First Quarter 2021

Management's Discussion and Analysis
For the periods ended May 31, 2020 and May 31, 2019

Ventura Cannabis & Wellness Corp.

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Ventura Cannabis & Wellness Corp. ("Ventura", "VCAN or the "Company"), prepared as of July 29, 2020, should be read in conjunction with the consolidated financial statements for the three months ended May 31, 2020 and May 31, 2019, including the notes therein. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise specified, all financial data is presented in Canadian dollars. The words "we", "our", "us", "Company", and "Ventura" refer to Ventura Cannabis & Wellness Corp. and/or the management and employees of the Company.

Additional information relevant to the Company is available for review on SEDAR at www.sedar.com.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this report may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; and our anticipated needs for working capital. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the forward-looking statements contained in this report will in fact occur. The Company bases its forward-looking statements on information currently available to it and assumes no obligation to update them.

THE FORWARD-LOOKING INFORMATION CONTAINED IN THIS MD&A PRESENTS THE EXPECTATIONS OF THE COMPANY AS OF THE DATE OF THIS MD&A AND, ACCORDINGLY, IS SUBJECT TO CHANGE AFTER SUCH DATE. READERS SHOULD NOT PLACE UNDUE IMPORTANCE ON FORWARD-LOOKING INFORMATION AND SHOULD NOT RELY UPON THIS INFORMATION AS OF ANY OTHER DATE. WHILE THE COMPANY MAY ELECT TO, THE COMPANY DOES NOT UNDERTAKE TO UPDATE THIS INFORMATION AT ANY PARTICULAR TIME EXCEPT AS REQUIRED BY APPLICABLE SECURITIES LEGISLATION.

SELECTED FINANCIAL INFORMATION

('000 CAD) **Category**	**Three Months Ended May 31, 2020**	**Three Months Ended May 31, 2019**
Cannabis Revenue	$438	$92
Total Assets	$14,573	$22,589
Revenue	$1,264	$4,417
Gross Profit	$410	$1,023
Net profit (loss)	($869)	($819)
Net profit (loss) per share	($0.02)	($0.02)

ABOUT OUR BUSINESS

Ventura business summary

Ventura Cannabis & Wellness Corp. is a vertically integrated, California-based cannabis product company. The Company is currently building out its distribution channel through acquiring cannabis assets to ensure its products get premium shelf space. The Company plans to target four significant segments in the U.S. cannabis and CBD market with products suited to their needs: senior citizens, upwardly mobile middle-aged female professionals, upwardly mobile middle-aged male professionals and individuals suffering from addiction. These segments desire discrete and well-designed products as well as accurate dosing. The Company officially launched into the cannabis industry after a shareholder vote in April 2019, overwhelmingly approving the change in business from addiction treatment to cannabis.

Key performance drivers

It is management's belief that the biggest opportunity in cannabis will be in the development of branded products due to the higher margins and superior scalability compared to other verticals in the industry. Therefore, the key indicator of success is the development of uniquely branded products and the key driver of profitability will be distribution reach and volume, which is why the Company is acquiring distribution channels.

Future outlook

In Q1 FY 2020 Ventura received authorization from its shareholders to enter the cannabis space. In the same quarter VCAN also closed the acquisition of its first cannabis business. VCAN is primed to become an integrated product company. With the current business plan developed by Management and the Board and the early stage execution of that plan, VCAN has paved a clear and effective path to profitability and success.

OPERATING RESULTS

Accounting policies and estimates

The consolidated financial statements for the period ended May 31, 2020 are prepared under International Financial Reporting Standards ("IFRS") issued by the governing body of the International Accounting Standards Board ("IASB'). The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions. These estimates and assumptions affect; the reported amounts of assets and liabilities, disclosers of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of consolidated financial statements. The Company's critical accounting estimates are described under Accounting and Disclosure Matters below.

Non-IFRS measures

Throughout this MD&A, references are made to a number of measures which are believed to be meaningful in the assessment of the Company's performance. All of these metrics are non-standard measures under IFRS and may not be identical to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-IFRS financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations. Readers are cautioned that the disclosure of these items is meant to add to, and not replace, the discussion of financial results as determined in accordance with IFRS. The primary purpose of these non-IFRS measures is to provide supplemental information that may prove useful to investors who wish to consider the impact of certain non-cash or uncontrollable items on the Company's operating performance and who wish to separate revenues and related costs associated with start-up activities that may not be ongoing.

Consolidated operating results

Revenue, Margin, and Foreign Exchange Considerations

For the three months ended May 31, 2020 and May 31, 2019, cannabis revenue totaled $438 and $92, respectively. Management attributes the growth in revenue to both the acquisition of new entities and organic growth of existing cannabis business.

('000 CAD) Consolidated statement of operations	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019
Revenue	**$1,264**	**$4,417**
Cost of services	854	3,394
Gross margin	**$410**	**$1,023**
Gross margin	*32%*	*23%*
Facilities	29	(109)
Sales and marketing	6	23
Bad debt expense	492	-
General and administrative	(11)	890
Billing and other outside services	219	323
Depreciation and amortization	270	368
Stock based compensation	60	66
Interest expense/(income)	31	91
Amortization of prepaid finance fee	123	123
Accretion expense on lease liabilities	60	65
Net loss before other items and stock based compensation	**($869)**	**($819)**
Basic and diluted loss per share	**($0.02)**	**($0.02)**

Cost of services and gross margin

For the three months ended May 31, 2020 and May 31, 2019, cost of revenue was $854 and $3,394, respectively, and gross profit was 32% and 23%, respectively.

