



MEDMEN ENTERPRISES INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FOR THE THREE AND TWELVE MONTHS ENDED
JUNE 30, 2018**

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This management discussion and analysis ("MD&A") of the financial condition and results of operations of MedMen Enterprises Inc. ("MedMen Enterprises", "MedMen" or the "Company"), formerly known as The MedMen Group of Companies, is for the three and twelve months ended June 30, 2018. It is supplemental to, and should be read in conjunction with, the Company's audited consolidated and combined financial statements and the accompanying notes for the year ended June 30, 2018. The Company's consolidated and combined financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial information presented in this MD&A is presented in United States dollars ("\$" or "US\$"), unless otherwise indicated.

This MD&A is presented as of October 24, 2018.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: statements relating to the business and future activities of, and developments related to, the Company after the date of this MD&A, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including information concerning the completion and timing of the completion of contemplated acquisitions, including the contemplated acquisitions of PharmaCann LLC and businesses in Arizona, Illinois, the San Francisco Bay Area and San Jose announced by the Company in October 2018 and the contemplated sale of certain properties in a sale and leaseback transaction, expectations regarding whether such proposed transactions will be consummated, including whether conditions to the consummation of such proposed transactions will be satisfied and whether such proposed transactions will be completed on the current terms and contemplated timing, the structure of the PharmaCann acquisition, the timing for completing such proposed transactions, expectations for the effects of such proposed transactions, including the potential number and location of cultivation and production facilities and dispensaries or licenses therefor to be acquired and markets to be entered into by the Company as a result of completing such proposed acquisitions, expectations regarding the markets to be entered into by the Company as a result of completing such proposed acquisitions, the ability of the Company to successfully achieve its business objectives as a result of completing such proposed acquisitions, the contemplated use of proceeds from the bought deal unit offering completed by the Company in September 2018 and the term loan facility obtained by the Company in October 2018, new revenue streams, the roll out of new dispensaries, including as to number of planned dispensaries to be opened in the future and the timing in respect of the same, and related forecasts, estimates of future cultivation, manufacturing and extraction capacity, expectations as to the development and distribution of the Company's brands and products, the development and implementation by the Company of direct-to-consumer-delivery services and a customer rewards program and the remaining components of its digital and online strategy, the expansion of the Company's in-store pick up service from the current footprint and features, the development and implementation of the Company's enterprise and information technology solutions, the implementation of a research and development division, the application for additional licenses and the grant of licenses or renewals of existing licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional U.S. and international markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law, expectations of market size and growth in the United States and the states in which the Company operates or contemplates future operations and the effect that such growth will have on the Company's financial performance and the return experienced by investors, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements.

Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline; development costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; favorable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks relating to the concentrated Founder voting control of the Company and the unpredictability caused by the existing capital structure; U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to the ability to consummate the proposed acquisitions and the ability to obtain requisite regulatory approvals and third party consents and the satisfaction of other conditions to the consummation of the proposed acquisitions on the proposed terms and schedule; the ability to suitably structure the proposed PharmaCann acquisition and complete the acquisition on the basis of such structure; the potential impact of the announcement or consummation of the proposed acquisitions on relationships, including with regulatory bodies, employees, suppliers, customers and competitors; the diversion of management time on the proposed acquisitions; risks related to contracts with third party service providers; risks related to the enforceability of contracts; the limited operating history of the Company; reliance on the expertise and judgment of senior management of the Company; risks inherent in an agricultural business; risks related to co-investment with parties with different interests to the Company; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to financing activities including leverage; the limited operating history of the Company; risks relating to the management of growth; increased costs associated with the Company becoming a publicly traded company; increasing competition in the industry; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor (the availability and retention of which is subject to uncertainty); cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; the limited market for securities of the Company; limited research and data relating to cannabis; as well as those risk factors discussed elsewhere herein and in the listing statement of the Company dated May 28, 2018 available under the Company's profile on www.sedar.com.

With respect to certain forward-looking statements contained in this MD&A, the Company notes the following:

- The timing of the rollout of direct to consumer delivery assumes that the Company obtains appropriate licenses during 2018, that the Company is able to hire and retain sufficient staff to operate a delivery service

and that capital costs associated with such rollout do not increase materially beyond that budgeted. If the Company is unable to hire and retain sufficient staff to operate a delivery service, or if capital costs associated with such rollout increase materially, the timing of direct to consumer delivery could be delayed, or could be cancelled.

- The timing of the introduction of new products assumes that the Company's cultivation and production facilities are operating, that new product and brands have sufficient consumer appeal to be stocked by third party retailers that the Company's manufacturing and packaging operations do not face any input constraints and that products can be produced in an efficient and scalable manner. If the Company is faced with operational issues with its facilities, the Company may not be able to supply product for sale under its new brands until such issues are corrected. In addition, costs could increase and new product introductions could be delayed or cancelled.
- The expansion of the Mustang facility assumes that funds are available to fund the expansion, that the Company obtains the necessary licenses (or amendments to licenses) to permit a larger facility, all necessary construction permits are issued and that the cost of such expansion does not increase such that construction would no longer be economically viable. A failure to obtain necessary permits and licenses, or a delay in such permits and licenses, or an increase in construction costs could result in this expansion being deferred for a material amount of time or being cancelled.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. The forward-looking information and statements contained in this MD&A represent the Company's views and expectations as of the date of this MD&A, unless otherwise indicated. The Company anticipates that subsequent events and developments may cause its views and expectations to change. However, while the Company may elect to update such forward-looking information and statements at a future time, it has no current intention of and assumes no obligation for doing so except to the extent required by applicable law.

Readers should read this MD&A and the documents that we reference herein completely and with the understanding that our actual future results may be materially different from what we expect.

Basis of Presentation

The consolidated and combined financial statements of the Company have been prepared in accordance with **IFRS** as issued by the International Accounting Standards Board (“**IASB**”). Certain financial measures contained in this MD&A are non-IFRS financial measures and are discussed further under “*Non-IFRS Financial and Performance Measures*” below.

All references to “\$”, “US\$” and “dollars” refer to U.S. dollars and “C\$” refers to Canadian dollars. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding.

All references to “fiscal 2017” are to the Company’s fiscal year ended June 30, 2017; to “fiscal 2018” are to the Company’s fiscal year ended June 30, 2018; to “fiscal 2019” are to the Company’s fiscal year ending June 30, 2019; to “fiscal 2020” are to the Company’s fiscal year ending June 30, 2020; and to “fiscal 2021” are to the Company’s fiscal year ending June 30, 2021.

Market and Industry Data

Unless otherwise indicated, the market and industry data contained or incorporated by reference in this MD&A is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Actual outcomes may vary materially from those forecast in such market or industry data, and the prospect for material variation can be expected to increase as the length of time of the forecast period increases. Although the Company believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. The Company has not independently verified any of the data from third party sources referred to or incorporated by reference herein and accordingly, the accuracy and completeness of such data is not guaranteed.

ABOUT MEDMEN

Corporate Structure

MedMen Enterprises Inc., formerly known as The MedMen Group of Companies, was incorporated in the Province of British Columbia under the Business Corporations Act (British Columbia).

The Company’s Class B Subordinate Voting Shares are listed on the Canadian Securities Exchange under the symbol “MMEN”, on the OTCQX under the symbol “MMNFF”, on the Frankfurt Stock Exchange under the symbol “OJS.F” and on the Stuttgart Stock Exchange under the symbol “OJS.SG”.

The Company operates through its wholly-owned subsidiaries, MM Can USA, Inc., a California corporation (“MM Can”), and MM Enterprises USA, LLC, a Delaware limited liability company (“MM Enterprises USA”).

MM Can converted into a California corporation (from a Delaware corporation) on May 16, 2018 and is based in Culver City, California. The head office and principal address of the company is 10115 Jefferson Boulevard, Culver City, California 90232.

MM Enterprises USA was formed on January 9, 2018 and is based in Culver City, California. The head office and principal address of the company is 10115 Jefferson Boulevard, Culver City, California 90232.

The MedMen Group of Companies was comprised of the following companies: MMMG LLC; MMOF Downtown Collective, LLC; MMOF Venice, LLC; MMOF Venice Collective, LLC; Project Compassion Venture, LLC; The MedMen of Nevada 2, LLC; Project Mustang Development, LLC; Desert Hot Springs Green Horizon, Inc.; and Manlin DHS Development, LLC.

