform may expand to additional regulated industries beyond cannabis. Material drivers of fair value include growth in Fyllo's customer base and data sets. The Company's investment was measured at fair value based on the price of the most recent financing where unrelated third parties participated.

## SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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### Damon Motorcycles

On March 15, 2021, the Company invested \$6,088,000 in Damon Motors. Damon is unleashing the full potential of personal mobility for the world's commuters. With its HyperDrive™ proprietary electric powertrain, the company has developed the world's safest, smartest, fully connected electric motorcycles employing sensor fusion, robotics and artificial intelligence. All of Damon's motorcycles come equipped with a variety of unique safety and rider comfort features, including CoPilot, a 360° advanced warning system utilizing a combination of cameras, radar, and non-visual sensors to inform the rider of impending obstacles, and Shift, which enables a rider to adjust handlebar and peg positions while their ride is underway. Damon's HyperDrive motorcycles pack 200 horsepower and 200 Newton metres (148 pounds per foot) of torque, allowing the bikes to reach speeds of up to 200 miles per hour. Based in Vancouver, Canada, Damon was founded by serial entrepreneurs Jay Giraud and Dom Kwong. Damon's investors include Benevolent Capital, Round13 Capital, Techstars, Fontinalis Partners, Extreme Venture Partners, and Pallasite Ventures.

As at August 31, 2021, the Company valued its position in Damon Motors at \$12,258,044. During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$6,170,044 (November 30, 2020: unrealized gain of \$Nil). The primary drivers of change in value included new arm's length investors entering at a higher valuation than the Company's original investment. Damon has seen significant growth in its orderbook and development of its infrastructure. It is progressing towards production and delivery quickly. In September 2021, it announced that its orderbook had surpassed \$35MM for its flagship products. In October 2021, Damon Motors announced its intention to construct a 110,000 square foot production facility in Surry, British Columbia for manufacturing and R&D. The Company has committed to leading Damon Motors' Series B financing round through its newly formed subsidiary, House of Lithium.

### Cansortium Inc.

Cansortium Inc. ("Cansortium") is a vertically-integrated cannabis company with licenses and operations in Florida, Pennsylvania, Michigan and Texas. It operates under the Fluent™ brand and is dedicated to being one of the highest quality cannabis companies for the communities it serves. This is driven by Cansortium's unrelenting commitment to operational excellence in cultivation, production, distribution and retail. It is headquartered in Miami, Florida. Cansortium common shares trade on the CSE under the symbol "TIUM.U" and on the OTCQX under the symbol "CNTMF." As at August 31, 2021, the estimated fair market value of this position was \$18,506,461 (November 30, 2020: \$Nil). During the nine-month period ended August 31, 2021, the company recorded an unrealized loss of \$5,203,875 (November 30, 2020: unrealized loss of \$Nil).

On March 31, 2021, the Company invested US\$2.5 million into a private placement for Cansortium. The units were priced at US\$0.70 and included a common share and half of a common share purchase warrant. Each full warrant had a term of 2 years and a strike price of US\$0.90.

SOL Global recognized Cansortium's operational capabilities and the potential value of its Florida and Texas operations in particular. Management's experience in the Florida market with Bluma led it to believe the assets were being undervalued. Cansortium had a complex capital structure and an unusually high debt load that was negatively impacting its stock price. Following a detailed analysis and discussions with management, the Company was confident that Cansortium would be able to improve its capital structure and reduce the overall risk to the business. Management believed this would be a first step to unlocking the value of the assets in growing markets. Between May and August 2021, Cansortium reduced its debt load by more than \$20MM and opened several new dispensaries in key geographies. It also opened a new 43,000 square foot Florida cultivation facility and expanded an existing facility by 40,000 square feet. As at August 31, 2021, the closing share price of Cansortium was US\$0.71. The Company held 20,618,618 shares and 1,785,714 common share purchase warrants.

Cansortium is directly engaged in the cultivation and/or distribution of cannabis in accordance with U.S. state licences, however the Company does not control Cansortium. Accordingly, the Company's investment in Cansortium may be considered to be "Ancillary industry involvement" as described under Staff Notice 51-352 – Issuers with U.S. Marijuana Related Activities ("Staff Notice 51-352"). See "Regulatory Developments – Regulatory Developments in the United States", "Issuers with U.S. Cannabis-Related Assets" and "Risk Factors". To the best of the Company's knowledge, Cansortium is in compliance with all applicable federal and state guidelines.

## SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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### Captor Capital Corp.

Captor Capital Corp. ("Captor") is a vertically integrated cannabis investment company listed on the Canadian Securities Exchange, OTC USA and the Frankfurt Stock Exchange. Captor cultivates, manufactures and distributes recreational and medical marijuana-based products to consumers through its leading brands and dispensary retail stores. Captor Capital has a 51% controlling stake in a California joint venture portfolio which has two CHAI Cannabis Co. branded dispensaries, four One Plant branded dispensaries and 3 additional California cannabis retail licenses for stores under construction.

As at August 31, 2021, the fair market value of this position was \$14,328,143 (November 30, 2020: \$Nil). Through its experience with Bluma, management developed a deep understanding of the One Plant brand and its standard operating procedures. Captor has adjusted its focus to retail rather than cultivation. The Company has historically avoided large investments in the California market but now believes there is an opportunity for a well-run retail brand with effective cost controls. Management's knowledge of the retail and quick serve restaurant space has helped develop the thesis around Captor as a growth opportunity.

In April 2021, the Company invested \$3.9 million in units of Captor for \$0.95 per unit. Each unit was comprised of one share and one half of a share purchase warrant. A full warrant had a term of 2 years and a strike price of \$1.20. As at August 31, 2021, the Company held 9,243,963 shares and 2,052,632 warrants. SOL Global's position in Captor was measured at fair value based on the market price of Captor's shares. Warrants were valued using the Black-Scholes option pricing model. During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$7,478,665 (November 30, 2020: unrealized loss of \$Nil). The material drivers of change in the fair market value include expansion of the retail footprint, potential acquisitions, and the completion of its private placement.

Captor is directly engaged in the cultivation and/or distribution of cannabis in accordance with U.S. state licences, however the Company does not control Captor. Accordingly, the Company's investment in Captor may be considered to be "Ancillary industry involvement" as described under Staff Notice 51-352 – Issuers with U.S. Marijuana Related Activities ("Staff Notice 51-352"). See "Regulatory Developments – Regulatory Developments in the United States", "Issuers with U.S. Cannabis-Related Assets" and "Risk Factors". To the best of the Company's knowledge, Captor is in compliance with all applicable federal and state guidelines.

### Simply Better Brands Corp

Simply Better Brands Corp. ("SBBC") leads an international omni-channel platform with diversified assets in the emerging plant-based and holistic wellness consumer product categories. Its mission is focused on leading innovation for the informed Millennial and Generation Z generations in the rapidly growing plant-based, natural, and clean ingredient space. SBBC continues to focus on expansion into high-growth consumer product categories including CBD products, plant-based food and beverage, and the global pet care and skin care industries. As at August 31, 2021, the Company held 1,790,609 shares with a fair market value of \$10,027,410. The Company also has indirect economic exposure to an additional 1,138,000 shares and 3,029,818 preferred shares that convert to common shares. The fair market value of the indirect economic exposure at August 31, 2021 was \$18,681,156. During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$12,479,648 (November 30, 2020: unrealized loss of \$Nil).