Facilities

Facilities expense includes all expenses related to renting and maintaining our physical corporate and operating locations but excludes facility costs related to new operating facilities which have yet to be opened.

For the three months ended May 31, 2020 and May 31, 2019, facilities expense totaled $29 and $(109), respectively.

Sales and marketing

Sales and marketing costs are comprised primarily of salaries, commissions and related expenses for sales personal and other expenses incurred to acquire new customers, salaries and related expenses for marketing personal, and costs related to advertising.

For the three months ended May 31, 2020 and May 31, 2019, sales and marketing expenses totaled $6 and $23, respectively.

General and Administrative

General and administrative expenses are comprised primarily of salaries and related expenses for finance, IT, accounting, management, and human resource personnel. In addition, there are new facility start-up costs, professional and legal services and other general overhead.

For the three months ended May 31, 2020 and May 31, 2019, general and administrative expenses were $(11) and $890 respectively.

Stock based compensation

Stock based compensation represents the amortization of the fair value of options and warrants issued to the Company's directors, officers, employees, vendors and consultants for services rendered. For the three months ended May 31, 2020 and May 31, 2019, stock-based compensation costs were $60 and $66, respectively.

Net Income/Loss

For the three months ended May 31, 2020 and May 31, 2019, the Company incurred a net income/(loss) of ($869) and ($819), respectively.

Consolidated Statements of Financial Position

('000 CAD)

Category	May 31, 2020	May 31, 2019
Cash	$2,757	$3,969
Accounts receivable	3,731	3,793
Prepaid expenses and other current assets	504	622
Other current assets	1	-
Inventory	126	137
Property and equipment	3,725	3,606
Prepaid Finance fee	-	-
Deposits and other non-current assets	150	142
Right-of-use assets	2,274	2,539
Goodwill	184	184
Intangible assets	1,122	1,154
Total assets	**$14,574**	**$16,147**
Accounts Payable and other current liabilities	$1,730	$2,532
Lease obligatiions	2,691	2,946
Long-term debt	2,464	2,360
Total liabilities	**$6,885**	**$7,839**
Share capital and contributed surplus	$49,349	$49,290
Accumulated deficit	(44,757)	(43,781)
Accumulated other comprehensive gain	3,043	2,745
Equity attributable to shareholders of Ventura	**$7,635**	**$8,254**
Non-controlling interests	54	54
Total Shareholders' equity	**$7,689**	**$8,308**
Total liabilities and Shareholders equity	**$14,574**	**$16,147**

Liquidity

As of May 31, 2020, the Company had cash and restricted cash on hand of $2,757. Management considers liquid assets to consist of cash and cash equivalents, inventory, and other current assets. According to this definition, the Company's liquid assets equal the current assets totaling $7,118. While working capital is traditionally used as a measure of a company's liquidity, management believes that a more accurate view of the Company's liquidity is liquid assets less current liabilities. The Company's liquid assets less current liabilities equal $4,464. The Company has sufficient cash on hand to continue to support its expansion plans and meet its contractual obligations. In addition, the Company has access to public markets and can access debt facilities to supplement its cash needs.

Contractual obligations

	May 31, 2020	February 28, 2020
Finance lease and other borrowings	$2,464	$2,360
Less:		
Current portion of finance lease and other borrowings	-	-
Long-term portion of finance lease and other borrowings	**$2,464**	**$2,360**

Operating Leases

The Company leases certain facilities under the terms of non-cancelable operating leases. For the three months ended May 31, 2020 amounts included in facilities expense totaled $19 as a result of IFRS 16.

Capital Management

The Company considers its capital to be shareholders' equity, which is comprised of share capital, contributed surplus, deficit and accumulated other comprehensive income and deficit, which totaled $7,797 at May 31, 2020, as well as long-term liabilities, which totaled $4,122 at May 31, 2020.

The Company believes it has sufficient capital on hand for its current growth plans.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its operational needs in short-term, liquid and highly rated financial instruments, such as cash and short-term guarantee deposits, held with major Canadian and US financial institutions.

Financing

During the three-month period ending May 31, 2020 all broker warrants had expired. The outstanding and exercisable balance at May 31, 2020 was zero.

Share Capital

As of the date of this report 37,039,999 shares are outstanding as a result of our 7.34:1 reverse share split effected on March 1, 2019.

	May 31, 2020	May 31, 2019
Authorized		
Unlimited voting common shares without par value		
Issued		
37,039,999 voting common shares (2019 - 35,676,514)	**$44,975**	**$44,342**

Changes to share capital:

	Number of Shares	Amount
As of February 28, 2019	**34,859,076**	**43,936**
Shares issued for services	2,180,923	1,039
As of February 29, 2020	**37,039,999**	**44,975**
Shares issued	-	-
As of May 31, 2020	**37,039,999**	**44,975**

Off Balance Sheet Arrangements

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations or financial condition.