On January 29, 2018, pursuant to a Formation and Contribution Agreement (the “Agreement”), a roll-up transaction was consummated whereby the assets and liabilities of The MedMen Group of Companies were transferred into MM Enterprises USA. In return, the vendors of the businesses of The MedMen Group of Companies received 217,184,382 MM Enterprises USA Class B Units. The Agreement was entered into by and among MM Enterprises Manager, LLC,

the sole manager of MM Enterprises; MMMG LLC (“MMMG”); MedMen Opportunity Fund, LP (“Fund I”); MedMen Opportunity Fund II, LP (“Fund II”); The MedMen of Nevada 2 LLC (“MMNV2”); DHSM Investors, LLC (“DHS Owner”); and Bloomfield Partners Utica, LLC (“Utica Owner”). On May 28, 2018, a reverse takeover of Ladera Ventures Corp. was completed by MM Enterprises USA (the “**Business Combination**”). This Business Combination resulted in a reorganization of MM Enterprises USA and Ladera Ventures Corp and pursuant to which Ladera became the indirect parent of MM Enterprises USA and Ladera changed its name to “MedMen Enterprises Inc.”. On May 29, 2018, the Company’s Class B Subordinate Voting Shares began trading on the Canadian Securities Exchange under the ticker “MMEN”.

References herein to “**MedMen Enterprises**”, “**MedMen**” or the “**Company**”, “**we**”, “**us**” or “**our**” as of a date or a period of time prior January 29, 2018 refer to The MedMen Group of Companies. References on or after January 29, 2018 through May 28, 2018 refer to MM Enterprises USA.

Summary Description of the Business

Since the completion of the Business Combination, the Company has adopted the business carried on by MM Enterprises USA. The Company is a U.S.-based, leading, fully-integrated cannabis company. The Company is currently focused on the cultivation, production and retail aspects of the cannabis supply chain. The Company has scalable, highly-efficient cultivation and production facilities which use the latest agronomic technology and sustainable techniques. The Company operates one (1) cultivation and production facility in Nevada (Mustang) and one (1) cultivation and production facility in New York, with total existing capacity of approximately 47,400 square feet. The Company is also currently developing additional large-scale cultivation and production operations in California, large-scale cultivation and production operations to replace the existing facility in New York and a cultivation and genetics facility in Nevada, and expanding the cultivation area at its Mustang facility in Nevada.

In addition to its cultivation and production operations, the Company currently owns and operates ten (10) premium retail stores located in strategic locations across key cities and neighborhoods in California, Nevada and New York through its award-winning retail concept. In addition, there is one (1) retail location in Nevada under contract for acquisition and the Company has applied for or is contemplating applying for the requisite licenses for seven (7) additional retail locations (four (4) in California, two (2) in Nevada, and one (1) in Massachusetts), one (1) manufacturing and distribution location in California and one (1) cultivation location in Massachusetts. Additionally, the Company recently secured leases for five (5) retail locations in Florida and completed a previously announced acquisition of dispensary and cultivation assets in Florida, as part of which the Company acquired a cultivation facility and the right to open 25 medical dispensaries in Florida. As of July 2018, the qualified patient count in Florida surpassed 100,000, which was deemed to be the threshold that, once crossed, allows for license holders to further expand their footprint to 30 medical dispensaries to serve the needs of the population. This value increases to 35 if certain conditions are met. The Company views California, Nevada, New York and Florida as providing ongoing opportunities for growth due to their market depth, current supply-demand dynamics and regulatory framework. It currently holds 18 licenses within California, 14 licenses within Nevada, five (5) licenses within New York and one (1) license within Florida, across the cannabis supply chain, providing the requisite authorization for the various activities of the Company at its existing facilities and retail locations.

The Company is operated by an executive team that has significant experience in the cannabis industry and a robust operational and acquisition track-record as to all facets of the Company’s operations, which has executed its business plan to rapidly scale its business.

As of August 2018, the Company has over 800 employees across its operating jurisdictions. The staff of two retail locations of the Company in Southern California are represented by the United Food & Commercial Workers union (the “UFCW”). The UFCW is a national labor union that represents cannabis workers throughout the United States. In addition to the UFCW’s representation of two retail locations in Southern California, the Company has entered into a labor peace agreement (the “LPA”) with the UFCW, which provides for management neutrality and allows the union to organize unimpeded. The LPA is in effect for all Southern California and New York retail locations of the Company. The Company expects to enter into collective bargaining agreements with California and New York retail locations by the end of calendar 2018.

Company Mission

MedMen was founded with the mission of mainstreaming marijuana. We set out to challenge the status quo by eliminating the stigma around marijuana as a consumer product. We have found inspiration in solving the technical challenges of navigating a fragmented and often antiquated regulatory framework and parlaying that expertise into catapulting an entire industry into the light of day.

Our reputation is deeply rooted in execution. Our goal is branded scale. MedMen has become a brand associated with state-of-art retail, best-in-class curated product offerings, and an uncompromising commitment to quality. We are intensely involved in every stage of our business; from the location, acquisition, and design of our retail stores, to the cultivation, manufacture and presentation of our premium product offerings. This vertically integrated business model allows us to directly control quality and deliver an unrivaled customer retail experience while leveraging our significant retail footprint to capture higher margins.

Retail: Ultimate Defensibility

MedMen is unique in the cannabis business, in that our focus is on the retail component of the industry, while still leveraging the key advantages of being vertically integrated and controlling the resulting supply chain.

To better understand our business, one must think in terms of traditional retail metrics, while taking care to consider the effect of the unique regulatory environment U.S. cannabis businesses are subject to. Considering that these unique combination of factors represent defensive moats and competitive advantages when executed against by sophisticated strategic operators.

The Company believes its fourth quarter retail results most accurately reflect the current, stable state of the business.

Key Retail Metrics – Q4 2018, California Adult-Use Market

For the fourth quarter in 2018, system-wide retail revenue was \$19.2 million (C\$25.2million) across the Company's operations in California, Nevada and New York. This represents a 28.4% increase over Q3 (\$15.0 million), despite the prior period including the introduction of Adult Use cannabis in California. Importantly, the Company's California retail locations reported a combined \$17.7 million in revenue (C\$23.2 million), up from \$14.4 million (C\$18.9 million) in the prior period, representing a 23% increase over the Q3 2018.

In Q4, the Company's Southern California locations added over 98,000 new customers the MedMen ecosystem, while serving nearly 130,000 returning customers, combined representing over 2,500 daily transactions. Q3 2018 was the first quarter of Adult-Use cannabis sales in California, during which the Company's California stores served more than 102,000 first time customers and almost 62,000 repeat customers (an average of 1,800 daily transactions). The approximate 4.2% drop in new customers is to be expected as the novelty of adult use wears off. More importantly, the 110% increase in repeat visitors indicates that the thesis behind our retail philosophy is working and building customer loyalty. Repeat business is the lifeblood of the retail industry in general, and in a consumable, lifestyle sector such as cannabis, it is doubly important. Returning customers require less operational costs (less sales person attention, quicker turnover) as well as working capital planning via more predictable demand forecasting. Additionally, we are very pleased with the 37% increase in overall daily transactions, driven primarily by same-store traffic increases.

The California stores, including Abbot Kinney, produced an annualized per square foot revenue of \$6,257 (C\$8,217), arguably the highest reported sales per square foot of any publicly reporting retailer, regardless of industry. For Q3 2018, the operational California stores produced an annualized \$5,745 (C\$7,529) sales per square foot, representing a 9% increase across the asset set.

In addition to the high volumes of customer traffic, it is important to understand the effectiveness of the customer experience strategy the Company has put into effect. To that end, internal calculations suggest that the aforementioned customer transaction counts represent a remarkable 84.4% conversion rate to overall check-in traffic.

Average Dollar Sale ("ADS"), defined as the average pre-tax purchase amount per customer per visit, was \$77.82 (C\$101.99), and repeat transactions are holding strong at almost 83% of first time ADS. Additionally, in our Adult

Use customer population, our repeat customers have, on average, made 4.3 visits to MedMen properties since January 1, 2018; obviously this number is constantly developing and is subject to cohort maturation, and we feel it is a key metric to track to understand the quality of customer experience we are delivering.

Global Impact of the Brand

MedMen stores have drawn customers from all 56 US States and Territories/Protectorates. Not only does this represent the power of our Brand, but also the importance of our location-based real estate strategy. While the majority of our business comes from California, it is important to note that the top five (non-local) states our stores draw from (based on Driver's License check-in data) are New York, Texas, Florida, Illinois, and Arizona – the majority are states MedMen operates, or has immediate plans to operate, in. Even more importantly, we are already building a database of customers in those states to help better inform our operations as we inevitably continue to expand.

