

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: HBOR

Number of Outstanding Listed Securities: 32,608,558 Subordinate Voting Shares

Date: February 28, 2021

Report on Business

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

On February 18, 2021, the Issuer announced the final outcome of the tax case involving Harborside's subsidiary, San Jose Wellness ("SJW"). The United States Tax Court (the "Court") ruled in favor of the Commissioner of Internal Revenue with respect to Docket Nos. 12313-15, 12353-15, and 15714-18 to disallow all of SJW's deductions pursuant to I.R.C. sec. 280E for all the years at issue. The Issuer's accrued liabilities in connection with its SJW dispensary will now be less than the provision previously set aside.

On February 18, 2021, the Issuer announced the closing of an upsized brokered private placement of units ("Units") of Harborside at a price of C\$2.55 per SVS Unit (as defined below) and C\$255.00 per MVS Unit (as defined below) for aggregate gross proceeds of C\$35,103,045 (the "Offering"). Each Unit issued to non-residents of the United States (an "SVS Unit") is comprised of one subordinate voting share of Harborside (a "Subordinate Voting Share") and one SVS purchase warrant (a "Warrant") of Harborside. Each Warrant underlying an SVS Unit is exercisable to acquire one SVS for a period of 36 months following closing of the Offering (the "Closing") at an exercise price of C\$3.69 per SVS, subject to adjustment and acceleration in certain events. In consideration for their services, the Issuer paid agents a cash commission of C\$1,451,340.75 and issued the agents an aggregate of 569,154 broker warrants ("Broker Warrants"). Each Broker Warrant is exercisable to acquire, within 12 months from Closing, one SVS Unit at an exercise price of C\$2.55 per SVS Unit.

On February 26, 2021, the Issuer announced that it was named Best Curbside Pick-up for dispensaries by readers in East Bay Express's Best of the East Bay 2021. In addition, Harborside also placed as a top 3 finalist for the Best Cannabis Delivery category in the Desert Sun's "Best of the Desert" 2020 competition.

On February 26, 2021, the Issuer also announced the redemption for cancellation of all of its issued and outstanding Series B special shares (“Series B Special Shares”) and all of its issued and outstanding Series C special shares (“Series C Special Shares” and, together with the Series B Special Shares, the “Special Shares”). The redemption for cancellation of the Special Shares was completed on February 26, 2021 (the “Redemption Date”) in accordance with the Issuer’s articles of amendment dated December 1, 2020 (the “Articles”). The Special Shares outstanding on the Redemption Date included: (i) Series B Special Shares convertible into a total of 275,325 SVS in the capital of the Issuer; and (ii) Series C Special Shares convertible into a total of 336,508 SVS. The Special Shares were redeemed at a redemption price of \$0.000001 per Special Share, subject to adjustment in accordance with the Articles. No compensation was paid to any holder pursuant to the Articles, which provide that no payment shall be made and no compensation shall be provided for any payment to a holder that is less than \$1.00.

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

On September 1, 2020, the Issuer announced that it had commenced a strategic review of the business and opportunities in the marketplace (the “Strategic Review”) to maximize shareholder value including, potential merger and acquisition opportunities, equity financings, and the potential repurchase and financing of the Issuer’s farm operation in Salinas, California (the “Farm”). The Issuer has not established a definitive timeline to complete the Strategic Review, and no decisions related to any strategic alternative has been reached at this time. There can be no assurance as to what, if any, alternative might be pursued by the Issuer as a result of the Strategic Review. The Issuer does not intend to comment further with respect to the Strategic Review unless and until it determines that additional disclosure is appropriate in the circumstances and in accordance with the requirements of applicable securities laws.

The Issuer’s management continues to work on the discontinuation of operations of its retail dispensary in Portland, Oregon, as previously announced on April 23, 2020. Additionally, management continues to work on the final disposition of the acquisition previously announced by the Issuer of a 100% interest in Altai Partners, LLC (“Altai”), a Delaware limited liability company with its principal place of business located in California. Altai has a binding agreement to acquire a minimum 45% ownership interest in Lucrum Enterprises Inc., d/b/a LUX Cannabis Dispensary (“LUX”), which is one of only 16 licensed dispensaries operating in San Jose, California.

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

There were no products or services which were developed or offered during the month.

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

There were no products or services which were discontinued during the month.

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

Aside from business relationships entered into in the normal course of business from time to time during the last month, the Issuer has no further new business relationships to report.

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

There were no material contracts or agreements expired or terminated during the month and no other material financing arrangements were cancelled during the month.

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

None noted.

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

Aside from the acquisition or loss of retail consumer customers in the normal course of business, the Issuer has no further customer acquisitions or losses to report.