Summary of Quarterly Results

The Company's revenues, net income/loss and net income/loss per share for each of the eight most recently completed quarters is as follows:

('000 CAD) **Category**	**Three Months Ended August 31, 2018**	**Three Months Ended November 30, 2018**	**Three Months Ended February 28, 2019**	**Three Months Ended May 31, 2019**
Cannabis Revenue	$0	$0	$0	$92
Bad Debt	$288	$346	($667)	$0
Revenue	$6,239	$7,279	$11,192	$4,416
Revenue after Bad Debt	**$5,951**	**$6,933**	**$11,859**	**$4,416**
Net Income (loss)	($37)	($498)	($2,586)	($819)
Net Income (loss) per share*	($0.00)	($0.02)	($0.07)	($0.02)
Shares*	$31,691,721	$31,691,721	$34,859,076	35,676,514

('000 CAD) **Category**	**Three Months Ended August 31, 2019**	**Three Months Ended November 30, 2019**	**Three Months Ended February 29, 2020**	**Three Months Ended May 31, 2020**
Cannabis Revenue	$409	$501	$378	$438
Bad Debt	$0	$0	$0	$492
Revenue	$4,000	$3,288	$2,562	$1,264
Revenue after Bad Debt	**$4,000**	**$3,288**	**$2,562**	**$772**
Net Income (loss)	($755)	($1,247)	$467	($977)
Net Income (loss) per share*	($0.02)	($0.03)	$0.01	($0.03)
Shares*	35,676,514	36,667,678	37,039,999	37,039,999

*Prepared using share count as at March 1, 2019 after the 7.34:1 reverse split

The Company's revenues consisted of revenues generated from its cannabis operations and service charges related to providing addiction treatment and related services to clients in both inpatient and outpatient settings. In regard to addiction treatment revenue, most of the Company's revenues are reimbursable by commercial payors, at out-of-network rates, with the remaining revenues payable directly by the Company's clients. The Company billed commercial payors, once insurance has been verified and services have been performed, based on usual and customary rates for each service. These billed rates were discounted to expected reimbursement rates (or net realizable value) as determined by management after taking into account the historical collections received from the commercial payors services to arrive at the revenues that are recognized. During 2019, Management adjusted the accounting practice for estimating collectible revenues and, in compliance with new IFRS requirements, began reporting revenue as net of Bad Debt as opposed to gross.

ACCOUNTING AND DISCLOSURE MATTERS

Financial Reporting Controls

The Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation.

There were no substantive changes in the Company's disclosure controls and procedures and internal controls over financial reporting during the period ending May 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal controls over financial reporting.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the consolidated financial statements. We constantly evaluate these estimates and assumptions.

We base our estimates and assumptions on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty, thus the amounts currently reported in the consolidated financial statements could prove to be inaccurate in the future.

We consider the estimates and assumptions described in this section to be an important part in understanding the consolidated financial statements. These estimates and assumptions are subject to change, as they rely heavily on management's judgment and are based on factors that are inherently uncertain.

Recognition of revenues

The Company's revenues consisted of revenues generated from its cannabis operations and service charges related to providing addiction treatment and related services to clients in both inpatient and outpatient settings. In regard to addiction treatment revenue, most of the Company's revenues are reimbursable by commercial payors, at out-of-network rates, with the remaining addiction treatment revenues payable directly by the Company's clients. The Company billed commercial payors, once insurance has been verified and services have been performed, based on usual and customary rates for each service. These billed rates were discounted to expected reimbursement rates (or net realizable value) as determined by management after taking into account the historical collections received from the commercial payors services to arrive at the revenues that are recognized. During 2019, Management adjusted the accounting practice for estimating collectible revenues and, in compliance with new IFRS requirements, began reporting revenue as net of Bad Debt as opposed to gross.

Valuation of accounts receivable

The Company now reports revenue as net of Bad Debt as opposed to gross. This change was effected as a result of new IFRS guidelines. Instead the Company has adopted a policy of reporting gross revenue as our initial revenue estimate less any projected bad debt expense. In calculating gross revenue, management incorporates paid and denied claims. Denials can be as a result of termed policies, client deductibles not met, client maximum benefits limit met, etc. In addition, management reviews account receivable in detail at each reporting period and provides for specific accounts that are deemed to not be collectible. Because of continuing changes in the health care industry and third-party reimbursement, it is possible that the Company's estimates could change, which could have a material impact on our operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the consolidated financial statements. A change in estimate could impact expenses and accounts receivable.

Stock based Compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of the Company's issued stock options and warrants as prescribed by IFRS 2. The Black-Scholes option pricing model requires management to make various estimates about certain inputs into the model, including the expected option life, expected volatility, risk-free interest rate and expected dividend yield. The company uses the following methodologies to estimate each of these inputs:

Black-Scholes Input	Assumption	Methodology
Expected option/warrant life	5 years/2 years	The life of the option or warrant is used
Expected volatility	138.00%	The trading volatility of similar companies as well as its own trading volatility for the previous 52 week period
Risk-free interest rate	1.57%	The Canadian Treasury rate on government bonds with similar duration
Dividend yield	Nil	The Company's expected dividend yield over the life of the underlying instrument

A change in any of these estimates at the time the underlying options or warrants were issued would have impacted the Company's equity and ongoing stock-based compensation expense.

Changes in accounting policies including initial adoption

During the three months ended May 31, 2020, the Company did not adopt any new IFRS standards, interpretations, amendments and improvements of existing standards.

Related Party Transactions

There were no related party transactions to report in the three months ended May 31, 2020.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instrument risk exposure

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support the Company's ability to continue as a going concern. The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's consolidated balance sheet from events that have the potential to materially impair its financial strength.

Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall business strategy, diversifying risk, pricing appropriately for risk, mitigation through preventative controls, and transferring risk to third parties.

Market risk

Foreign Currency Risk

All the Company's revenues are transacted in U.S. dollars and as a result, fluctuations in the rate of exchange between the U.S. dollar and Canadian dollar can have a significant impact on the Company's cash flows and reported results. As a majority of the Company's operating expenses are also in United States dollars, operational foreign currency risk is limited.