SBBC was previously known as PureKana and traded under the ticker TSXV:PKAN. On April 29, 2021, PureK changed its name to Simply Better Brands Corp. The company now trades under the ticker TSXV:SBBC. Management recognized the opportunity to invest in the CBD and wellness space following its general downturn since 2019. SBBC's product portfolio includes PureKana, a leader in the CBD oils and tinctures space. It has shown impressive growth and margins since its founding in 2017 and SOL Global was familiar with the trajectory of the company from its investment in Heavenly Rx. Management's thesis around SBBC is not only as a high growth company with great products, but also as an opportunity for synergies with other investments through a broad overlap in customer segments. Material drivers of change in fair value for SBBC included its acquisition of BudaPets, an all-natural pet wellness brand and its acquisition of TruBar, a plant-based nutrition brand. It also announced several branding partnerships and new product launches.

## SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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### Vaxxinator Enterprises Inc.

Vaxxinator Enterprises Inc. ("Vaxxinator") designs and manufacturers innovative air purification products for industrial and retail applications. Its patented technology is a revolutionary advancement in air purification that incorporates cutting edge science and industry tested components to eliminate 99.9% of viruses and bacteria. Vaxxinator's air purifiers effectively eliminates and destroys viruses and bacteria through a combination of ultrasonic waves providing agglomeration of nanoparticles that then pass through an ultraviolet light. The combination of both ultrasonic and UV technology eliminates the costly need for a filter replacement and routine maintenance. Vaxxinator's products have been extensively tested by third party laboratories such as Underwriters Laboratories ("UL") to verify its claims and prove the efficacy of its technology.

The Company invested in Vaxxinator through several rounds of financing for an aggregate cost of \$US\$8,960,998. As at August 31, 2021, the Company held 7,021,999 shares and 1,299,999 common share purchase warrants. The warrants have a 2-year term and a strike price of US\$3.50. The total fair value of the Company's position was \$27,283,248. (November 30, 2020: \$Nil). SOL Global's position was measured at fair value based on the price of the most recent financing where arm's length third-party investors participated. During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$16,228,440 (November 30, 2020: unrealized loss of \$Nil). The material drivers of change in fair value were further development and certification of Vaxxinator's technology and the fulfillment of initial orders.

### Reby Inc.

On February 20, 2021, the Company made an investment of US\$800,000 in Reby Inc. ("Reby"). Reby operates through 3 complementary business lines in the micro mobility, scooter rental, and direct to consumer electric micro-mobility markets. It has over 10,000 vehicles and operates in 12 cities within Europe. On April 14, 2021, the Company made an additional investment of US\$6,700,000 in Series Seed Preferred Stock of Reby. As at August 31, 2021, the estimated fair market value of the position was \$12,020,802 (November 30, 2020: \$Nil). During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$3,277,004 (November 30, 2020: unrealized gain of \$Nil).

Reby contributes to the shared micro-mobility ecosystem in Europe by sharing its expertise in logistics and public administration with partners such as the Universitat Politècnica de Catalunya, the Universitat de Girona, and the Politecnico di Milano, to ultimately accelerate deregulation and mass adoption of Mobility-as-a-Service (MaaS) solutions.

Material drivers of change include Reby's continued pursuit to establish a competitive moat by signing exclusive agreements with municipalities to set up scooter rental facilities in public spaces that can then be accessed by consumers via the Reby app. It has since closed new contracts with additional cities and deployed new hardware. The micro-mobility market has seen continued growth and market interest with companies like BIRD Rides and Super Pedestrian completing transactions that demonstrate significant upside for the investment. Reby helps to negotiate and draft legislation in mid-sized Southern European cities to allow for increased electric scooter rental and micro mobility operations, effectively growing its serviceable available market while cementing its contractual barriers to entry.

### Green Scientific Labs, LLC

On March 2, 2021, the Company made an investment of \$4,465,250 (US\$2,840,000) in Green Scientific Labs, LLC ("GSL"), a leading hemp and marijuana testing laboratory based in Davie, Florida. On April 27, 2021, the Company made an additional investment of US\$445,000 in GSL. As at August 31, 2021, the estimated fair market value of this position was \$15,435,124. During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$10,969,872 (November 30, 2020: unrealized loss of \$Nil). GSL tests cannabis and cannabis derived products to ensure product quality and consumer safety.

Founded in 2018, GSL is ISO 17025:2017 certified and holds a Certified Marijuana Testing Laboratory (CMTL) license from the Florida Department of Health Office of Medical Marijuana Use. GSL offers full-service cannabis testing out of its 14,000 SF facility to clients and to Florida licensed Medical Marijuana Treatment Centres (MMTC). GSL currently tests for cannabinoid content (potency), terpene content, water activity, moisture content, and pesticides, residual solvents, heavy metals, filth and foreign material, microbiological contaminants as well as shelf life and stability.

## **SOL Global Investments Corp**

### **Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)**

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Material drivers of change in fair value include GSL's enhanced capacity to meet strict state hemp laboratory testing mandates. GSL is uniquely positioned to deliver superior and consistent results, provide industry-leading turnaround time, and stay at the forefront of changing trends in technology and data security. By leveraging management's experience in complex testing, GSL has developed proprietary testing methodologies that has created enhanced detection ability, improved accuracy, and fast turnaround. The Company's position in GSL was measured at fair value based on the price of the most recent financing where arm's length third-party investors participated.

#### **Tevva Motors Ltd.**

On July 23, 2021, the Company made an investment of US\$12,500,000 in Tevva Motors Ltd. ("Tevva"), a private company incorporated in England. Tevva is a leading developer of electrification systems for commercial vehicles with a strong management team and a strong track record of key milestone achievements. Its technology across the electric powertrain drives superior performance, is applicable to a broad range of vehicles and duty cycles and provides a solution which prevents emissions in urban areas, whilst enabling a fully practical vehicle for operators. Tevva has a modular approach to its technology design, enabling cost-effective integration into OEM vehicle platforms resulting in numerous competitive benefits for end users, including a significant reduction in total cost of ownership compared to diesel vehicles. Tevva has developed and deployed directly with customers and is now ready to scale production volumes. As at August 31, 2021, the Company measured its position at cost. Subsequently on September 9, 2021, the company invested additional US\$2,000,000.

Material drivers of change in fair value include Tevva's ability to capture the \$100B+ global market opportunity, bolstered by its relatively early positioning, as well as a growing demand for cost effective zero emission solutions to the trucking industry. Tevva continues to receive validation through its relationships with various blue chip and Fortune 500 strategic partners. Tevva's proprietary advanced technologies are designed to offer an environmentally friendly, cost effective, and operationally practical eTruck, to guide companies towards a greener future. Every Tevva eTruck reduces CO2 emissions by approximately 20 tonnes per annum, accelerating the drive to zero carbon.

#### **Arevo Inc.**

On July 30, 2021, the Company made an investment of US\$2,500,000 in Arevo Inc. ("Arevo"). Arevo is a leading 3D printing company that works with product makers to develop and manufacture a wide variety of products from mopeds to drones, with ultra-strong lightweight continuous carbon fiber. Arevo enables more complex structural parts over traditional composites and additive manufacturing solutions to iterate products faster and explore mass customization. Arevo recently closed a US\$25MM financing round led by Khosla Ventures and with new participation from venture capital firm Founders Fund. As at August 31, 2021, the Company measured its position at cost.