Location, Location, Location

The Company prides itself on its ability to acquire retail properties in premier locations proximal to dense population centers with disposable income. MedMen dispensaries are strategically placed to allow both the local patron the flexibility of choice while also giving the tourist consumer the convenience of availability. Regardless of customers' demonstrated willingness to travel reasonable distances for a high-quality retail experience, the Company continues to aggressively push to be the closest, most beautiful, welcoming, informative and satisfying consumer experience at the top of mind of each patron in every major regulated oligopolistic market in the US.

Execution leads to Market Share

While the cannabis industry continues to grow and find its footing, MedMen has positioned itself at the forefront of the retail dispensary experience and consumers are taking notice. According to the California Bureau of Cannabis Control for example, there are currently 427 licensed marijuana retailers across the state. The Company's eight (8) stores represent less than two percent of all retailers by number, but far out-sold the competition - internal calculations suggest that, in Q4 2018, MedMen stores in California outperformed non-MedMen stores by roughly 3.2 times, in terms of revenue.

Vertical Integration is the Key to the Supply Chain

MedMen currently owns three (3) cultivation and production factories across Nevada, New York and Florida and is constructing a fourth cultivation and production factory in California. The Company's scalable, high-efficiency cultivation and production factories use the latest agronomic technology, enterprise grade software and sustainable techniques. We continue to view California, Nevada, New York and Florida as providing ongoing opportunities for growth due to their market depth, current supply-demand dynamics and regulatory framework.

Each factory is/will be focused primarily on the commercialization of cannabis (both medical and recreational, as permitted under applicable laws), as well as the research and development of new strains of cannabis and cultivation techniques. The procedures at each facility place a heavy emphasis on customer/patient safety, with a strict quality control process.

While traditional methods, including basic greenhouses, are limited by soil conditions and climate, MedMen's facilities are unique in the industry in that all crops (with the exception of the temporary facility in New York) are grown in high-tech Dutch hybrid greenhouses, resulting in several key benefits:

- **Controlled Environment:** Environmental conditions are completely controlled through automation and optimization of lighting, temperature and watering/nutrients. With no drought, floods, wind, insects or harsh natural elements, plants are afforded uninterrupted and optimized growing cycles, resulting in maximal product yields and consistent product quality on a continuous basis.
- **Glass Exterior:** A glass exterior with blackout shades allows for maximum entry or blockage of sunlight compared to traditional greenhouses and optimal growing conditions while controlling utility expense.

- **Rapid Plant Growth:** Plants often grow faster and stronger in such facilities than they do in fields or greenhouses, potentially as a result of slightly higher carbon dioxide levels and tightly controlled growing conditions.
- **Quality Control:** The stable environment facilitates MedMen’s thorough application of Good Manufacturing Practices, Good Agricultural Practices, Good Production Practices and Good Laboratory Practices.
- **No Pesticides or Herbicides:** With no threat of insect, pests, or the plant diseases they can carry, there is no need for pesticides or herbicides and no residues on unpurified bulk material from MedMen’s plants. This provides at least two benefits. First, facilitating regulatory compliance by eliminating the need to quantify unwanted material residue throughout the production process, also resulting in cost savings. Second, end-user/consumer perception in the markets that MedMen’s customers are attracting may have a preference for material prepared without any contact with pesticides or herbicides.

Nevada (Project Mustang)

Project Mustang, located in northern Nevada is comprised of a 30,000 square foot cultivation factory and a 15,000 square foot production factory and sits on a total of 4.27 acres of land. The 30,000 square feet high-tech Dutch hybrid greenhouse allows for 22,000 square feet of canopy space. The production facility includes state-of-the-art production and extraction equipment with strict adherence to the Safe Quality Foods (SQF 2008) standard. The first crop was planted in fiscal Q3 2018 and the sale of product commenced in Q4 2018. MedMen is currently in the planning phases for an expansion of the factory to meet estimated demand for the Las Vegas market. The planned expansion for cultivation at the factory is approximated to be double the current cultivation area, and additional cultivation space is contemplated by expanding into the neighboring properties.

California (Desert Hot Springs)

MedMen is also in the construction stage of the first phase of a cultivation and production factory in Desert Hot Springs, California. The first phase comprises of a 30,000 square foot cultivation factory and a 15,000 square foot production factory. The factory sits on 10 acres of land owned by MedMen. Similar to Project Mustang, the factory will utilize a high-tech Dutch hybrid greenhouse, further refined and informed by lessons learned and incremental improvements. MedMen anticipates a factory completion date of February 2019.

New York (Utica)

MedMen operates a temporary cultivation and production factory in Utica, New York in order to service medical marijuana patients in the state through its vertically-integrated license. The temporary factory has a cultivation area of 1,600 square feet and a production area of 800 square feet. MedMen is currently in the planning stage of developing a 45,000 square foot cultivation and production factory on the same parcel of land. The new factory will be the same model as Project Mustang

Florida (Eustis)

In September, MedMen completed the transaction it announced on June 6, 2018, acquiring a master license and related assets from Florida based Treadwell Simpson Partnership and affiliates (“Treadwell Nursery”). The factory acquired is located in Eustis, Florida which is approximately an hour drive north from Orlando. The Company is currently operating a temporary facility and is in the planning stages for another Project Mustang-type factory.

Marketing: Selling the (Blue) Dream

MedMen marketing continues to break down stereotypes and perceptions of the cannabis user while focusing messaging and outreach on both cannabis education and the health and wellness benefits of cannabis.

While marketing investment in cannabis education and awareness remains a key priority, raising brand awareness and bringing consumers into our retail locations is at the core of our marketing efforts. Over the last quarter the Company has expanded its out of home, print, digital and non-traditional advertising to reach current cannabis users and those interested in learning more about cannabis. The lion’s share of media investment has been concentrated in Southern

California and Nevada where MedMen has significant adult-use retail locations. Given the complexity of cannabis advertising regulations, marketing efforts also include brand ambassador outreach programs in the neighborhoods where our stores are located, as well as the use of non-traditional advertising such as taxi-wraps to reach consumers where traditional media is not an option. Physician, patient and community outreach remain central to our marketing efforts in New York.

Further establishing MedMen as the driving force of innovative cannabis marketing, the second issue of EMBER magazine (“Journal of Cannabis and Culture”) was published in August and featured actress Lake Bell on the cover. This publication, as well as extensive media outreach, continues to keep MedMen at the forefront of the conversation to mainstream marijuana.

MedMen is building out the core capabilities of the team and is staffing up to prepare for future expansion. During calendar Q4 2018, the Company will be conducting quantitative consumer research to refine the MedMen brand positioning and target segmentation to further optimize marketing efforts in the future.



Tactic	Impressions
Billboards	198,000,000
Print	10,500,000
Taxi Wraps	259,000,000
Digital Truck	13,000,000
Radio	1,700,000
Digital Ads	9,600,000
Total	491,800,000

Best-in-Class Digital Strategy

At MedMen, we believe that our relationship with our customers does not begin and end with a single transaction. As such, we continue to develop the overall corporate brand by offering our customers digital products that enhance their retail experience so that they can engage with the MedMen brand at any time, resulting in more efficient new customer acquisition and improved customer retention, necessary to create brand loyalists in the digital era.

While the digital group is a relatively new addition to the MedMen investment cohort, in Q4 alone it helped drive over 6,000 unique, independent online mentions and 2,894,479,420 (~2.9B) online impressions. We believe this perspective to be unique to the cannabis industry and intend to leverage our digital strategy as a competitive advantage for years to come.

The Digital Product team designs, develops, and delivers customer-facing products on the responsive web platform, expanding into the mobile app channel in calendar 2019. The goal of the products that this team creates is to meet the consumer expectations and demands of premium retailers in four key areas:

1. Visibility

2. Flexibility
3. Convenience
4. Value

In Q4, the primary focus was on Visibility and Flexibility via the launch of:

1. SEO Optimization
2. SEM Campaigns
3. Online Orders for In-Store Pickup

The SEO and SEM (Paid Search) initiatives directly target visibility of the MedMen brand through both organic search traffic, and through the placement of MedMen advertisements in first or second position for both non-branded and competitor search traffic. This means more exposure for the brand, and specifically more visitors to our store pages in the geographic areas with Company dispensaries nearby. Organic search ranking was driven by site optimization and focus on keyword rich content, backlinking, and strategic partnerships that drive referral traffic to the site. Given that ~90% of our monthly users are new to the site, we also optimized the MedMen.com homepage for mobile to maximize both content and functionality on mobile devices. The current version of the homepage improves key message impression by ~185%, increases store pageviews by ~28%, and reduces the bounce rate on mobile devices by ~74%. Bounce rate is measured by and pulled from Google Analytics, and is defined as the percentage of single-page sessions in which there was no further interaction with the page. Our focus on strong Call-to-Actions that drive users into our store pages from every source and medium has driven a ~206% increase in store pageviews quarter-over-quarter and ~60% increase in daily average users visiting MedMen.com quarter-over-quarter.