The functional currency for all of the Company's foreign operations is the US dollar which is the local currency. The Company translates the assets and liabilities of its US dollar functional currency subsidiaries into Canadian dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using average exchange rates that approximate those in effect during the period. The Company is affected by the fluctuations in the value of the US dollar. Significant fluctuations of exchange rates could adversely affect the Company's financial condition and results of operations. At the present, the Company maintains cash balances in both US and Canadian dollars but does not purchase any securities or financial instruments to speculate on or hedge against a rise or fall in the value of the US Dollar.

Credit Risk

Credit risk is the potential that clients or a counterparty to a financial instrument fail to meet their obligation to the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable as the Company's revenues are concentrated in California. The Company had many customers during the period and believes that there is minimal risk associated with collection of these amounts. The Company manages its credit risk by evaluating the eligibility of its clients for insurance or other coverage prior to admittance.

The Company's customers are generally large, financially stable, commercial insurers and accordingly credit risk associated with each of them is considered low. Credit risk is generally limited to the risk that the estimated amount of revenue that can be collected is not accurate.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company manages its liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through its current cash position to continue operating for the foreseeable future.

Covid-19 Associated Risk

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2021.

RISK FACTORS

Due to the nature of Ventura's business, the legal and economic climate in which Ventura operates and the present stage of development of its business, Ventura may be subject to risks. Ventura's future development and actual operating results may be very different from those expected as at the date of this MD&A. There can be no certainty that Ventura will be able to implement successfully the strategy set out herein. No representation is or can be made as to the future performance of Ventura and there can be no assurance that Ventura will achieve its objectives. In addition to the other information in this MD&A, an investor should carefully consider each of, and the cumulative effect of, the following factors.

An investment in Ventura's shares should be considered speculative due to the nature of Ventura's business. In evaluating Ventura and its business, shareholders should carefully consider the following risk factors. These risk factors are not a definitive list of all risk factors associated with Ventura or in connection with their operations. It is believed that these are the factors that could cause actual results to be different from expected and historical results. You should not rely upon forward-looking statements as a prediction of future results. Additional risks and uncertainties that Ventura is unaware of, or that Ventura currently deems to be immaterial, may also become important factors that affect Ventura. If any of the risks actually occur, the business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of Ventura or Ventura's shares, as applicable, could decline and the shareholder could lose all or part of his or her investment.

Risks associated with cannabis operations

The marijuana industry has accelerated in recent years as a number of jurisdictions, including Canada and certain U.S. states, continue to explore liberalization measures around marijuana law. The Canadian Securities Administrators published a revised notice on February 8,

2019 requiring issuers with cannabis operations in the U.S. to provide certain risk disclosure relating to such operations (the "**CSA Notice**"). The following risks are some of the risks described in the CSA Notice applicable to VCAN;

Investors May Have Potential Criminal Liability.

Although the production, possession, delivery, distribution, and sale of marijuana are now legal in several states, under federal law and the Controlled Substances Act, marijuana is a Schedule I controlled substance. Accordingly, the possession, cultivation, manufacture, distribution, or dispensing of cannabis remains illegal under federal law. It is possible that federal law enforcement authorities may bring an action, not only against VCAN, but also against investors in VCAN, asserting a claim of aiding and abetting another's criminal activities, or for conspiracy to commit an offense. The federal aiding and abetting statute provides that anyone who commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal. 18 U.S.C. §2 (a). The federal conspiracy statute provides that "if two or more persons conspire either to commit any offense against the United States. . . In any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title or imprisoned not more than five years, or both." 18 U.S.C. §371. Any investor should consult with their own attorney and advisors to understand and weigh the risks of possible criminal liability.

VCAN's business activities while believed to be compliant with current applicable state and local law of the United States, are illegal under United States federal law.

The concepts of "**medical cannabis**" and "**retail cannabis**" do not exist under United States federal law. The CSA classifies "**marijuana**" as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under United States federal law. Although VCAN's business activities are believed to be compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve VCAN of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against VCAN or even its Investors. Any such proceedings brought against VCAN may adversely affect VCAN's operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on VCAN or any of its Investors, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for VCAN to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump administration (the "**Trump Administration**") about recreational cannabis and medical cannabis. Former Attorney General Jeff Sessions is a well-known advocate against legalization of cannabis.

On January 4, 2018, the Cole Memorandum was revoked by former Attorney General Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the United States Department of Justice's ("**DOJ**") guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, former Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

On March 10, 2018, former Attorney General Sessions announced that federal prosecutors would not prioritize the prosecution of small-time marijuana cases, but instead focus its resources on the prosecution of illegal marijuana-growing operations on national parklands and black-market gangs that traffic marijuana and other narcotics.

On April 11, 2018, President Trump expressed his support to Senator Cory Gardner of Colorado for a legislative state's rights approach to the issue. In June, Senators Gardner and Elizabeth Warren of Massachusetts introduced a Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States" (the "**STATES Act**"). A companion bill was simultaneously introduced in the House of

Representatives as well. The STATES Act would essentially adopt a federalist approach that will permit states to determine for themselves the legality of marijuana in their states, free of federal interference.

On November 7, 2018, Mr. Sessions resigned as United States Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on the enforcement of federal regulation of cannabis in the United States.

The approach to the enforcement of cannabis laws in the future is unknown, cannot be predicted, and may be subject to change or may not proceed as previously outlined.