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

None noted.

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

Aside from the hiring or termination of employees in the normal course of business, the Issuer had no further hirings or terminations to report.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None noted.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

As previously disclosed, certain of the Issuer's US subsidiaries are involved in five US Tax Court cases involving application of Internal Revenue Code Section 280E to the Issuer's business. Three of these cases involve the Issuer's subsidiary PMACC, while two of these cases involve Issuer subsidiary SJW.

On October 21, 2019, the US Tax Court issued a final decision under Tax Court Rule 155 on the income tax deficiency for PMACC, which ruled that PMACC owes an aggregate tax deficiency of approximately \$11 million for the fiscal years 2007 through 2012.

On May 26, 2020, the Issuer filed an appeal of the US Tax Court's October 21, 2019 decision with the US Federal Court of Appeals for the Ninth Circuit. The matter was argued before the 9th Circuit Court of Appeals on February 9, 2021.

On February 18, 2021, the Issuer announced the final outcome of the tax case involving Harborside's subsidiary, San Jose Wellness ("SJW"). The United States Tax Court (the "Court") ruled in favor of the Commissioner of Internal Revenue with respect to Docket Nos. 12313-15, 12353-15, and 15714-18 to disallow all of SJW's deductions pursuant to I.R.C. sec. 280E for all the years at issue. The Issuer's accrued liabilities in connection with its SJW dispensary will now be less than the provision previously set aside.

On January 6, 2020, the Issuer's subsidiary FLRish, Inc. was served with a complaint filed by plaintiff and putative class representative Ms. Gia Calhoun. The complaint, filed on December 17, 2019 in the U.S. Federal District Court for the Northern District of California (the "Court"), alleges

violations of the Telephone Consumer Protection Act (47 USC §227 et seq.), (“TCPA”) and seeks class certification with respect to a group of individual plaintiffs alleged to be similarly situated to Ms. Calhoun. The Issuer believes that the complaint fails to state any claim upon which relief can be granted, and that it has meritorious defenses to the alleged causes of action. The Issuer further believes that Ms. Calhoun’s allegations fail to adequately represent the claims of any alleged class of similarly situated plaintiffs. On April 6, 2020, the Issuer filed a motion to stay all proceedings in the matter pending a ruling by the U.S. Supreme Court in the case *Barr v. Am. Ass’n of Political Consultants, Inc.*, No. 19-631, concerning the constitutionality of Section 227(b) of the TCPA. On May 13, 2020, the Court granted the Issuer’s motion to stay all proceedings in the matter pending the U.S. Supreme Court’s decision in the *Barr* case. The Court further informed the parties that it would be willing to entertain another motion to stay pending the Supreme Court’s granting review on the issue of what constitutes an “automatic telephone dialing system” (“ATDS”) in the *Duguid v. Facebook* petition. On July 6, 2020, the U.S. Supreme Court ruled on *Barr* and invalidated the government-debt call exception, but severed that provision and did not strike down the entire automated call restriction of the TCPA. With respect to the Issuer’s litigation, per the Court’s order the parties filed a joint status report on July 13, 2020. On July 17, 2020, the parties appeared before the Court for a case management conference. In the interim, the Supreme Court granted review on the issue of what constitutes an ATDS in the *Duguid v. Facebook* petition, and the Issuer subsequently proposed that the Court extend the stay until the Supreme Court issues a decision on Facebook’s petition. At the case management conference on July 17 the Court ruled:

1. No class-related discovery is permitted
2. Within the next 90 days, the Issuer may take discovery on plaintiff’s DNC claim
3. Within the next 90 days, plaintiff may take discovery on the issue of whether an ATDS was used to call Plaintiff. However, the court expressly ruled that the parties may not engage in any expert discovery on the ATDS issue.

The Issuer presently awaits the Court’s setting of another Case Management Conference. A trial date remains to be set, and the case remains in the discovery phase.

On or about January 10, 2020, PMACC was served with a complaint filed by plaintiff and putative class representative Mr. Michael Adams. The complaint, filed on January 7, 2020 in Superior Court of the State of California for Alameda County, alleges violations of California Business and Professions Code §17200 with respect to PMACC’s employee wage payment practices, and seeks class certification with respect to a group of individual plaintiffs alleged to be similarly situated to Mr. Adams. The Issuer believes that the complaint fails to state any claim upon which relief can be granted, and that it has meritorious defenses to the alleged causes of action. The Issuer

further believes that Mr. Adams' allegations fail to adequately represent the claims of any alleged class of similarly situated plaintiffs. In late April 2020, the Issuer filed a demurrer/motion to strike as to plaintiff's complaint; the Court granted the Issuer's demurrer/motion to strike in part, with leave for the plaintiffs to amend and refile their original complaint. On or about October 6, 2020, the plaintiff and the Issuer agreed to mediation of the case, with mediation scheduled for March 29, 2021.