Flexibility for our customers in Q4 was improved by launching online orders for in-store pickup in all of our Southern California stores. Customers now have the flexibility to browse the products in stock at every Southern California store, add them to their cart, and place the order for in-store pickup at their preferred store. Order status communication is sent via email. Initial results for online orders that are picked up in-store indicate that the flexibility of the service has a positive effect on ADS. Online orders in the month of August 2018 carried an average ADS of \$94, a ~20% lift over the average ADS observed in-store across our Southern California locations.

Looking forward, the Digital Product team will focus on Convenience and Value by delivering Account Creation / Social Sign-on for customer identity that will become the foundation for the addition of an in-home delivery option for the online orders. Also, on the horizon is a gift cards program, important not only for traditional retail purposes, but also may help serve as a captive, closed-loop payment system. Initially, the Company will issue physical cards that can be purchased in-store to attract new customers in our highly-giftable category. Balance checking will be provided on MedMen.com and online purchases for digital fulfillment (of gift card orders) via email delivery is also being planned for calendar 2019. Bringing additional value to the MedMen experience in calendar 2019 is our Rewards program, which helps drive new customer acquisition and existing customer retention with programs like referrals and value-based rewards targeted, with the goal of improving visit frequency and ADS.

MedMen | 2018 -> 2019 Priorities

Digital Product	Customer Goal			Timing	Strategy
	Acquire	Engage	Retain		
Search Optimization	x			Ongoing	Visible
Homepage A/B Test & Refresh	x	x	x	2018	Convenient
Online Orders In-store Pick-up	x		x	2018	Convenient
Customer Profiles MedMen.com	x	x	x	2018	Valuable
[statemade]	x		x	2018	Visible
Web Content Management System	x	x		2018	Visible
Online Orders In-home Delivery	x		x	2018	Convenient
Gift Cards Physical In-store	x		x	2018	Flexible
Gift Cards Digital On-line	x	x	x	2018/19	Convenient
Unified Storefront MedMen.com	x	x	x	2018/19	Valuable
MedMen Rewards Program	x		x	2019	Valuable
Mobile App (iOS first)		x	x	2019	Convenient

Big Data and Business Intelligence Increases Competitive Advantage

The Company has realized the accumulation (and resulting analysis) of a significant amount of consumer behavior data via implementation of proprietary point of sale (“POS”) technology and Enterprise Resource Planning platforms which collect information on every consumer and their transactions with the Company as well as every product that is cultivated, manufactured, bought and distributed. Further supporting this effort, the current regulatory framework in California and Nevada require the capture and maintenance of said data on an individual consumer level, in order to maintain required seed-to-sale systems and enforce customer-level quantity limitations. The access to this data has motivated the Company to undertake enterprise level development of a business intelligence and data science practice with the objective of achieving cross organizational efficiencies through data driven decision making and optimization of the holistic customer experience. The business intelligence unit is focused on data advancement, quantitative performance assessment, qualitative performance assessment, data related Governance, Risk Management and Compliance (“GRC”) initiatives, model/algorithm design and machine learning and artificial intelligence.

To date, the Company has collected information voluntarily submitted by over 400,000 individual customers and validated by government identification which is then connected to stock keeping unit (“SKU”) level transactions that in the first half of 2018 total over 1.1 million individual data points. Identity specific encrypted customer transactional data has the potential to be utilized in several ways that enhance the customer experience and, more importantly, long term business decision making, including marketing programs, demand planning and market expansion evaluation. The Company will leverage this type of data to inform Loyalty Program Initiatives, Promotional Customer Offers, CRM Communications & Opportunities, Cross Sell & Up Sell Recommendations, Customer Acquisition Modeling efforts, and Targeted Marketing efforts.

In accordance with state-specific seed-to-sale compliance regulations the Company has collected product level data beginning at individual seed germination through the final in-store SKU level purchase. Product data at this level enables the Company to model for future sales, agriculture and manufacture planning, lean supply chain management, retail optimization/benchmarking, and business case development. Beyond the business unit specific optimizations, the company is also able to produce internal real-time data distributed in the form of reports and dashboards designed to quickly inform our teams at all levels.

Information Technology – Systems meet Strategy

Seed-to-Sale Ecosystem

In 2018, working with a Microsoft Partner, MedMen has rolled its customized Seed-to-Sale Enterprise Resource Planning (“ERP”) solution to manage and automate its business and operational processes while building regulatory compliance components into the system.

The Finance and Accounting component of this solution was rolled out successfully earlier this year, allowing the Company to consolidate and more efficiently manage our accounting and finance methods, monitor fiscal performance, meet business and regulatory requirements, and help reduce the time and effort spent on accounting tasks. Including, multicurrency support, this system will also allow the Company to manage activities across the US and Canada.

The second component is our Supply Chain/Distro Module which allows us to ingest, manage, and track inventory levels, trend reports, and forecasts in real time. This enables the monitoring of supplier statuses, storage facilities, production plants, and distribution centers for more effective tracking and management of all processes, from ordering and acquisition of raw materials, to manufacturing and delivery of finished goods. The remaining Manufacturing Module is scheduled for early calendar 2019.



Proprietary Front-end - MyMedMen 2.0

In the second version of the Company’s proprietary Point-of-Sale system, MedMen has developed a fully mobile solution. This allows associates to provide more focused customer service while taking advantage of the Company’s unique open floor space to provide the best possible customer experience and quickly check them out from either the mobile kiosk or traditional checkout counters in the store.

This system is able to scan and store identification information, customer preference information for access from all locations, adjust inventory levels, apply discounts and track marketing promotions, while meeting state regulatory requirements.

Industry Leading Collaboration Partners

In an effort to streamline cultivation and grow processes, MedMen is working with ET Grow to exclusively customize their mobile solution for our needs and develop the first Agricultural Software specifically for the cannabis industry.

The system will manage plant trials, track climate data, plant location, and yield estimates. It manages crops cohorts, crop loss, shrinkage, creates unique crop care plans, all while automating previously manual tasks, further limiting variability and human error. This solution will eventually fully integrate with our ERP Solution, further centralizing our data repository and increasing our ability to mine data more effectively for predictability, incremental improvement and repeatability.

Key Executive Hires Bolsters Leadership

MedMen continues to deepen the Company's talent pool, attracting highly qualified, seasoned and committed individuals. As we continue to grow the Company, we believe building a team with the expertise to continuously execute is core to the overall long-term obligation to increasing shareholder value.

Ben Cook

Chief Operating Officer

Ben Cook oversees the full scope of operations for the company's rapidly growing profile. Mr. Cook is an accomplished global supply chain executive with 15 years of experience in omnichannel distribution, global market expansion, and supply chain optimization for blue-chip organizations. His experience executing complex strategies for global, high-growth companies, including Apple, Sam's Club and Target is invaluable to MedMen's growing multi-state operations and expansion plans. Mr. Cook served in US Army Special Operations (Airborne) and is a graduate of the U.S. Army John F. Kennedy Special Warfare Center and School, specializing in Unconventional Warfare.

David Dancer

Chief Marketing Officer

David H. Dancer is charged with creating and implementing MedMen's marketing strategies as the leading brand in one of the fastest growing industry in the world. For more than 25 years, he has been a leading innovator in retail marketing, branding, e-commerce and customer experience. Prior to joining MedMen, Mr. Dancer was Executive Vice President and head of marketing for Teleflora, North America's largest floral service provider, marketing Vice President for Visa, and as a retail brand consultant for Charles Schwab.

Mike Lane

Chief Digital Officer

Mike Lane oversees the creation of the customer-facing digital products that differentiates MedMen in the cannabis space, enhancing the overall customer experience and driving increased customer traffic. He brings more than twenty years of experience leading product development and design at major brands like Live Nation, Ticketmaster, FOX Broadcasting, Adobe, and for multiple clients at Accenture. Prior to joining MedMen, Lane was Vice President of product at technology innovator Grindr, the world's largest location-based social network connecting the LGBTQ community.

David Chiovetti

Senior Vice President of Retail Operations

David Chiovetti is charged with executing MedMen's retail strategy, overseeing the company's rapid expansion in North America. He brings more than a decade of success leading similar endeavors in the apparel and fashion industry. He held senior positions at class leading retail operators Lucky Brand, True Religion and Guess, where he oversaw all aspects of corporate retail including real estate, store design, construction and operations.