The Cole Memorandum outlined certain priorities for the DOJ 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 DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, as noted above, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Sessions.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place, because the Department of Justice memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625–a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("**Leahy Amendment**"). The Leahy Amendment was set to expire with the 2018 Fiscal Year on September 30, 2018; however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the "**Continuing Resolution**"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018.

Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will been acted in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry.

VCAN's investments in the United States are subject to applicable anti-money laundering laws and regulations.

VCAN is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("**FCEN**") of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the "**FCEN Memo**"). The FCEN Memo 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. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

If any of VCAN's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of VCAN to declare or pay dividends or effect other distributions.

VCAN's investments in the United States may be subject to heightened scrutiny.

For the reasons set forth above, VCAN's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, VCAN may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in

turn lead to the imposition of certain restrictions on VCAN's ability to invest in the United States or any other jurisdiction, in addition to those described herein.

U.S. border officials could deny entry into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans or even prosecution from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as VCAN), who are not U.S. citizens face the risk of being barred from entry into the United States for life.

Laws and regulations affecting the cannabis industry are constantly changing.

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect VCAN's operations. U.S. local, state and federal cannabis laws and regulations, along with Canadian securities laws, are broad in scope and subject to changing interpretations. These changes may require VCAN to incur substantial costs associated with legal and compliance fees and ultimately require VCAN to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on operations. VCAN cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted that will be directly applicable to its business.

Reliance on third-party suppliers, manufacturers and contractors.

VCAN intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, VCAN's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for VCAN's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on VCAN's business and operational results.

US federal tax and banking law

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward - looking statements, including without limitation, the following factors: the activities of the Company and its subsidiaries are subject to evolving regulation that is subject to changes by governmental authorities in Canada, the U.S. and internationally and such authorities could impose restrictions on the Company's and its subsidiaries' ability to operate; · third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's and its subsidiaries' cannabis business activities; · the Company's ability to repatriate returns generated from operations and investments in the U.S. may be limited by anti - money laundering laws; · under Section 280E of the Internal Revenue Code, certain normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, certain of the subsidiaries will be precluded from claiming certain deductions otherwise available to non - marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company and the subsidiaries will not be subject to Section 280E of the Internal Revenue Code in the future, and accordingly, there is no certainty that the impact that Section 280E of the Internal Revenue Code has on the Company's margins will ever be reduced; · federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's or any subsidiary's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company or any subsidiaries will be able to maintain its existing accounts or obtain new accounts in the future; and · although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis - related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. The Company's and its subsidiaries in the United States are subject to applicable anti - money laundering laws and

regulations. The Company and its subsidiaries are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States, Canada and internationally. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the "FinCEN Memorandum"). The FinCEN Memorandum 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. It refers to and incorporates supplementary Cole Memorandum guidance issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis - related violations of the United States Controlled Substances Act on the same day. Notwithstanding former Attorney General Sessions' revocation of the Cole Memorandum, the status of the FinCEN Memorandum has not been affected, 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 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum. The Company and its subsidiaries' operations, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the United States. This restricts the ability of the Company and its subsidiaries to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. U.S. Federal trademark protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Controlled Substances Act, the benefit of certain federal laws and protections that may be available to most businesses, such as federal trademark protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property in the United States, whether on a federal, state, or local level. Ability to Access Private and Public Capital The Company has historically relied on access to private and public capital in order to support its continuing operations and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and is not legal pursuant to U.S. federal law, Canadian based issuers involved in the U.S. cannabis industry have been successful in completing public financings.

However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the United States Controlled Substances Act of 1970. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws. Service Providers As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which are necessary for the Company's operations. Such suspension or withdrawal by such third - party service providers may have a material adverse effect on the Company's business.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at the federal level in the United States, judges in multiple states have previously refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even where there was no violation of state law. It is not certain that the Company will be able to legally enforce contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, and such lack of a remedy could have a material adverse effect on the Company's business. Admissibility to the U.S. Admissibility into the United States for those individuals involved with marijuana remains uncertain since the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. U.S. Customs practices continue to evolve and U.S. Customs and Border Protection ("CBP") released a statement on October 11, 2018 (the "CBP Statement") confirming that CBP enforces the laws of the United States and U.S. laws have not changed following Canada's legalization of marijuana. Requirements for international travelers wishing to enter the United States are governed by and conducted in accordance with U.S. federal law, which supersedes state laws. Although medical and recreational marijuana may be

legal in some U.S. States and Canada, the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. Consequently, crossing the border or arriving at a U.S. port of entry in violation of this law may result in denied admission, seizure, fines, and apprehension. The CBP Statement also stated that CBP officers are thoroughly trained on admissibility factors and the Immigration and Nationality Act, which broadly governs the admissibility of travelers into the United States. Determinations about admissibility and whether any regulatory or criminal enforcement is appropriate are made by a CBP officer based on the facts and circumstances known to the officer at the time. Generally, any arriving alien who is determined to be a drug abuser or addict, or who is convicted of, admits having committed, or admits committing, acts which constitute the essential elements of a violation of (or an attempt or conspiracy to violate) any law or regulation of a State, the United States, or a foreign country relating to a controlled substance, is inadmissible to the United States. The CBP Statement then continued to state that a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the marijuana industry, they may be deemed inadmissible. The Company's and its subsidiaries' operations in the United States may be subject to heightened scrutiny. Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations. Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational adult use cannabis under the Cannabis Act (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 46 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, may be in violation of federal law in the United States. Since 2014, the United States Congress has passed appropriations bills which included provisions to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law (currently the "Leahy Amendment", but also referred to as the Rohrabacher - Farr Amendment). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018 ("2018 Fiscal Year"), however, Congress approved a nine - week continuing resolution from the 2018 Fiscal Year (the "Continuing Resolution"). The Continuing Resolution has the purpose of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied upon appropriations protecting the medical cannabis industry were renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be included in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry. Until Congress agrees on the 2019 Fiscal Year Appropriations Bill, Congress may pass additional continuing resolutions from the 2018 Fiscal Year, which resolutions would provide ongoing and consistent protection for the medical cannabis industry. On December 22, 2018, Congress failed to pass the 2019 Fiscal Year Appropriations Bill, including the Leahy Amendment, causing a shutdown of the federal government. During a federal government shutdown, certain "nonessential" governmental programs are stalled; however, federal law