Material drivers of change in fair value include an expected ramp up in the production of its core product lines in industrial, aerospace, and electric mobility, as well as an expansion into new applications. Arevo is well-positioned to build and scale its end-to-end B2C brands including the SuperStrata electric bike, the Scotsman electric scooter, and Mishima, its carbon fibre furniture line. Arevo's customizable manufacturing capabilities allow it to produce high-quality products at scale with less than 1% void parts.

#### **Common C Holdings LP**

On August 24, 2021, the Company made an investment of US\$20,000,000 in Common C Holdings LP. Common C Holdings LP provides support services, financing, intellectual property licensing, accounting and professional coordination, and real estate support services to state-compliant licensed cultivation, processing, and retail cannabis operators in Michigan. The Michigan cannabis market has shown significant growth and strength in recent months becoming one of the most attractive cannabis markets in the United States: In July, 2021, Michigan's cannabis revenues were greater than US\$170MM. As at August 31, 2021, the Company measured its position at cost.

Expected revenue in the state in 2021 will be over \$1.5B and is expected to grow to \$4B in the next 3-5 years. Common C Holdings LP takes a deliberate, people-first approach to its business strategy. With the completion of this financing, Common C Holdings LP, in concert with its licensed partners, is well-positioned to capture a significant portion of the Michigan cannabis market.

## **SOL Global Investments Corp**

**Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)**

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### **Onet Global Inc. (Navier)**

On July 29, 2021, the Company made an investment of US\$1,000,000 in Onet Global Inc. (operating as "Navier"). Navier is building long-range, high-speed electric hydrofoiling boats that provide a smooth, zero emission ride. Navier aims to enable clean, efficient, and affordable waterborne transportation for congested coastal cities around the world by reducing small marine vessel operational cost by 90%. As at August 31, 2021, the Company measured its position at cost.

Navier was founded by two MIT engineers: Sampri Bhattacharyya who holds a PhD in mechanical engineering from MIT and has worked on flight control systems at NASA, and Reo Baird who previously worked at McKinsey and is an autonomous systems specialist. Since the first public announcement in March 2021, Navier has received significant orders for 2023 build slots, and has been featured in publications such as Forbes, Boat International, MBY, and Robb Report.

### **Switch Holdco Limited (Switch Motorcycles)**

On July 29, 2021, the Company made an investment of US\$300,000 in Switch Holdco Limited (operating as "Switch Motorcycles" or "Switch") in the form of a convertible debenture. Switch is a new wave production electric motorcycle company founded in 2017 which, in early 2020, launched its pre-production prototype - the globally acclaimed eSCRAMBLER™. The product was designed entirely in 3D by ex-Yamaha Japan Advanced Labs and former Flat Tracking champion Michel Riis Eriksen and won the Bike EXIF 2020 Bike of the Year. As at August 31, 2021, the Company measured its position at cost.

The unique retro-style design and high-performance features of Switch's product, combined with its experienced and driven management team, gave the Company great confidence in its ability to capture market share and deliver outsized returns for investors.

### **Revolution Brands LLC (Simply EV)**

In June and August 2021, the Company invested US\$6,000,000 in Revolution Brands LLC which operates through its subsidiary Simply EV. Simply EV is a specialized online and physical store that allows manufacturers of personal electrical vehicles to showcase and sell their products, while offering financing and accessibility solutions. Simply EV offers a thoughtful curation of micro mobility products and an outstanding customer centric shopping experience.

During the nine-month period ended August 31, 2021, the company recorded an unrealized gain of \$2,156,141 (November 30, 2020: unrealized loss of \$Nil). The fair value of the Company's position was \$9,621,805. The Company measured its position at fair value based on the price of the most recent equity financing in which arms-length third parties participated.

Simply EV's product mix of e-bikes, kick scooters, electric motorcycles, e-marine, lifestyle, and other accessories are manufactured to the highest standards to provide a safe, fun, and reliable riding experience. Headquartered in Miami, Simply EV is a unit of Revolution Brands International, LLC ("Revolution Brands"). Revolution Brands International recently acquired a majority stake in Kimoa, a lifestyle brand created by two-time Formula One world champion, Fernando Alonso. Simply EV will be the preferred retailer for Kimoa across the US. On October 19, 2021, Simply EV launched its first retail location in Miami. It plans to open more stores across the United States in Q4, 2021 and throughout 2022.

# SOL Global Investments Corp

Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

## SELECTED QUARTERLY FINANCIAL INFORMATION (expressed in thousands except per share amounts)

	31-Aug-21	31-May-21	28-Feb-21	30-Nov-20	31-Aug-20	31-May-20	29-Feb-20	30-Nov-19
Total revenue	12,513	334,885	249,003	46,833	61,098	25,530	3,663	(23,384)
Net (loss) income	(62,367)	64,653	208,128	34,095	43,695	1,314	2,935	(17,527)
(Loss) income per share, basic	(1.17)	1.21	3.80	0.87	0.81	0.02	0.05	(0.32)
Loss (income) per share, fully diluted	(1.10)	1.14	3.58	0.83	0.78	0.02	0.05	(0.32)
Total assets	594,937	599,409	549,380	298,234	252,337	199,372	179,151	178,484
Working capital surplus	410,669	477,577	419,579	211,368	216,488	178,712	158,336	153,922

Note – the period ended November 30, 2019, represents the two-month period from October 1, 2019 to November 30, 2019. All other periods in the selected quarterly information chart are three-month periods.

During the eight most recent quarters the following items have had a significant impact on the Company's results:

- Made significant investments in numerous companies including: Verano, CannCure, Heavenly,, Engine., DNA Genetics, and numerous others.
- Completed a \$50M private placement financing by way of the issue and sale of a senior secured non-convertible debenture. The Debenture would bear an interest rate of 6.0% per annum and mature on June 30, 2021. For further information, please refer to the heading "*Legal claims related to the Debenture commenced by the lender against the Company and commenced by the Company against the lender*" above.
- CannCure entered into a business combination agreement with Bluma pursuant to which CannCure completed a reverse takeover of Bluma on June 11, 2020 and Bluma commenced trading on the CSE on June 15, 2020.
- Verano completed its merger with AltMed and its affiliated companies and concurrently completed a reverse takeover of Majesta and became publicly-listed on the CSE under the ticker CNSX:VRNO. Verano commenced trading on February 17, 2021.

## LIQUIDITY AND CAPITAL RESOURCES

As of August 31, 2021, the Company had cash and cash equivalents of \$81.1 million (November 30, 2020: \$2.5 million) and positive working capital of \$408.8 million (excluding lease liability) (November 30, 2020: \$215.4 million). The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business and does not reflect adjustments to assets and liabilities that would be necessary if it were unable to continue as a going concern. For the nine-month period ended August 31, 2021, the Company recorded a positive net income of \$208,564,856 (Year-end November 30, 2020: income of \$98,014,257), had positive cash flows from operations and, as it is an investment company, has no regular sources of income other than its investment activities. The Company had a history of operating losses and negative cash flows from operations, with the exception of net income generated for the year ended March 31, 2019. The Company is reliant on net income from continuing operations and capital markets for future funding to meet its ongoing obligations. The application of the going concern concept is dependent on the Company's ability to receive continued financial support from its stakeholders and, ultimately, on the Company's ability to generate profitable operations in the future. These circumstances indicate the existence of material uncertainty may cast significant doubt as to the Company's ability to continue as a going concern.