Commitment to Governance via a seasoned Board

MedMen continues to strengthen its leadership and unmatched expertise as it establishes the most diverse Board of Directors in the cannabis industry. The Board is comprised of leaders from different industries who offer their expertise, perspective and key insights to the Company.

Ben Rose

Chairman of the Board

Ben Rose is the Chief Investment Officer for Wicklow Capital, an active early stage investor in a variety of innovative sectors, including blockchain technologies, biotechnology and cannabis. At Wicklow, Ben focuses on working with portfolio investments to identify strategic opportunities for growth while building best-in-class operations. He has more than 20 years of experience in both financial markets and entrepreneurial finance, having served as a managing director, portfolio manager and trader for a variety of institutional, high performance investment firms.

Jay Brown

Director

Jay Brown is the co-founder and Chief Executive Officer of RocNation, a leading entertainment company. A seasoned entrepreneur and executive with more than 20 years in the music industry, Brown has been a fixture on Billboard magazine's annual Power 100 List, having helped propel the careers of several Grammy nominated and award-winning artists throughout his lifetime. Previously, he was Senior Vice President at Elektra Entertainment Group and Executive Vice President at Def Jam Recordings.

Stacy Hallerman

Director

Stacey Hallerman is a business leader and C-suite executive, who has been instrumental in growing companies for over twenty years. She brings her deep knowledge of the consumer goods industry and expertise in building and sustaining brands. Previously, Ms. Hallerman was Vice President, Chief Legal Counsel and Corporate Secretary at Richemont North America, a subsidiary of the global luxury conglomerate that owns iconic brands such as Cartier, Chloe, Van Cleef & Arpels and Montblanc. She was also Senior Corporate Counsel at Pfizer, a world recognized pharmaceutical leader.

Antonio Villaraigosa

Director

Antonio Villaraigosa served two terms as Mayor of Los Angeles from 2005 to 2013, was the Speaker of the California State Assembly from 1998 to 2000, a Los Angeles councilmember from 2003 to 2005 and President of the United States Conference of Mayors in 2012. He was appointed by President Obama to chair the 2012 Democratic Convention. Time magazine called Villaraigosa one of the country's 25 most influential Latinos. Mr. Villaraigosa brings with him two decades of public service and a long track record of coalition building. He is nationally renowned for his ability to unify disparate groups behind common causes.

Andy Rayburn

Director

Andy Rayburn is principal and founder of Big Game Capital, a private investment firm that provides financial capital and operational, hands-on leadership. Since 2000, Big Game Capital has invested in equity interests in the Cleveland Cavaliers, two minor league baseball teams, and the 10,000 Lakes Music Festival. Previously, Mr. Rayburn was president and owner of Flexalloy Inc., an industrial distribution company, which he sold to start Big Game Capital.

Mark Hutchison
Director

Mark Hutchison has over 35 years of experience as a tax expert in the entertainment industry, personal financial planning, and mergers and acquisitions. He is a tax partner at Armanino, LLP, the largest independent accounting and business consulting firm based in California. Prior to joining Armanino, Mr. Hutchison was a tax partner at Rothstein Kass for over 8 years, and prior to that, serves in a variety of roles at KPMG, including 18 years as partner. He is a published author and a member of the Motion Picture and Television Tax Institute.

Moving the Needle via Growth – Recent Developments

Financing

Since going public on May 29, 2018, including the concurrent financing, MedMen has successfully raised approximately \$251 million (C\$329 million) in gross proceeds. The proceeds provide funds to support MedMen's acquisition plans, continued expansion of the retail network, development of cultivation and production facilities, to fund operating cash flow to develop corporate level systems, processes, talent, and general corporate and working expenditures. Strategic investments are increasingly structured with MedMen shares as a component of the consideration, demonstrating the sellers' confidence in the Company's business model and long-term growth prospects. As we expand and execute, we continue to focus on building a leading cannabis firm in one of the fastest growing markets, creating the potential to generate significant and sustained returns on invested capital over the long-term.

Private Placement

Ahead of going public, MedMen held a private placement led by Cormark Securities Inc. and Canaccord Genuity Corp. raising \$109 million (C\$143 million) in aggregate gross proceeds.

Bought Deal

On September 27th, MedMen completed a bought deal financing of 15,681,818 units at a price of C\$5.50 per Unit, which included the exercise in full by the underwriters of their over-allotment option, for aggregate gross proceeds of approximately \$65,800,000 (C\$86,250,000).

Each Unit is comprised of one Class B Subordinate Voting Share of the Company (a "Class B Share") and one-half of one Class B Share purchase warrant (each full warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Class B Share at an exercise price of C\$6.87, for a period of 36 months following the closing of the Offering.

Term Loan Facility

On October 1st and 3rd, the Company, through MM Can, closed a US\$77,675,000 (~C\$100,000,000) senior secured term loan facility with funds managed by Hankey Capital and with an affiliate of Stable Road Capital as the largest loan participant. The principal amount under the Facility will accrue interest at a rate of 7.5 percent per annum, paid monthly, with a maturity date of 24 months following the date of closing on October 1st, 2018. MedMen may repay the balance of the Facility at any time and from time to time, in whole or in part, with a prepayment penalty of 1.0 percent of the outstanding principal amount repaid if repaid before December 31, 2019.

The proceeds from any such senior secured loan are anticipated to be used for acquisitions, capital expenditures and general corporate purposes. However, there is no assurance that such proceeds will be used for any such purpose.

Completed Acquisition of Dispensary in Downtown Las Vegas

On June 27, 2018, the Company completed the acquisition of a dispensary located in Downtown Las Vegas. This retail location was remodeled and rebranded and reopened in mid-July 2018.

Opening of New Retail Location in Venice Beach (Abbot Kinney)

On June 9, 2018, the Company opened a new retail location in Venice Beach (Abbot Kinney), which operation was previously located in Sun Valley. The medical and adult use retail license for Abbot Kinney was previously associated with the Company's retail location in Sun Valley, which also previously had cultivation operations. As a result of the strategic relocation of the license to reach the larger consumer population in Venice Beach, the owners of the Sun Valley cultivation operation are in the process of determining the future state of the facility.

Amendment to Vesting Terms of Long-Term Incentive Plan Units

On June 8, 2018, the Company amended the vesting terms of the long-term incentive plan units (the "LTIP Units") granted to the Founders, Mr. Bierman and Mr. Modlin, pursuant to the terms of the A&R LLC Agreement. The vesting of such LTIP Units, being in aggregate 19,323,878 LTIP Units issued to the Founders, was amended to be contingent upon achievement of certain price targets in respect of the Company's Class B Subordinate Voting Shares, whereby one third of such aggregate LTIP Units will vest when the price of the Subordinate Voting Shares reaches C\$10 in the open market, another third will vest when such share price reaches C\$15 in the open market and the final third will vest when such share price reaches C\$20 in the open market. Such share price will be determined as a 5-day volume weighted average trading price on any exchange on which the Subordinate Voting Shares are traded. Prior to such amendment, in accordance with the terms of the Founders' employment contracts, 25% of their LTIP Units were to have vested immediately on issuance (as of May 17, 2018) and the remaining 75% were to vest ratably, on a monthly basis, beginning on May 17, 2018 and concluding with all such LTIP Units being fully vested as of March 15, 2020; provided that any unvested LTIP Units were to immediately vest if the applicable Founder's employment were to be terminated without cause. The amendment to the vesting terms of the LTIP Units issued to the Founders did not alter the vesting terms of the LTIP Units issued to the other applicable executive officers of the Company, being in aggregate 10,990,455 LTIP Units.

Pending Acquisition/Opening of Dispensaries in Las Vegas

The Company is in the late stages of completing the acquisition of another dispensary in Las Vegas. A definitive agreement has been executed for the acquisition and the Company is entering the final stages of transaction approval at the state and local levels. This acquisition is expected to close in the fourth quarter of this calendar year. Additionally, the Company has completed the build out of a dispensary, named MedMen Paradise, near the McCarran International Airport, continuing to increase the Company's foothold in the Las Vegas market. The Company is actively seeking additional acquisition and strategic opportunities, including in its existing markets and in additional key markets such as Arizona, Illinois, Pennsylvania, New Jersey and Ohio.