enforcement and prosecution actions are exempted from furlough, thus Drug Enforcement Administration agents and federal prosecutors can operate without any restriction otherwise imposed by the spending bill regarding interference with the cannabis industry. Accordingly, during a shutdown, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis business that are otherwise compliant with state law. On January 25, 2019, President Trump ended the government shutdown but announced that he may shutdown the government again on February 15, 2019 if, by that time, Congress has not agreed on the final 2019 Fiscal Year Appropriations Bill which includes sufficient funding for a border wall between the United States and Mexico. On February 15, 2019, President Trump avoided another government shutdown and signed the 2019 Fiscal Year Appropriations Bill which included the Leahy Amendment, extending its application until the end of the 2019 fiscal year on September 30, 2019. There can be no assurances that the Leahy Amendment will be included in future appropriations bills. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. Controlled Substances Act, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in a future budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government would have the authority to prosecute individuals for violations of the law before it lacked funding under the five (5) year statute of limitations applicable to non - capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provides no protection against businesses operating in compliance with a state's recreational cannabis laws. Regulatory Action and Approvals from the Food and Drug Administration The Company's cannabis - based products are supplied to patients diagnosed with certain medical conditions. However, the Company's cannabis - based products are not approved by the Food and Drug Administration ("USFDA ") as "drugs" or for the diagnosis, cure,

mitigation, treatment, or prevention of any disease. Accordingly, the USFDA may regard any promotion of the cannabis - based products as the promotion of an unapproved drug in violation of the Federal Food, Drug and Cosmetic Act ("FFDCA"). In recent years, the USFDA has issued letters to a number of companies selling products that contain CBD oil derived from industrial hemp

warning them that the marketing of their products violates the FFDCA. USFDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Re-classification of Cannabis in and Removal of Industrial Hemp from the Controlled Substances Act in the United States

The USFDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FFDCA. USFDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. If cannabis, THC or CBD derived from cannabis is re - categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the USFDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the USFDA has historically deferred enforcement related to cannabis to the DEA; however, the USFDA has enforced the FFDCA with regard to industrial hemp - derived products, especially CBD derived from industrial hemp, sold outside of state - regulated cannabis businesses. If cannabis, THC or CBD derived from cannabis were to be rescheduled to a federally controlled, yet legal, substance, FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA, and others to enforce the Controlled Substances Act and FFDCA against businesses that comply with state but not federal law. On December 28, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law. The 2018 Farm Bill, among other things, removed industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from the Controlled Substances Act and will amend the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the Farm Bill, industrial hemp is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta - 9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis. " The U.S. Department of Agriculture will promulgate regulations for the industrial hemp industry, the timing of which cannot be assured. Additionally, the 2018 Farm Bill does not legalize CBD derived from "marihuana" (as such term is defined in the Controlled Substances Act of 1970), which is and will remain a Schedule I controlled substance under the Controlled Substances Act of 1970. It is not yet known what role the USFDA will have in regulating industrial hemp and CBD derived from industrial hemp. The potential for multi - agency enforcement post - rescheduling of cannabis and post - removal of industrial hemp from the Controlled Substances Act of 1970 could

threaten or have a materially adverse effect on the operations of existing state - legal cannabis businesses, including the Company. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Capital Investment

The timing and amount of capital expenditures by Ventura will be dependent upon Ventura's ability to utilize credit facilities, raise new debt, generate cash from operations, meet working capital requirements and sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to Ventura for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of Ventura and its subsidiaries and their respective cash flows.

Dependence upon Partners & Employees

Although Ventura is expected to have experienced senior management and personnel, Ventura will be substantially dependent upon the services of a few key personnel for the successful operation of its business. The loss of the services of any of these personnel could have a material adverse effect on the business of Ventura.

Inability to Implement the Business Strategy

The growth and expansion of Ventura's business is heavily dependent upon the successful implementation of Ventura's business strategy. There can be no assurance that Ventura will be successful in the implementation of its business strategy.

Issuance of Debt

From time to time, Ventura may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Ventura's debt levels above industry standards. The level of Ventura's

indebtedness from time to time could impair Ventura's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Dilution and Future Issuances of* Ventura *Shares

Ventura may issue additional shares in the future, which may dilute a shareholder's holdings in Ventura.

Future Sales of* Ventura *Shares by Directors and Officers

Subject to compliance with applicable securities laws, directors and officers and their affiliates may sell some or all of their securities in Ventura in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of Ventura's

securities prevailing from time to time. However, the future sale of a substantial number of securities by Ventura's directors and officers and their controlled entities, or the perception that such sales could occur, could adversely affect prevailing market prices for Ventura's securities.