# SOL Global Investments Corp

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## SHARE CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of Common Shares without par value. As at the date of this MD&A, there were a total of 52,018,533 Common Shares issued and outstanding. As at October 29, 2021, the Company's issued and outstanding shares, stock options and deferred share units were as follows:

	<b>Amount</b>
Common Shares	52,018,533
Stock options	149,000
Deferred share units	3,366,666
Performance Share Units (PSUs)	2,000,000
<b>Total fully diluted</b>	<b>57,534,199</b>

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## COMMITMENTS AND CONTINGENCIES

### Transaction Commitments

On February 19, 2021, the Company entered into a \$50M single advance non-revolving term loan facility with the Lender for the sole purpose of acquiring all of 1235's rights under the Debenture. The Company pledged shares in SOL Verano Blocker 1 LLC, Blue Sky Holdings USA Inc. and any other wholly owned subsidiaries or LPs of the Company. The Lender will be charging a standby fee of 1.2% per annum until the drawdown date, 2% facility fee and 9% interest per annum calculated on an actual/360 basis. The Loan shall mature and be due and payable in full one year from the date of the advance of the Loan (the "Maturity Date"). As of August 31, 2021, the Company recorded \$323,334 in standby fees and referral fee of \$1.3M to a private firm. On September 3, 2021, the Company drew down the \$50M line of credit to pay 1235 as part of the legal settlement. The Company paid a facility fee of \$1M to the Lender and \$0.1M in legal fees. Commencing sixty days from the advance date and continuing until the earlier of the demand and the Maturity Date, 10% percent of the outstanding balance of the amount of the Loan shall be paid on the 7th day of each month along with interest .

### Right of Use Asset and Lease Liability

During the period ended November 30, 2019, the company entered into a lease for office space in Toronto, Ontario and recorded a right of use asset and a corresponding lease liability amounting to \$602,609. During the year ended November 30, 2020, the Company was no longer using the Toronto premises and accordingly wrote of the right of use asset amounting to \$582,522.

On May 30, 2020, the Company commenced a new office lease and as required by IFRS 16, recorded a lease liability and a corresponding right of use asset in the amounting to \$1,276,775. The Company's leases include variable charges such as property taxes and maintenance fees. These variable components are expensed as they are incurred and are not included in the determination of the lease obligations or right of use asset. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate which was determined to be 9% per annum for similar assets. The right of use asset was initially recorded at the present value of the lease obligation and the Company recorded depreciation of \$95,758 for the nine-month period ended August 31, 2021 (November 30, 2020: \$83,407). Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the year:

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	Right-of-use asset	Lease Liabilities
	\$	\$
As at December 1, 2019	582,522	479,797
Additions	1,276,775	1,276,775
Depreciation	(83,407)	-
Write-off	(582,522)	-
Accretion	-	47,587
Payments	-	(90,877)
As at November 30, 2020	1,193,368	1,713,282
Depreciation	(95,758)	-
Accretion	-	-
Payments	-	(50,254)
<b>As at August 31, 2021</b>	<b>1,097,610</b>	<b>1,663,028</b>

The following is a schedule of minimum lease payments over the lives of the right-of-use lease:

	\$
2021	79,823
2022	326,284
2023	336,130
2024	306,219
2025	195,515
2026	201,381
2027	207,422
2028	213,645
2029	220,054
2030	111,653
Total	2,198,126

As of August 31, 2021, the Company has incurred costs relating to leasehold improvements of \$581,583 (November 30, 2020: \$391,358).

### Litigation

The Company will record a provision for losses when claims become probable, and the amounts can be reasonably estimated. The Company is subject to various claims, lawsuits and other complaints arising in its ordinary course of business. The Company is aware of no more outstanding actions relating to its disposal of LATAM Holdings Inc. No amounts have been accrued in these Financial Statements.

Please refer to the "Legal claims related to the Debenture commenced by the lender against the Company and commenced by the Company against the lender" above for an in-depth description of the Company's litigation with 1235 Fund LP.

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### PROMISSORY NOTE PAYABLE

As of nine-month ended August 31, 2021, a total of \$1,190,789 with a cost of \$1,150,000 (November 30, 2020: \$6,364,997 with a cost of \$8,267,108) was held in promissory notes. Interest accrued for other promissory note as of August 31, 2021, was \$140,789 (November 30, 2020 - \$88,850).

### RELATED PARTY TRANSACTIONS

Parties are considered related if one party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. The Company has identified its directors and senior officers as key management who are considered to be related parties.

During the three and nine-month period ended August 31, 2021, the Company incurred payroll related costs of \$2,929,528 and \$15,961,856 (Three and nine-month period ended August 31, 2020: \$3,307,494 and \$4,777,825) with directors and senior officers as key management. As of August 31, 2021, \$5,219 (November 30, 2020: \$182,419) was included in account payable and accrued liabilities related to amounts due to directors and senior officers as key management that had not been paid.

	For the three- month ended		For the nine-month ended	
	Aug 31, 2021	Aug 31, 2020	Aug 31, 2021	Aug 31, 2020
Salaries & Consulting fees	<b>2,929,528</b>	124,202	<b>15,752,356</b>	425,850
Share-based compensation	-	38,976	<b>209,500</b>	198,867
<b>Total</b>	<b>2,929,528</b>	163,178	<b>15,961,856</b>	624,717

- The Company may at times invest in shares in investees of which directors and officers of the Company are also directors and officers of the investee. In these circumstances the director and officer of the Company who is a director and officer of the investee will abstain from voting decisions related to the initial purchase of the investee.
- During the nine-month period ended August 31, 2021, the company recorded bonus expense of \$15.0M and was paid to Senior Management, consultants, employees and directors.
- From time-to-time directors and officers of the Company may subscribe for shares in investees of the Company when the investee company is undertaking an issuance of shares.

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## ISSUERS WITH U.S. CANNABIS-RELATED ASSETS

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352, as amended, setting out the Canadian Securities Administrators’ disclosure expectations for specific risks facing issuer with direct, indirect or ancillary involvement in activities including the cultivation, possession or distribution of marijuana in the United States (“US Marijuana-Related Activities”). Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with US Marijuana-Related Activities Staff Notice 31-532 includes additional disclosure expectations that apply to all issuers with US Marijuana-Related Activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

All reporting issuers with U.S. Marijuana-Related Activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other applicable disclosure documents, including this MD&A, in order to fairly present all material facts, risks and uncertainties about issuers with U.S. cannabis-related activities. In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this MD&A that address the disclosure expectations outlined in Staff Notice 51-352

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Disclosure or Cross-Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	See the discussion of the Company’s investments under the heading “ <i>Investment Holdings</i> ”.
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	See the discussion under the heading “ <i>United States Regulatory Risk Around the Cannabis Industry</i> ”.  See the discussion under the heading “ <i>Regulatory Developments</i> ”.  See the description of risks under the heading “ <i>Risk Factors</i> ”.
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	See the discussion under the heading “ <i>United States Regulatory Risk Around the Cannabis Industry</i> ”.  See the discussion under the heading “ <i>Regulatory Developments</i> ”.
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	See the description of risks under the heading “ <i>Risk Factors</i> ”.
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	See the discussion under the heading “ <i>United States Regulatory Risk Around the Cannabis Industry</i> ”.  See the description of risks under the heading “ <i>Risk Factors</i> ”.
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.	See the discussion under the heading “ <i>United States Regulatory Risk Around the Cannabis Industry</i> ”.