Brand Investments

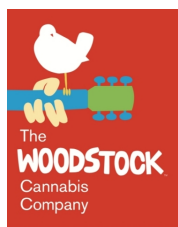
Strategic Investment in Lowell Smokes

On July 25th, MedMen completed a strategic investment in the Hacienda Company, which owns Lowell Herb Co., a California-based cannabis brand known for its pack of pre-rolls called Lowell Smokes. Lowell Smokes has established itself as one of the strongest cannabis brand names in California founded on principles of organic quality, responsible sourcing and community. Over 250 top dispensaries across the state currently carry the Lowell brand. Its products have been seen on “Jimmy Kimmel Live” and trending on social media, recently posted by Bella Thorne, Chelsea Handler, Usher, Calvin Harris, N.O.R.E., Snoop Dogg and Sarah Silverman. Lowell is the #1 selling pre-roll flower brand in MedMen stores to date.



Exclusive License Agreement with Woodstock Ventures LC

On August 22nd, MedMen signed an exclusive license agreement with Woodstock Ventures LC, and its affiliate The Woodstock Cannabis Company (collectively, “Woodstock”) granting MedMen rights to use the iconic Woodstock brand on cannabis products manufactured and sold in six states: California, Nevada, Massachusetts, Florida, Illinois and Arizona. The Agreement grants MedMen the right to manufacture and distribute Woodstock branded cannabis products to MedMen stores or third-party retailers in those six states. MedMen anticipates additional states becoming accessible should Woodstock music festivals and promotional opportunities develop.



Launches Comprehensive Suite of Cannabis Products

On October 5th, MedMen launched a comprehensive suite of new cannabis products under the brand [statemade] during the opening of its second store in Las Vegas, MedMen Paradise. [statemade] is aimed at the modern cannabis



consumer and leverages MedMen’s retail brand and reach. The products launch exclusively at MedMen Paradise in Nevada and the Company plans to manufacture and sell [statemade] in all markets where it is licensed or becomes licensed to operate including Arizona, California, Florida and New York, as well as other future markets.

The [statemade] product line includes tincture drops, vaporizer pens, flower and pre-rolls. The products are named after the effect each is designed to create.

The max line is for activities for example while zzz supports rest. There is also joy, zen, ebb, one and cbd. The [statemade] products in Nevada are made at MedMen’s state-of-the-art cultivation and manufacturing facility at Mustang near Reno. The oil for the vaporizer pens for example is extracted using CO₂ gas and no solvents. The vape pens have a sleek look and are square shaped to prevent roll-away. The attention to detail and distinct aesthetics are trademarks of the MedMen brand and lay the foundation for even further brand development.

Strategic Minority Investment in California-Based Flower Brand, Old Pal

The Company completed a minority investment in Old Pal, a throwback California-based lifestyle brand that aims to provide every day, high quality cannabis flower. Old Pal has built a loyal following of customers through its focus on community engagement and authentic shared experiences. Uniquely, all of the company's "shareable" flower is naturally sun-grown and is marketed under a more accessible price point.

Territorial Expansion

Treadwell, Florida Acquisition & Expansion Closes

On September 6th, the Company completed the transaction it announced on June 6, 2018, acquiring a dispensary and cultivation license and related assets from Florida based Treadwell Nursery. The License permits the Company to open 30 (and up to 35 if certain conditions are met) medical marijuana dispensaries in the State of Florida and to conduct cultivation, delivery and manufacturing operations in the State of Florida. Additionally, on September 7th, MedMen announced that it had secured prime retail locations in Florida with long term leases in Ft. Lauderdale, Miami Beach, West Palm Beach, St. Petersburg and Key West. We continue to expand our footprint in premium retail districts with high visibility and heavy foot traffic.

Entrance into Arizona

On October 2nd, MedMen announced a definitive agreement with WhiteStar Solutions LLC to acquire control of Monarch, a Scottsdale, Arizona-based licensed medical cannabis license holder with dispensary, cultivation and processing operations through the acquisition of Omaha Management Services, LLC. In addition, MedMen will acquire from WhiteStar their exclusive co-manufacturing and licensing agreements with Kiva, Mirth Provisions and HUXTON for the state of Arizona. Arizona is one the largest medical marijuana markets in the country with over 180,000 current patients according to the Arizona Department of Health Services. The state also represents one of the larger addressable adult-use markets in the U.S. A ballot measure to legalize adult-use narrowly missed in 2016, and is expected to return in 2020.

Acquires Illinois Dispensary

On October 3rd, MedMen announced a definitive agreement to acquire Seven Point, a licensed medical cannabis dispensary located in the historic Chicago suburb of Oak Park, Illinois.. Since the beginning of the year the number of qualifying patients increased 41% to 42,203, and retail cannabis sales grew 35%, according to the state. Illinois also expanded its medical cannabis program recently to allow people who have been prescribed opioids the opportunity to obtain temporary medical cannabis cards. Seven Point is located in a high foot traffic shopping district among popular restaurants, cafes and major retailers like Whole Foods and Gap.

Opens Second Branded Store in Las Vegas

On October 6th, MedMen opened its second branded store in Las Vegas, MedMen Paradise. The official ribbon cutting event was attended by Chairman of Clark County Commission and Nevada gubernatorial candidate Steve Sisolak, who commended the Company for setting standards for the burgeoning industry and creating local jobs. MedMen Paradise, located at 4503 Paradise Road near popular landmarks such as the Hard Rock Hotel, the Thomas and Mack Center at UNLV and McCarran International Airport, is the first MedMen location to feature multilingual translations on their signature touch-screen menus. The brand previously opened a retail location in Downtown Las Vegas and a third store is planned for next year on Highland Dr. Marking another milestone, MedMen Paradise is the first retail location to carry the Company's new branded line [statemade], manufactured at Project Mustang outside of Reno, Nevada.

Acquisition of First Dispensary in San Francisco Bay Area

On October 10th, MedMen announced a definitive agreement to acquire a licensed dispensary from B12, LLC in Emeryville, California. As a result of the transaction, MedMen will have one of only two adult-use licenses issued in the City of Emeryville, just outside San Francisco. The dispensary is located in a young professional hub of the East Bay, between Oakland and Berkeley. The City of Emeryville is home to the national headquarters of numerous

corporations including Pixar Animation Studios, Peet's Coffee & Tea, Jamba Juice and Cliff Bar. The store is expected to open in 2019 and will be located at 3996 San Pablo Avenue, across the street from the Bay Street Emeryville Shopping Center, which features more than 50 businesses with over 450,000 square feet of retail space.

Continues to Expand Footprint in Northern California

On October 22nd, MedMen signed a definitive agreement (the "Agreement") to acquire Buddy's, a licensed dispensary and accompanying cultivation and production operation in San Jose, California. The dispensary is a two-story office building in San Jose, the largest city in Northern California and the tenth most populous in the United States. Through the acquisition of Buddy's, MedMen will add on-site cultivation and production capacity, as well as licenses for distribution and delivery. San Jose resides in the booming Silicon Valley, home to hundreds of start-ups and global technology companies, including PayPal, eBay, Samsung and Cisco Systems, among many others. The retail location is within a three-mile radius of both the San Jose Airport and Apple's new proposed 40-acre campus.

Completion of the Arizona, Illinois, San Francisco, and San Jose acquisitions described here remains subject to satisfying certain closing conditions, including receipt of regulatory approvals. As such, there is no assurance that any of such acquisitions will be completed.

Ground Breaking PharmaCann Acquisition Doubles Market Penetration

On October 11th, MedMen and PharmaCann announced that they had signed a binding letter of intent for MedMen to acquire PharmaCann in an all-stock transaction valued at \$682 million based on the closing price of MedMen's Class B Subordinate Voting Shares on October 9th, (such value being subject to change based on the daily closing price of the Subordinate Voting Shares), and which on a pro-forma basis will equal 25% of the then fully-diluted outstanding Subordinate Voting Shares of the Company (upon the closing of the transaction), calculated according to the Treasury Stock Method.

The resulting pro-forma company (including pending acquisitions by MedMen) will have a portfolio of cannabis licenses in 12 states that will permit the combined company to operate 81 cannabis facilities. The combined company will operate in 12 states, which comprise a total estimated addressable market, as of 2030, of approximately \$40 billion according to Cowen Group. Through the transaction, MedMen will add licenses in Illinois, New York, Pennsylvania, Maryland, Massachusetts, Ohio, Virginia and Michigan. Combined, the two companies will be licensed for 67 retail stores and 14 cultivation and production facilities (including pending acquisitions by MedMen).