Reimbursement Rates May Decline

Reimbursement for services to be provided by Ventura come primarily from private health insurance companies. The reimbursement rates offered are out-of-network and therefore outside the control of Ventura. Reimbursement rates in the United States, and much of the United States healthcare market in general, have been subject to continual reductions as health insurers and governmental entities attempt to control healthcare costs. The extent and timing of any reduction in reimbursement rates cannot be predicted by Ventura.

Requirement for Permits and Licenses in a Highly Regulated Business

Some operations of Ventura require certain licenses and permits from the authorities in the United States. Licenses and permits may include those issued by both governmental and non-governmental entities. Private insurance companies may require that providers obtain accreditation from non-governmental entities in order to provide service to their patients or may require providers to agree to sign up for in-network agreements, which may have the impact of lowering reimbursement rates. Private insurers may change their practices with limited or no notice to Ventura. The ability of Ventura to obtain, sustain or renew any such licenses and permits on acceptable terms

is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies. There is no guarantee that Ventura will be able to obtain or maintain such licenses and permits.

Ventura will be subject to regulation from both United States federal and state authorities. Regulatory action could disrupt Ventura's ability to provide services. Such regulatory action could come in the form of actions based upon Ventura's operation. Regulatory action could prevent or delay reimbursement for certain services. There could also be legislative action that could adversely affect Ventura's business model, including a decision by the United States government, to become the exclusive provider of healthcare services at some time in the future amendments to current laws and regulations could have a substantial adverse impact on Ventura. Private insurers also have complex rules relating to reimbursement, and the failure of Ventura to follow those rules may impact the ability to collect on amounts billed and may expose Ventura to the risk of audits on amounts that have already been collected.

Insurance and Uninsured Risks

Ventura's business will be subject to a number of risks and hazards generally, including general liability. Such occurrences could result in damage to facilities, personal injury or death, damage to the properties of Ventura, or the properties of others, monetary losses and possible legal liability.

Although Ventura will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all potential risks associated with its operations. Ventura may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Ventura might also become subject to liability which may not be insured against or which Ventura may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Ventura to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

General Litigation Risk

Disputes are common in the United States healthcare industry and as such, in the normal course of business, Ventura might be involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. There is no assurance that Ventura's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, Ventura is subject to the risk of claims and legal actions for various commercial and contractual matters in respect of which insurance is not available.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that Ventura incurs in its operations. The appreciation of non-United States dollar currencies against the United States dollar can increase the cost of operations in United States dollar terms.

Holding Corporation

Ventura is considered a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a result, the holders of Ventura shares are subject to risks attributable to its subsidiaries. As a holding corporation, Ventura conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenue. Consequently, Ventura's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Ventura. The ability of the subsidiaries of Ventura to pay dividends and other distributions depend on their operating results and is subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in ten instruments governing their debt. In the event of bankruptcy, liquidation or reorganization of any of Ventura's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Ventura.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Ventura may face risks if there are deficiencies in its internal controls over financial reporting and disclosure controls and procedures. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of Ventura. The board of directors, in conjunction with its Audit Committee, is responsible for assessing the progress and sufficiency of internal controls over financial reporting and disclosure controls and procedures and will make adjustments as necessary. However, these initiatives may not be effective at remedying any deficiencies in internal control over financial reporting and disclosure controls and procedures. Any deficiencies, if uncorrected, could result in Ventura's financial statements being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of Ventura shares and Ventura's business, financial condition and results of operations.

Key Credentialed Employees

Ventura will rely on a number of key employees and licensed providers with specialized training in the delivery of Ventura's services. Ventura's operations will be adversely affected if any of the key employees cease their employment with Ventura or if Ventura is unable to recruit and retain qualified staff.

Uninsured and Underinsured Clients and Collection Risks

An increase in uninsured and underinsured clients or the deterioration in the collectability of the accounts of such clients could have a material adverse effect on Ventura's business, financial condition and results of operations. Collection of receivables from third-party payors and clients is critical to Ventura's operating performance. The primary collection risks are (i) the risk of overestimating Ventura's net revenues at the time of billing that may result in Ventura receiving less than the recorded receivable, (ii) the risk of non-payment as a result of commercial insurance companies denying claims, (iii) the risk that clients will fail to remit insurance payments to Ventura when the commercial insurance company pays out-of-network claims directly to the client, (iv) resource and capacity constraints that may prevent Ventura from handling the volume of billing and collection issues in a timely manner, (v) the risk that clients do not pay Ventura for their self-pay balance (including co-pays, deductibles and any portion of the claim not covered by insurance, and (vi) the risk of non-payment from uninsured clients. Significant changes in business office operations, payor mix or economic conditions, including changes resulting from implementation of the *Affordable Care Act*, could affect Ventura's collection of accounts receivable, cash flows and results of operations. Changes to the *Affordable Care Act* or other changes in law or regulation, including provisions requiring health insurers to allow parents to insure dependent children up to 26 years of age, could also increase the number of individuals who have private health insurance.