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Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Disclosure or Cross-Reference
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	See the discussion under the heading “ <i>United States Regulatory Risk Around the Cannabis Industry</i> ”.  See the discussion under the heading “ <i>Regulatory Developments</i> ”.
<b>U.S. Marijuana Issuers with indirect involvement in cultivation or distribution.</b> <sup>(1)</sup>	Outline the regulations for U.S. states in which the issuer’s investee(s) operate.	See the discussion under the heading “ <i>Regulatory Developments</i> ”.
	Provide reasonable assurance, through either positive or negative statements (which may include statements that the issuer is not aware of non-compliance), that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s license, business activities or operations.	See the discussion under the heading “ <i>United States Regulatory Risk Around the Cannabis Industry</i> ”.  See “ <i>Investment Holdings</i> ”  See the discussion under the heading “ <i>Regulatory Developments</i> ”.  See the description of risks under the heading “ <i>Risk Factors</i> ”.

Notes:

(1) Indirect industry involvement arises where an issuer has a non-controlling investment in an entity who is directly involved in the U.S. marijuana industry.

## REGULATORY DEVELOPMENTS

The commercial medical cannabis industry is a relatively new industry, and the Company anticipates that such regulations will be subject to change. The Company’s operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, distribution, storage and disposal of the product candidates and also laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations, and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines, and policies due to matters beyond the control of the Company may adversely affect its operations and performance.

### Regulatory Developments in the United States

In the United States, cannabis is regulated at the state and federal level. To the Company’s knowledge, there are to date a total of 36 states, plus the District of Columbia, U.S. Virgin Islands, Puerto Rico and Guam that have legalized the production, distribution, and use of cannabis in some form either for a medicinal use and/or for adult/recreational use. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis (other than hemp) continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act of 1970 (the “CSA”) and as such, violates federal law in the United States. The United States has a complex regulatory landscape when it comes to medical cannabis. The CSA regulates the possession, importation, manufacture, distribution and dispensing of controlled substances under United States federal law. Controlled substances are classified into schedules based on their potential for abuse by a patient or other user. Cannabis, other than hemp, is classified as a Schedule I substance under the CSA. Classification of substances under the CSA is determined jointly by the U.S. Drug Enforcement Agency and the U.S. Food and Drug Administration. The United States Department of Justice defines Schedule I drugs, substances, or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” The FDA has approved Epidiolex, which contains a purified form of the drug CBD, a non-psychoactive cannabinoid in the cannabis

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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.

On August 29, 2013, then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

The U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memorandum") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct.

On January 4, 2018, former Attorney General Jeff Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. As a result of the Sessions Memorandum, federal prosecutors are free to use their discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

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On November 7, 2018, U.S. Attorney General Jeff Sessions resigned. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. Mr. Barr resigned as Attorney General on December 23, 2020. On March 11, 2021, former Chief Judge of the United States Court of Appeals for the District of Columbia Circuit, Merrick Garland, was sworn in as

Attorney General of the United States. It is not yet known whether the Department of Justice under President Biden and Attorney General Garland will re-adopt the Cole Memorandum or announce a substantive cannabis enforcement policy. If the Department of Justice policy under Attorney General Garland were to aggressively pursue financiers or owners of cannabis-related businesses, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis operations, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the Controlled Substances Act for aiding and abetting and conspiring to violate the Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) the barring of its employees, directors, officers, managers and investors who are not United States citizens from entry into the United States for life. Unless and until the United States Congress amends the Controlled Substances Act with respect to cannabis and the President approves such amendment (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law criminalizing cannabis.

One legislative safeguard for the medical cannabis industry, appended to the federal budget bill, remains in place following the rescission of the Cole Memorandum. For fiscal years 2015, 2016, 2017, 2018, 2019 and 2020 Consolidated Appropriations Acts (currently referred to as the "Rohrabacher/Blumenauer Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the Consolidated Appropriations Act, 2021 signed into legislation by President Trump in December 2020 to remain in effect until September 30, 2021. On September 30, 2021, President Biden signed a continuing resolution to extend the Consolidated Appropriations Act, 2021 through December 3, 2021. At such time, it may or may not be included in the omnibus appropriations package or a new continuing budget resolution once the current continuing resolution expires. While the Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave medical cannabis operators and investors in states with legal regimes greater certainty regarding federal enforcement as to establish cannabis businesses in those states, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Additionally, the Agriculture Improvement Act of 2018 (the "2018 Farm Bill") was signed into law by President Trump on December 20, 2018. With the passage of the 2018 Farm Bill, hemp and CBD products with less than .3% THC have been removed from Schedule I of the CSA. This will allow market participants such as the Company to cultivate, process and dispense hemp and certain CBD products (with less than .3% THC) throughout the United States without violating the CSA, and will also serve to open up banking and financial services for hemp and CBD operators. The 2018 Farm Bill explicitly preserved the United States Food and Drug Administration's authority to regulate products containing cannabis or cannabis-derived compounds under the Federal Food, Drug, and Cosmetic Act and Section 351 of the Public Health Service Act. The agency held public commentary workshops and rulemaking proceedings relative to the issuance of regulations to govern the nascent CBD marketplace and products on May 31, 2019. The FDA held a public hearing to determine the safety, manufacturing, product quality, marketing, labeling, and sale of CBD products, and opened the forum to public comments on the matter. In November of 2020, the FDA also held a research conference on cannabinoids and gender to discuss data on how cannabis compounds affect woman and men differently. In a statement released on January 8, 2021, FDA Commissioner Stephen Hahn and Principal Deputy Commissioner Dr. Amy Abernethy noted that "over a short period of time, our society has seen a rapid increase in the interest and availability of cannabidiol (CBD) products and other products derived from cannabis. However, we still have a limited understanding of the safety profile of CBD and many other cannabis-derived compounds." In the same statement, Commissioner Hahn committed to developing and refining plans for research projects at the FDA to address the gaps in current CBD data research capabilities. As the FDA continues its rulemaking proceedings, the Company will be an active participant.

On June 7, 2018, the Strengthening the Tenth Amendment Through Entrusting States Act (the "STATES Act") was introduced in the Senate by Republican Senator Cory Gardner of Colorado and Democratic Senator Elizabeth Warren of

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Massachusetts. A companion bill was introduced in the House by Democratic representative Jared Polis of Colorado. The bill provides in relevant part that the provisions of the CSA, as applied to cannabis, "shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marijuana." Even though cannabis will remain within Schedule I of the CSA under the STATES Act, the bill makes the CSA unenforceable to the extent it conflicts with state law. In essence, the bill extends the limitations afforded by the protection within the federal budget—which prevents the DOJ and the DEA from using funds to enforce federal law against state-legal medical cannabis commercial activity—to both medical and adult-use cannabis activity in all states where it has been legalized. The STATES Act was reintroduced on April 4, 2019, in both the House and the Senate. Since the STATES Act is currently draft legislation, there is no guarantee that the STATES Act will become law in its current form.

On December 4, 2020, the House of Representatives passed the Marijuana Opportunity Reinvestment and Expungement Act of 2020 (the "MORE Act"). The MORE Act would provide for the removal of cannabis from the list of controlled substances in the CSA and other federal legislation. It would end the applicability of Section 280E to cannabis businesses but would impose a 5% federal excise tax. The MORE Act was not passed by the Senate prior to the end of the 116th Congress. On May 28, 2021, the MORE Act was reintroduced in the House of Representatives. There is no guarantee the MORE Act will become law in its current form. Overall, there were more than 1500 cannabis-related bills moving through state legislatures and Congress for the 2020 sessions.