On August 21, 2020, the Issuer's subsidiary, San Leandro Wellness Solutions ("SLWS"), pursuant to prior agreement, commenced a demand for arbitration and relief against Agustin J. Lopez, Diana G. Lopez and KSJ Development LLC ("Defendants") with respect to a number of violations of the terms and conditions of the property lease between SLWS and Defendants. On September 8, 2020, Defendants filed its response to SLWS's demand for arbitration, and also asserted a number of counterclaims against SLWS. On January 11, 2021, Defendants requested leave of the arbitrator to amend its counterclaims to include additional causes of action against Issuer. Defendants also interposed an action for unlawful detainer in relation to its counterclaims against Issuer; this matter is scheduled for jury trial in March. The arbitrator in the matter has set a date of March 29, 2021 for arbitration of the causes of action alleged by the parties, with the parties each undertaking pre-arbitral discovery prior to arbitration. The Issuer believes that SLWS's demand for arbitration and relief is meritorious, and also believes that Defendants' asserted counterclaims are without merit.

On January 21, 2021, the Issuer announced that a complaint filed on October 13, 2020, with the United States District Court, District of Oregon ("the Court"), Case No. 3:20-cv-01551-MO, has been voluntarily dismissed in its entirety without prejudice. The plaintiffs in this action had alleged violations of the U.S. Securities Exchange Act of 1934, more specifically alleging that the Issuer issued materially false and misleading statements during the class period. The plaintiff voluntarily dismissed, without prejudice, the above-captioned action against all defendants.

On or about February 10, 2021, the Issuer was served with an Application filed in the Superior Court of Justice (Commercial List) for the Province of Ontario. The Application seeks to compel a former executive of Issuer to complete a sale of shares alleged to have been agreed to by the executive. The Issuer has been named as a "necessary party," to the litigation, insofar as the Issuer may need to assist in the completion of the sale if the Court decides that the sale of shares did in fact occur. The Issuer believes that it has no liability with respect to the matter, and will honor any lawful order of the Court to assist in the completion of the sale.

In early February 2021, and after informal settlement discussions with plaintiff, the Issuer was formally served with a lawsuit filed in the Superior Court of California for the County of Mendocino. The lawsuit (Hiatt Creek Properties et al. v. AUPA, LLC et al. (SCUK-CVG-20-74135) generally alleges

that plaintiff did not receive payment for a number of products and services provided by plaintiff to the defendants. The Issuer believes that the complaint fails to state any claim upon which relief can be granted, that it has meritorious defenses to the alleged causes of action, and that in any event, the amount alleged to be at issue is non-material to the Issuer's financial results. The case is presently in its early stages of pre-trial motion practice.

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

None noted.

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

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
SVS	5,806,700	SVS issued from the private placement	C\$14,807,085 of gross proceeds
MVS	79,592	MVS issued from the private placement	C\$20,295,960 of gross proceeds
Warrants	5,806,700	Warrants attached to SVS issued from the private placement	See above
SVS	135,000	Exercise of stock options	USD\$6,750
Broker Warrants	569,154	Broker warrants paid to agents as commission	N/A

15. Provide details of any loans to or by Related Persons.

None noted.

16. Provide details of any changes in directors, officers or committee members.

None noted.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

The trends and risks which are likely to impact the Issuer are detailed in the Issuer's Listing Statement dated May 30, 2019, under the heading "Risk Factors"; in the Issuer's most recently filed management's discussion and analysis; and in the Issuer's other public filings, all of which are available under the Issuer's SEDAR profile at www.sedar.com, and which are incorporated into this report by reference thereto.

In addition, on January 30, 2020, the World Health Organization declared that the recent COVID-19 outbreak was a global health emergency, recognizing that the disease represents a risk outside of China, where it emerged in the last several months. Companies across various industries could be impacted materially by the coronavirus.

COVID-19's known and unknown impact on earnings, costs, employees, supply chains, customers and other stakeholders, as well as other business matters, may be material for the Issuer, and may have a material impact on the Issuer's gross earnings, net earnings and other business matters. Environmental, social and governance factors may also impact the Issuer's operations in the near future.

Certificate of Compliance

The undersigned hereby certifies that:

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

Dated: March 4, 2021

Matthew Hawkins
Name of Director or Senior Officer

"Matthew Hawkins"
Signature

Director
Official Capacity

Issuer Details Name of Issuer Harborside Inc.	For Month End February 28, 2021	Date of Report 21/03/04
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