Increased State and Federal Investigation of Healthcare Providers

Both federal and state government agencies have heightened and coordinated their civil and criminal enforcement efforts as part of numerous ongoing investigations of healthcare companies and various segments of the healthcare industry. These investigations relate to a wide variety of topics, including relationships with physicians, billing practices and use of controlled substances. The PPACA included an additional $350 million of federal funding over 10 years to fight healthcare fraud, waste and abuse, including $40 million for federal fiscal

year 2014. From time to time, the Office of Inspector General and the Department of Justice have established national enforcement initiatives that focus on specific billing practices or other suspected areas of abuse. In addition, increased government enforcement activities, even if not directed towards our treatment facilities, also increase the risk that Ventura's facilities, physicians and other clinicians furnishing services in Ventura's facilities, or Ventura's executives and directors, could become named as defendants in private litigation such as state or federal false claims act cases or consumer protection cases, or could become the subject of complaints at the various state and federal agencies that have jurisdiction over Ventura's operations. Any governmental investigations involving any of Ventura's facilities, executives or directors, even if Ventura ultimately prevails, could result in significant expense and could adversely affect Ventura's reputation.

Uncertainties Regarding the PPACA

The PPACA provides for increased access to coverage for healthcare and seeks to reduce healthcare-related expenses. Overall, the expansion of health insurance coverage under the PPACA, most of which went into effect on January 1, 2014, is expected to be beneficial to the substance abuse treatment industry. Beginning January 1, 2014, health insurers are prohibited from denying coverage to individuals because of preexisting conditions. Further, all new small group and individual market health plans are required to cover ten essential health benefit categories, which include substance abuse addiction and mental health disorder services. Likewise, as of January 1, 2014, small group and individual market plans are required to comply with the requirements of the MHPAEA of 2008. According to the U.S. Department of Health and Human Services estimates published in February 2013, these changes are expected to expand coverage for substance abuse addiction treatment and mental health disorders treatment for another 62.5 million Americans. The expansion of commercial insurance for substance abuse treatment services under the PPACA may result in a higher demand for services from all providers. This may bring new competitors to the market, some of which may be better capitalized and have greater market penetration than Ventura. Further, Ventura expects increased demand for substance abuse treatment services to also increase the demand for case managers, therapists, medical technicians and others with clinical expertise in substance abuse treatment, which may make it both more difficult to adequately staff Ventura's substance abuse treatment facilities and could significantly increase its costs in delivering treatment, which may adversely affect both its operations and profitability. One of the many impacts of the PPACA has been a dramatic increase in payment reform efforts by federal and state government payors as well as commercial payors. These efforts take many forms including the growth of accountable care organizations, pay-for-performance bonus arrangements, partial capitation arrangements and the bundling of services into a single payment. The end result of these efforts is that more risk of the overall cost of care is being transferred to providers. As institutional providers and their affiliated physicians assume more risk for the cost of care, Ventura expects more services to be furnished within provider networks formed to accept these types of payment reform.

Ventura's ability to compete and retain traditional sources of clients may be adversely affected by Ventura's exclusion from such networks or its inability to be included in such networks. Ventura cannot predict the impact the implementation of the PPACA and related rulemaking and regulations may have on Ventura's business, results of operations, cash flow, capital resources and liquidity or whether Ventura will be able to adapt successfully to the changes required by the PPACA.

Changes to Federal, State and Local Regulations

Because Ventura's treatment programs and operations are regulated at federal, state and local levels, Ventura could be affected by different regulatory changes in different regional markets. Increases in the costs of regulatory compliance and the risks of noncompliance may increase Ventura's operating costs, and Ventura may not be able to recover these increased costs, which may adversely affect Ventura's results of operations and profitability. Also, because many of the current laws and regulations are relatively new, Ventura does not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In the future, different interpretations or enforcement of these laws and regulations could subject Ventura's current or past practices to allegations of impropriety or illegality or could require Ventura to make changes to its treatment facilities, equipment, personnel, services or capital expenditure programs. A determination that Ventura has violated these laws, or the public announcement that Ventura is being investigated for possible violations of these laws, could adversely affect Ventura's business, operating results and overall reputation in the marketplace. In addition, federal, state and local regulations may be enacted that impose additional requirements on Ventura's facilities, such as the 2013 changes to the HIPAA privacy and security regulations. Adoption of legislation or the creation of new regulations affecting Ventura's facilities could increase its operating costs, restrain its growth, limit it from taking advantage of opportunities presented and could have a material adverse effect on its business, financial condition and results of operations. Adverse changes in existing comprehensive zoning plans or zoning regulations that impose additional restrictions on the use or requirements with respect to its facilities may affect Ventura's ability to operate its existing facilities or acquire new facilities, which may adversely affect its results of operations and profitability.

Estimates of reimbursement amounts for services performed

Ventura recognizes revenues from commercial payers at the time services are provided based on estimates of the amount that payors will pay the Company for the services performed. Management estimates the net realizable value of revenues by adjusting gross client charges using expected realization rates and applying this discount to gross client charges. Expected realization is determined by management

after taking into account historical collections received from commercial payors in the prior nine-month period by facility, by type of service and by payer. Estimates of net realizable value are subject to significant judgment and approximation by management. It is possible that actual results could differ from the historical estimates management has used to help determine the net realizable value of revenues. If actual collections either exceed or are less than the net realizable value estimates, the Company will record a revenue adjustment, either positive or negative, for the difference between our estimate of the receivable and the amount actually collected in the reporting period in which the collection occurred. A significant negative revenue adjustment could have a material adverse effect on our revenues, profitability and cash flows in the reporting period in which such adjustment is recorded. In addition, if we record a significant revenue adjustment, either positive or negative, in any given reporting period, it may lead to significant shifts in our results from operations from quarter to quarter, which may limit our ability to make accurate long-term predictions about our future performance.