On March 18, 2021, the SAFE Banking Act was reintroduced in the House of Representatives. On March 23, 2021, the bill was reintroduced in the Senate as well. The House previously passed the SAFE Banking Act in September 2019, but the measure stalled in the Senate. As written, the SAFE Banking Act would allow financial institutions to provide their services to state-legal cannabis clients and ancillary businesses serving state-legal cannabis businesses without fear of federal sanctions. There is no guarantee the SAFE Banking Act will become law in its current form, if at all.

#### **Regulatory Developments in the State of Florida**

Although recreational use of cannabis is criminalized at the state level, medical cannabis is now legal under the Florida Constitution. The process of legalization began in 2014. On June 16, 2014, the Florida state governor signed Senate Bill 1030, also known as the Compassionate Medical Cannabis Act of 2014 (the "CMCA"), which was the first legal medical cannabis program in the State's history. The CMCA legalized low THC for medical patients suffering from cancer or "a physical medical condition that chronically produces symptoms of seizures", such as epilepsy, "or severe and persistent muscle spasms". The CMCA required physician approval and determination that no other satisfactory alternative treatment options exist for that patient. The CMCA also authorized medical centers to conduct research on low THC cannabis. On November 8, 2016, Florida voters approved the Florida Medical Marijuana Legalization Initiative, Amendment 2 ("Amendment 2"), ballot measure with 71% of the vote. Amendment 2 protects qualifying patients, caregivers, physicians, and medical cannabis dispensaries and their staff from criminal prosecution or civil sanctions under Florida law. Pursuant to Amendment 2, qualified patients who have been diagnosed with debilitating medical conditions and have been evaluated by a qualified physician may be prescribed medical cannabis. Amendment 2 also expanded the definition of debilitating diseases to include 12 conditions including HIV/AIDS, Crohn's disease, post-traumatic stress disorder and any medical condition that the physician believes will benefit from the use of medical cannabis. Amendment 2 became effective on January 3, 2017. Amendment 2 provides a regulatory framework that requires licensed producers, which are defined as Medical Marijuana Treatment Centers ("MMTCs"), to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017. The Florida Department of Health, Office of Medical Marijuana Use (the "OMMU"), is the organization responsible for the regulation of Florida's medical cannabis program. Specifically, the OMMU writes and implements the Department's rules for medical cannabis, oversees the statewide medical cannabis patient database, and licenses Florida businesses to cultivate, process and dispense medical cannabis to qualified patients.

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The Company is a publicly traded company with access to both Canadian and US capital markets. The Company's business requires compliance with many laws and regulations. As a public company, the Company has obtained legal advice from both Canadian & US lawyers regarding compliance with applicable state regulatory frameworks and potential exposure and implications arising from the U.S. federal law. As of August 31, 2021, 41% of the Company's investment portfolio is represented by companies with either direct, indirect or ancillary involvement with the US cannabis industry.

#### **Issuer Licenses in Florida**

One Plant Florida (Florida arm of CannCure) is the holder of a vertically-integrated MMTC license issued by the Florida Department of Health, Office of Medical Marijuana Use, pursuant to Florida Statutes section 381.986. One Plant Florida's MMTC license grants it the right to cultivate, process and dispense medical cannabis and medical cannabis products throughout the state of Florida, to operate licensed dispensaries in the State of Florida and to effectuate state wide delivery of medical cannabis and medical cannabis products and related approved activities. On January 2, 2018, One Plant Florida received approval from the OMMU to begin cultivating medical cannabis at its cultivation facility located at the Ruskin Facility. On March 29, 2019 and April 9, 2020 respectively, One Plant Florida received approval from the OMMU to process and cultivate medical cannabis at the Indiantown Facility.

#### **Florida Licenses and Regulations**

Cannabis is illegal in Florida for recreational use. However, medical use of cannabis in Florida was legalized in 2016 by way of a constitutional amendment appearing on the ballot as Amendment 2, which was approved with 71% of the vote. The State of Florida Statutes 381.986 provides a regulatory framework that requires licensed producers, statutorily defined as MMTCs, to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. Only licensed MMTCs can sell and dispense medical cannabis; medical cannabis may not be purchased from any vendor other than a MMTC. MMTC licenses are issued by the OMMU. Applicants for licenses are required to provide comprehensive business plans with demonstrated knowledge and experience on execution, detailed facility plans, forecasted performance and robust financial resources. The applicant's technical ability on plant and medical cannabis cultivation, infrastructure, processing, dispensing and safety are also assessed. Each MMTC must receive authorization at three stages, (i) cultivation authorization, (ii) processing authorization and (iii) dispensing authorization, prior to dispensing medical cannabis.

License holders are only permitted to hold one MMTC license pursuant to the State of Florida Statutes. However, each license allows for the cultivation, processing and dispensing of medical cannabis products. Originally, each MMTC was permitted to open up to 25 dispensaries statewide. With each additional 100,000 qualified patients that registered for the program, the dispensary cap for each MMTC increased by five dispensaries. On April 1, 2020, the cap on the number of dispensaries that could be opened and operated by a license holder expired. As of September 24, 2021, there were 615,886 qualified patients with an approved medical ID card, 22 approved MMTCs and 370 approved retail dispensing locations.

Each licensee is required to cultivate, process and dispense medical cannabis. The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients to treat certain medical conditions in the State of Florida, which conditions are delineated in Florida Statutes section 381.986.

On March 18, 2019, Florida Governor Ron DeSantis signed Florida Senate Bill 182 (2019) ("SB 182") into law, repealing the previous ban on smoking medical cannabis. SB 182 also allows patients to receive up to 2.5 ounces of whole flower cannabis every 35 days as recommended by their doctor and requires patients under the age of 18 to have a terminal condition and to get a second opinion from a pediatrician before smoking medical cannabis. On April 1, 2019, the State legalized the dispensing of whole flower cannabis products and pre-rolled cannabis joints.

Under its license, One Plant Florida is permitted to sell cannabis to those patients who are entered into Florida's electronic medical cannabis use registry by a qualified physician and possess a state-issued medical cannabis identification card. The physician determines patient eligibility as well as the routes of administration (e.g. topical, oral, inhalation) and number of milligrams per day a patient is able to obtain under the program. An MMTC may not dispense more than a 70-day supply of cannabis within a 70-day period to a qualified patient or caregiver, except an MMTC may

not dispense more than a 35-day supply of cannabis in a form for smoking within a 35-day period. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must

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verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

Licenses issued by the OMMU may be renewed biennially so long as the licensee meets requirements of Florida Statute 381.986 and pays a renewal fee. One Plant Florida timely submitted its biennial renewal on February 28, 2020, and the OMMU approved the renewal on June 2, 2020. Applicants must demonstrate (and licensed MMTCs must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture & Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the OMMU, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the OMMU, the applicant must post a performance bond of up to \$5 million, which may be reduced by meeting certain criteria such as a minimum patient count.

Several of CannCure and its subsidiaries' licenses are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations. While the CannCure's (and its subsidiaries') compliance controls have been developed to mitigate the risk of any material violations of any license it holds arising, there is no assurance that the CannCure (or its subsidiaries') licenses will be renewed by each applicable regulatory authority in the future in a timely manner.

#### **Florida Reporting Requirements**

The OMMU requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the OMMU to data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when cannabis seeds are planted, when cannabis plants are harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. Each MMTC shall use the seed-to-sale tracking system established by the OMMU or integrate its own seed-to-sale tracking system with the seed-to-sale tracking system established by the OMMU. The OMMU also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to providing required data or proof of key events to said system. The State of Florida requires all MMTCs to abide by representations made in their original application to the State of Florida. Any changes or expansions must be requested pursuant to and in accordance with a variance process.