Licenses (including pending acquisitions)		
	<u>Retail</u>	<u>Cultivation/Processing</u>
MedMen	49	6
PharmaCann	18	8
Total	67	14

	<u>Retail</u>	<u>Cultivation/Processing</u>
California		
MedMen	10	2
PharmaCann	0	0
Nevada		
MedMen	3	1
PharmaCann	0	0
New York		
MedMen	4	1
PharmaCann	4	1
Arizona		
MedMen	1	1
PharmaCann	0	0
Illinois		
MedMen	1	0
PharmaCann	4	2
Florida		
MedMen	30	1
PharmaCann	0	0
Virginia		
MedMen	0	0
PharmaCann	1	1
Maryland		
MedMen	0	0
PharmaCann	1	1
Ohio		
MedMen	0	0
PharmaCann	1	1
Massachusetts		
MedMen	0	0
PharmaCann	3	0
Pennsylvania		
MedMen	0	0
PharmaCann	3	1
Michigan		
MedMen	0	0
PharmaCann	1	1

The PharmaCann acquisition transaction is subject to, among other things, regulatory approvals by various local and state authorities in each of the U.S. states where PharmaCann's assets and licenses are held, all debt of PharmaCann being repaid and other customary closing conditions. The transaction closing is expected to take 6-12 months from announcement based on the receipt of such regulatory approvals. See also "Overall Performance – Risks and Uncertainties" herein.

Non-IFRS Financial and Performance Measures

In addition to providing financial measurements based on IFRS, the Company provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-IFRS financial measures are EBITDA, Adjusted EBITDA, Adjusted Net Loss, and Working Capital.

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

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

EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss), and Annualized Per Square Foot Revenue

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

EBITDA, Adjusted EBITDA, Adjusted (loss), and Annualized Per Square Foot Revenue have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under IFRS. For example, these financial measures:

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

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

Working Capital

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

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

Reconciliations of Non-IFRS Financial and Performance Measures

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

	Year Ended June 30,		Quarter Ended June 30,	
	2018	2017	2018	2017
Net Income (loss) (IFRS)	\$ (112,264,843)	\$ (15,418,308)	\$ (78,739,437)	\$ (7,347,872)
Add (Deduct) Impact of:				
Transaction Costs	\$ 9,203,143	\$ 2,328,840	\$ 5,099,137	\$ (5,053)
Share-Based Compensation	\$ 31,360,669	\$ 1,602,422	\$ 30,820,753	\$ 1,156,127
Other Non-Cash Operating Costs	\$ 890,000	\$ -	\$ 890,000	\$ -
Total Adjustments	<u>\$ 41,453,812</u>	<u>\$ 3,931,262</u>	<u>\$ 36,809,890</u>	<u>\$ 1,151,074</u>
Adjusted Net Income (loss) (Non-IFRS)	<u>\$ (70,811,031)</u>	<u>\$ (11,487,046)</u>	<u>\$ (41,929,547)</u>	<u>\$ (6,196,798)</u>
Net Income (loss) (IFRS)	\$ (112,264,843)	\$ (15,418,308)	\$ (78,739,437)	\$ (7,347,872)
Add (Deduct) Impact of:				
Net Interest and Other Financing Costs	\$ 5,312,434	\$ 512,444	\$ 3,283,296	\$ 415,945
Income Tax Expense (Recovery)	\$ 1,539,053	\$ 43,169	\$ 674,820	\$ 43,169
Amortization and Depreciation	\$ 16,833,303	\$ 1,641,311	\$ 13,339,503	\$ 1,601,589
Total Adjustments	<u>\$ 23,684,790</u>	<u>\$ 2,196,924</u>	<u>\$ 17,297,619</u>	<u>\$ 2,060,703</u>
EBITDA (Non-IFRS)	<u>\$ (88,580,053)</u>	<u>\$ (13,221,384)</u>	<u>\$ (61,441,818)</u>	<u>\$ (5,287,169)</u>
EBITDA (Non-IFRS)	\$ (88,580,053)	\$ (13,221,384)	\$ (61,441,818)	\$ (5,287,169)
Add (Deduct) Impact of:				
Transaction Costs	\$ 9,203,143	\$ 2,328,840	\$ 5,099,137	\$ (5,053)
Share-Based Compensation	\$ 31,360,669	\$ 1,602,422	\$ 30,820,753	\$ 1,156,127
Other Non-Cash Operating Costs	\$ 890,000	\$ -	\$ 890,000	\$ -
Total Adjustments	<u>\$ 41,453,812</u>	<u>\$ 3,931,262</u>	<u>\$ 36,809,890</u>	<u>\$ 1,151,074</u>
Adjusted EBITDA (Non-IFRS)	<u>\$ (47,126,240)</u>	<u>\$ (9,290,122)</u>	<u>\$ (24,631,928)</u>	<u>\$ (4,136,095)</u>

OVERALL PERFORMANCE

Factors Affecting Performance

The nascent cannabis industry represents an extraordinary opportunity in which our performance and success depend on a number of factors:

- **Aggressive Market Expansion.** Our recent success in achieving a large retail footprint is attributable to our aggressive market expansion strategy which has been a key driver of our revenue growth. We have identified additional high potential markets in which we plan to continue to execute our expansion strategy. We expect acquisition related costs as well as marketing and selling expenses required to support these initiatives will continue to grow in proportion to revenue growth.
- **Retail Growth.** Each one of our stores is a flagship store located in premium locations at nexuses of travel and tourism like Manhattan, Los Angeles and Las Vegas. To date, we own or operate 14 retail stores in New York, California and Nevada. As we continue to increase the percentage of sales, we expect to leverage our retail footprint to develop a robust distribution model. We expect that our capital expenditures related to opening additional retail stores to continue to increase as well as acquisition related expenses.
- **Direct-to-Consumer Channel Rollout: Delivery Services and In-Store Pickup.** While our existing dispensaries currently provides for in-store pick up, a significant majority of them do not currently conduct direct-to-consumer delivery services, we expect to continually roll out that service during calendar 2018 to our other retail locations. We plan to engage in delivery operations either through the development of our own delivery infrastructure and network, or through the use of third-party services focused on the delivery and e-commerce market.
- **Wholesale Channel Rollout: Cultivation and Production.** We currently have four (4) cultivation and four (4) production facilities in different stages of development, totaling 135,000 square feet. The first facility located in northern Nevada is comprised of a 45,000 square foot cultivation and production facility and sits on a total of 4.27 acres of land. The first batch of plants were planted during the first quarter of calendar 2018 the sale of which began during the third quarter of calendar 2018. The second facility located in Utica, New York is in the planning stages and will be comprised of a 45,000 square foot cultivation and production facility. The third facility located in Desert Hot Springs, California is under construction and will be comprised of a 45,000 square foot cultivation and production facility. The facility sits on 10 acres of land owned by the Company. The fourth facility is located on 5 acres of land in Eustis, Florida, which is approximately an hour drive north from Orlando, Florida. The Company is currently operating a temporary facility and is in the planning stages for another Project Mustang-type factory. We anticipate introducing new branded products from our cultivation and production facilities gradually over 2018 and 2019 and in doing so expect to develop our wholesale channel. We expect that our capital expenditures will continue as we complete the rollout of our cultivation and production facilities.

Trends

We are subject to various trends that could have a material impact on us, our financial performance, condition and outlook. A deviation from these trends could cause actual results to differ materially from those expressed or implied in forward-looking information included in this MD&A and our financial statements. These trends include, but are not limited to, the following:

- **Liberalization of Cannabis Laws.** We are reliant on the continuation of the trend toward increased liberalization of cannabis laws throughout the United States, including the adoption of medical cannabis regimes in states without cannabis programs and the conversion of medical cannabis regimes to recreational regimes in states with medical cannabis programs. This trend provides us with new opportunities to deploy capital and expand geographically. The opportunity for geographic expansion is important because some jurisdictions with existing cannabis programs limit the number of retail locations that can be owned by a single entity. We have, for example, reached the maximum permitted number of retail locations in the City of Los Angeles.
- **Popular Support for Cannabis Legalization.** We are reliant on the continuation of the trend toward increase popular support and acceptance of cannabis legalization. This trend could change if there is new research

conducted that challenges the health benefits of cannabis or that calls into question its safety or efficacy. This trend could also be influenced by a shift in the political climate, or by the decision of the United States Government to enforce federal laws illegalizing cannabis. Such a change in popular support could undermine the trend toward cannabis legalization and possibly lead states with existing cannabis programs to roll them back, either of which would negatively impact our growth plans.

- ***Balanced Supply and Demand in States.*** We are reliant on the maintenance of a balance between supply and demand in the various states in which we operate cannabis retail stores. Federal law provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result, all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state then this could exert downward pressure on the retail price for the products we sell. If too many retail licenses are offered by state authorities in any given state then this could result in increased competition and exert downward pressure on the retail prices for the products we sell. On the other hand, if cultivation and production in a state fails to match growing demand then, in the short term, there could be insufficient supply of product in a state to meet demand and while we might be able to raise our prices there could be inadequate product availability in the short term, causing our revenue in that state to fall.