## **SOL Global Investments Corp**

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### **Florida Security and Transportation**

With respect to security requirements for cultivation, processing and dispensing facilities, a MMTC must maintain a fully operational security alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with the following features: (a) cameras positioned for the clear identification of persons and activities in controlled areas including growing, processing, storage, disposal and point-of-sale rooms, (b) cameras fixed on entrances and exits to the premises, which shall record from both indoor and outdoor, or ingress and egress, vantage points, and (c) ability to record images clearly and accurately together with the time and date. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement. Facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. However, it may perform all other operations and deliver cannabis to qualified patients 24 hours a day.

Cannabis must be stored in a secured, locked room or a vault. A MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear a photographic identification badge and visitors must wear a visitor pass at all times on the premises.

A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system. The manifest must include the following information: (i) departure date and time; (ii) name, address and license number of the originating MMTC; (iii) name and address of the receiving entity; (iv) the quantity, form and delivery device of the cannabis; (v) arrival date and time; (vi) the make, model and license plate of the delivery vehicle; and (vii) the name and signatures of the MMTC delivery employees. Further, a copy of the transportation manifest must be provided to the recipient of the delivery. Each MMTC must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must always have their employee identification on their person. Lastly, at least two people must be in a vehicle transporting cannabis, and at least one person must remain in the vehicle while the cannabis is physically delivered.

The business premises of CannCure's operating locations are targets for theft. While the company has implemented security measures at each location and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the CannCure fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers or cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the CannCure.

As the CannCure's business involves the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. The company has engaged a security firm to provide security in the transport and movement of large amounts of cash. Employees sometimes transport cash and/or products and each employee has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the CannCure has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

### **Florida Inspections**

The OMMU may conduct announced or unannounced inspections of MMTCs to assess compliance with applicable laws and regulations. The OMMU is required to inspect a MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that have caused or which may cause an adverse effect to humans or the environment. The OMMU is required to conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

# SOL Global Investments Corp

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## RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described in this MD&A. The risks and uncertainties described herein are not the only ones the Company faces but are those the Company currently believes to be material. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

The following are certain risk factors relating to the business of the Company which may cause future results to differ materially from those currently anticipated by management of the Company. If any of the following risks actually occur: (i) shareholders of SOL Global could lose all or part of their investment; (ii) the business, financial condition, liquidity, results of operations and prospects of SOL Global could be materially adversely affected; and (iii) the ability of SOL Global to implement its future plans could be adversely affected.

- The Company will require additional financing from time to time in order to pursue its business objectives and fund its ongoing and future operations and the failure to raise such capital on satisfactory terms or at all could result in the delay or postponement of current business objectives or the going out of business.
- Funding may be difficult to obtain given the fact that part of the Company's business is materially investing into cannabis companies in the United States of America, where federally cannabis is illegal by virtue of the fact that it is categorized as a Schedule I controlled substance under the U.S. Controlled Substances Act.
- Servicing the Company's debt will require a significant amount of cash, and the Company may not have significant cash flow from the Company's business to pay the Company's debt.
- The outbreak of the novel strain of coronavirus, "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown, as is the efficacy of the government and central bank interventions. The severity and impact on the financial results and condition of the Company and its operations in future periods cannot be estimated. COVID-19 may affect the ability to raise capital.
- If additional funds are raised by the Company through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution.
- Laws, regulations and the policies with respect to the enforcement of such laws and regulations affecting the U.S. cannabis industry are constantly changing, which could detrimentally affect the Company's current or proposed business operations.
- There are risks inherent in investing in the United States cannabis industry.
- Inconsistent public opinion and perception regarding the medical-use and adult-use marijuana industry may affect the reputation of the Company.
- The market price of securities of companies involved in the cannabis industry (such as the Company) have historically been very volatile and subject to wide fluctuations in response to various factors, many of which are beyond the Company's control. Such volatility, whether resulting from external market forces or as a result of the Company's failure to meet expectations, downward revision in analysts' estimates or other adverse changes, could negatively affect the market price of the Company's securities or impair the liquidity of the Company's securities.
- The U.S. federal government's approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.
- The states in which the Company's investee companies operate may change their approach to either enforcement of cannabis laws or adversely change their laws altogether. This may have the effect of eroding the value of their businesses.
- The business of the Company, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law, and existing state or federal regulatory bodies could impose additional regulatory restrictions which may make it difficult for the Company or its investee companies to continue doing business as presently conducted.

## SOL Global Investments Corp

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- The Company may have difficulty accessing the service of banks or other essential services or third party service providers, which may make it difficult to operate and counterparties with whom the Company or its investee companies currently does business may suspend or withdraw services.
- U.S. border officers could deny entry into the United States to non-U.S. citizens who are employees of or investors in companies with cannabis operations in the United States or Canada.
- Certain events or developments in the cannabis business generally may affect the Company's business, its reputation or the market price of the Company's securities.
- The Company is currently involved in litigation in the State of New York and in Ontario against its lender, 1235 Fund LP. If an unfavourable court ruling or proceeding is rendered against the Company on the merits of 1235 Fund LP's action, there may be a significant economic impact on the Company.
- Adverse publicity resulting from litigation may impact the reputation of the Company.
- Potentially significant costs resulting from litigation may affect the financial position of the Company.
- The Company may become party to additional litigation or regulatory proceedings which could negatively affect the Company's business, financial condition and results of operations, or harm the Company's reputation. Such risks could arise regardless of the ultimate outcome of the litigation or regulatory proceedings.
- The Company has and may continue to invest in securities of private companies which may limit the Company's ability to sell or otherwise transfer those securities and realize value.
- The Company may hold minority interests in such companies, which may limit the Company's ability to sell or otherwise transfer those securities and/or direct management decisions of such companies.
- There is no assurance that an investment in the Company's securities will earn any positive return.
- Parties with whom the Company does business may perceive themselves as being exposed to reputational risk because of their relationship with the Company and may refuse to do business with the Company.
- Conflicts of interest may arise between the Company and the Company's directors and officers.
- The Company's investments in the United States may be subject to heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States.
- Up until the fiscal year ended March 31, 2019, the Company had incurred significant operating losses since inception. The Company may not be able to achieve or maintain profitability and may incur significant losses in the future.
- The Company must be able to service its outstanding debt.
- The requirements of being a public company may strain the Company's resources, result in more litigation and divert the attention of the Company's management.
- Any failure by the Company to maintain effective internal controls over financial reporting could have an adverse effect on the Company.
- The Company's success depends on the ability, expertise, judgment, discretion, reliance on and good faith of its senior management, and the loss of services of such individuals, or an inability of the Company to attract, retain and motivate sufficient numbers of qualified senior management or skilled personnel could adversely affect the Company's business, financial condition and results of operations.
- Prior to obtaining regulatory approval for the sale of product candidates, the Company or companies that the Company has invested in must conduct pre-clinical testing and clinical trials, the results of which are uncertain and may not be favourable and are subject to delay, suspension or termination by the Company, the companies that the Company has invested in or other regulatory authorities for a variety of reasons.
- Investees ability to compete and grow will depend on having access at a reasonable cost and in a timely manner to skilled labour, equipment, parts and components and no assurance can be provided that such resources will be available on favourable terms or at all.
- The Company or companies that the Company has invested in may face intense competition from other companies, some of which may have longer operating histories, more financial resources and manufacturing and marketing experience.
- A decision to declare dividends in the future will be made at the discretion of the board of directors, and will depend on financial results, cash requirements, contractual restrictions and other factors that they may deem relevant. The Company currently has no dividends on record and may not pay any dividends in the foreseeable future. In addition, any dividends paid could be subject to tax and, potentially, withholdings.

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### Management's discussion and analysis for the three and nine-month period ended August 31, 2021, and the three and nine-month period ended August 31, 2020 (Expressed in Canadian Dollars)

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- The Company or companies that the Company has invested in may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls and the inability to manage growth could adversely affect its business, financial condition and results of operations.
- The success of the companies in which the Company has invested in depends in part on their ability to protect their ideas and technology, and no assurance can be given that they will be able to adequately protect their intellectual property in all relevant jurisdictions or that they will be successful in defending their intellectual property against claims by third parties that such intellectual property is invalid or infringes upon the intellectual property of others.
- The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations in the United States and Canada.
- The Company relies on the operators of the companies to which it invests to execute their respective business plans and operations. There is no assurance that these companies will be able to execute their business and strategic plans as contemplated or at all
- Cannabis cultivation operations of certain companies to which the Company has invested are subject to risks inherent in an agricultural business, are vulnerable to rising energy costs and dependent upon key inputs.
- The cannabis industry is highly regulated and the Company or the companies in which it invests, as applicable, may not always succeed in complying fully with all applicable regulatory requirements in all jurisdictions where the Company or the companies in which it invests carries on business.
- Cannabis pricing and supply regulation may adversely affect the Company's business or that of the companies in which it invests.
- The sale of cannabis products is subject to stringent regulatory limitations on advertising and marketing activities.

## CRITICAL ACCOUNTING ESTIMATES

### Use of Judgement, Estimates and Assumptions

The preparation of the Company's financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. Judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income or loss, and related disclosure. Estimates are based on various assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net earnings or loss that are not apparent from other sources. The Company evaluates its estimates on an ongoing basis. Actual results may differ from the Company's estimates. Certain areas of significant judgement include: the valuation of private company investments, the assessment of impairment of the Company's investments, the estimation of income taxes payable and deferred income tax payable, the values of warrants and options and judgement with respect to legal claims.

### Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

## FINANCIAL RISK MANAGEMENT

The Company is exposed to certain financial risks. The impact on the Company's financial statements are summarized below:

### Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favourable prices. The market risks to which the Company is exposed are equity price risk and interest rate risk.

- Equity price risk - Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market or the

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cannabis sub-market. The Company's investments are subject to fluctuations in fair value arising from changes in the equity market. August 31, 2021, a 30% change in closing trade price of the Company's equity investment portfolio would impact net gain by \$139,563,307 (November 30, 2020: \$83,855,567).

- Interest rate risk - Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents, promissory notes and convertible debts held. The change in fair value of the Company's cash and cash equivalents, promissory notes and convertible debts held, due to changes of interest rates, is considered low.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not hedge its currency risk. The Company holds financial instruments that are denominated in a currency other than the Canadian dollar. A significant portion of the Company's cash outflows are in United States Dollars. In addition, numerous of the Company's investments are denominated in foreign currencies. During the nine-month period ended August 31, 2021, a 10% change in foreign currencies held would have resulted in a change in income/(loss) by \$160,731 (November 30, 2020: \$5,772). During nine-month ended August 31, 2021, the Company recognized a foreign currency exchange loss of \$1,416,666 (November 30, 2020: loss of \$173,898).

#### Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its obligations as they become due. A company's ability to continue as a going concern is dependent on receiving continued financial support from its stakeholders and, ultimately, on the ability to generate continued and sustainable profitable operations. The Company generates cash flow from the disposal of investments, financing activities, fees and dividend and interest income. The Company primarily invests in equity and debt instruments of various public and private companies. Due to a lack of an active market, the return on the disposal of investments in non-publicly traded companies may differ significantly from the carrying value of these investments. As of August 31, 2021, the Company's contractual cash flows, which were payable under financial liabilities consists of accounts payables and accrued liabilities as well as income tax payable with payments due in less than one year. The Company's financial assets are classified as being convertible into cash in less than one year. Management is of the opinion that sufficient working capital is available from its financings, its operations and its divestitures to meet the Company's liabilities and commitments as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Given the relatively small size of the Company's staff, senior management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments. The Company's financial liabilities are due within the next 12 months.

#### Concentration risk

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the Company's operating results. As at August 31, 2021, the Company has invested in common shares, convertible debentures, and warrants of public and private companies in the cannabis and non-cannabis sectors. The allocation between public and private companies is as follows:

	Cost	Fair value	Fair Value Percentage
	\$	\$	%
Public company common shares	123,346,062	231,298,556	49%
Private company common shares	249,083,093	200,029,387	48%
Warrants held in public companies	-	13,868,506	3%
Commercial Asset	11,964,558	20,014,573	3%
	<b>384,393,713</b>	<b>465,211,022</b>	<b>100%</b>

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As at August 31, 2021, 73% (November 30, 2020: 91%) of the total fair value of the Company's investments were United States based companies while 26% (November 30, 2020: 8%) and 1% (November 30, 2020: 1%) of the total fair value of the Company's investments were in Canada, Europe and New Zealand, respectively.

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance. The Company's investment strategy requires a level of risk in exchange for an above average return on investment. The Company plans to maintain an appropriate risk and reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties. The Company considers its shareholders' equity as its capital. The Company has no externally imposed capital requirements.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has two types of financial assets that are subject to the expected credit loss model: (a) other receivables from government agency and third parties; and (b) promissory notes. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified credit risk and impairment loss is immaterial, as these funds are held with reputable financial institutions. The Company applies the simplified approach to providing for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all promissory notes and other receivables while ECL calculation based on stage assessment has been performed for promissory notes.

#### CHANGES TO MANAGEMENT AND THE BOARD OF DIRECTORS

The following changes to management and Board have occurred since November 30, 2019:

- On January 3, 2020, Robert Reid resigned from the Board.
- On May 19, 2020, Peter Liabotis resigned as Chief Financial Officer of the Company.
- On May 19, 2020, Paul Kania was appointed as Chief Financial Officer of the Company to replace Peter Liabotis.
- On May 20, 2020, Arena J. Prado-Acosta was appointed to the Board and as the chairman of the audit committee.
- On June 1, 2020, Brady Cobb resigned as Chief Executive Officer of the Company and from the Board to transition to his role of Chief Executive Officer of Bluma.
- On June 1, 2020, Andrew DeFrancesco was appointed as Chief Executive Officer to replace Brady Cobb.
- On August 1, 2020, Roger Rai resigned from the Board.
- On August 1, 2020, Olivier Centner was appointed to the Board to replace Roger Rai.
- On August 9, 2021, Alex Spiro & Kevin Taylor were appointed to the Board

#### LISTING OF KEY COMPANY PERSONNEL AS OF THE DATE OF THIS MD&A

- **Board of Directors:** Olivier Centner (independent), Arena J. Prado-Acosta (independent), Alex Spiro (independent), Kevin Taylor (independent) and Andy DeFrancesco (Chairman).
- **Senior Officers:** Andy DeFrancesco, (Chief Investment Officer/Chief Executive Officer), Paul Kania, (Chief Financial Officer).