Risks and Uncertainties

We are subject to various risks and uncertainties that could have a material impact on us, our financial performance, condition and outlook. Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking information and forward-looking statements contained herein including without limitations the following factors which are disclosed in greater detail in the listing statement of the Company dated May 28, 2018, which is available on Sedar under the Company's profile, including section 17 of the listing statement, which risk factors should be reviewed in detail by all readers and are specifically not incorporated by reference herein. These risks and uncertainties include, but are not limited to, the following:

- We are reliant on our licenses and on our continued ability to win and acquire new licenses for our ability to grow, store and sell medical and recreational cannabis and other products derived therefrom and such licenses are subject to ongoing compliance, reporting and renewal requirements.
- The laws, regulations and guidelines generally applicable to the cannabis industry in the United States and internationally may change in ways currently unforeseen by us.
- There can be no assurance that the United States government will not choose to enforce more aggressively laws criminalizing cannabis at the Federal level.
- Future clinical research studies on the effects of cannabis may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis.
- Our expansion into jurisdictions outside of the United States is subject to risks.
- There can be no assurance that our current and future strategic alliances or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.
- We and certain of our subsidiaries have limited operating histories and therefore we are subject to many of the risks common to early-stage enterprises.
- Our existing cultivation facility in Nevada, retail facilities in California and Nevada and dispensaries in New York are integral to our operations and any adverse changes or developments affecting these facilities may impact our business, financial condition and results of operations.
- We may not complete the build-out of our cultivation facility in California and may not successfully execute our plan to vertically integrate in this key market.
- The cannabis industry and markets are relatively new in the United States and in other jurisdictions, and this industry and market may not continue to exist or grow as anticipated or we may ultimately be unable to succeed in this industry and market.
- We are dependent on our senior management.

- We may be subject to product liability claims.
- The products we sell in our stores may be subject to recalls.
- We may be unable to attract or retain skilled labor and personnel with experience in the cannabis sector, and may be unable to attract, develop and retain additional employees required for our operations and future developments
- We, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer perception.
- We may not be able to successfully develop new products or find a market for their sale.
- We may fail to retain existing patients as clients or acquire new patients as clients.
- We may not be able to achieve or maintain profitability and may continue to incur losses in the future.
- We may not be able to secure adequate or reliable sources of funding required to operate its business.
- We must rely largely on our own market research to forecast sales and market demand that may not materialize.
- We may experience breaches of security at our facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.
- If we are not able to comply with all safety, health and environmental regulations applicable to the Company's operations and industry, it may be held liable for any breaches thereof.
- We could be subject to litigation in the ordinary course of business.
- We may compete for market share with other companies, both domestically and internationally, who may have longer operating histories and more financial resources, manufacturing and marketing experience than us.
- Third parties with whom we do business may perceive themselves as being exposed to reputational risk as a result of their relationship with us.
- We will seek to maintain adequate insurance coverage in respect of the risks faced by it, however, insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions that may not be sufficient to cover potential liabilities faced by us.

Components of Our Results of Operations

Revenue

For the year ended June 30, 2018, there were no material revenues from our cultivation and production wholesale operations as these operations are still under development. We derived our revenue during this period from direct sales to customers in our retail stores. Approximately 90% of our revenue was generated from operations in California with the remaining 10% from our New York and Nevada operations. We expect the proportion of California based revenues to increase with the 2018 acquisition of additional California retail locations and the State of California allowing recreational cannabis effective January 1, 2018. Revenue consists of sales in our retail stores. Revenue through retail stores are recognized upon delivery of the goods to the customer and when collection is reasonably assured, net of an estimated allowance for sales returns.

Cost of Goods Sold and Gross Profit

Gross profit is our revenue less cost of goods sold and unrealized gains and losses from the transformation of biological assets. Cost of goods sold includes the unrealized gains and losses from the transformation of biological assets, the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Over the past two years, execution on our expansion strategy and driving revenue growth has taken priority over improving our gross margin. We expect to continue our expansion strategy and revenue growth in the near future, however, as our retail footprint increases and our cultivation and production facilities become fully productive, we expect our gross margin to improve as we leverage our distribution power.

During December 2017, the Company made substantial purchases of inventories in the State of California in anticipation of the allowance of the legal sale and purchase of recreational cannabis by licensed retail locations.

Selling, General and Administrative Expenses (“SG&A”)

SG&A expenses consist of selling costs to support our customer relationships and to deliver product to our retail stores. It also includes a significant investment in marketing and brand activities and the corporate infrastructure required to support our ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, we expect selling costs to increase as our business continues to grow.

General and administrative expenses represent costs incurred in our corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, share-based compensation and other professional service costs, including legal and accounting. We expect to continue to invest considerably in this area to support our aggressive expansion plans and to support the increasing complexity of the cannabis business. Furthermore, we expect to continue to incur acquisition and transaction costs related to our expansion plans, as well as stock compensation expenses related to recruiting and hiring talent, and we anticipate a significant increase in accounting, legal and professional fees associated with being a publicly traded company.

Income Taxes

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. However, the State of California does not conform to IRC Section 280E and, accordingly, the Company deducts all operating expenses on its California Franchise Tax Returns.

Previous Financings

During the year ended June 30, 2017, the Company raised \$68.92 million from contributions from members, issuance of notes payable and sales of member units. Of the capital raised during the year ended June 30, 2017, approximately \$66.80 million were used for the following: for debt payments (\$7.04 million), business acquisitions (\$31.39 million), a cannabis license purchase (\$4.00 million), cultivation and retail property and equipment purchases (\$6.22 million) and general working capital needs to fund operations (\$18.15 million).

During the year ended June 30, 2018, the Company raised \$266.57 million from a combination of contributions from members, non-controlling interests, issuance of notes payable, sales of member units, and private placements. Of the capital raised during the year ended June 30, 2018, approximately \$189.15 million were used for the following: for debt payments (\$23.36 million), business acquisitions (\$28.42 million), a management service agreement purchase (\$4.00 million), cultivation and retail property plant and equipment purchases (\$59.59 million) and general working capital needs to fund operations (\$73.78 million). During these periods, the Company executed on its plans and adhered to its objectives using the capital raised. In order to fund our operations and to execute on our growth strategy, subsequent to June 30, 2018, we obtained through debt and equity financing \$186 million.

SELECTED FINANCIAL INFORMATION

MedMen reports results of operations of its affiliates from the date that control commences, either through the purchase of the business or control through a management agreement. The following selected financial information includes only the results of operations after the Company established control of its affiliates. Accordingly, the information included below may not be representative of the results of operations if such affiliates had included their results of operations for the entire reporting period.

The following table sets forth selected consolidated and combined financial information for the periods indicated that was derived from our audited consolidated and combined financial statements and the respective accompanying notes prepared in accordance with IFRS.

The selected consolidated and combined financial information set out below may not be indicative of MedMen's future performance:

	Three Months Ended June 30,		Year Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 20,555,441	\$ 1,451,128	\$ 39,783,102	\$ 2,671,812
Gross Profit	\$ 5,896,032	\$ 99,698	\$ 13,129,835	\$ 1,803,677
Loss from Operations	\$ (65,971,427)	\$ (6,828,351)	\$ (96,603,459)	\$ (14,789,480)
Total Other Expense	\$ 12,093,189	\$ 489,160	\$ 14,122,328	\$ 585,659
Net Loss and Comprehensive Loss	\$ (78,739,437)	\$ (7,360,680)	\$ (112,264,841)	\$ (15,418,308)
Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest	\$ 42,431,535	\$ -	\$ 45,617,623	\$ -
Net Loss and Comprehensive Loss Attributable to MedMen	\$ (36,307,902)	\$ (7,360,680)	\$ (66,647,218)	\$ (15,418,308)
Adjusted Net Income (loss) Attributable to MedMen	\$ (41,929,547)	\$ (6,196,798)	\$ (70,811,031)	\$ (11,487,046)
EBITDA	\$ (61,441,818)	\$ (5,287,169)	\$ (88,580,053)	\$ (13,221,384)
Adjusted EBTIDA	\$ (24,631,928)	\$ (4,136,095)	\$ (47,126,240)	\$ (9,290,122)
Working Capital	\$ 30,029,056	\$ (575,256)	\$ 30,029,056	\$ (575,256)

	June 30,			
	2018	2017	\$ Change	% Change
Cash and Cash Equivalents	\$ 79,159,970	\$ 5,720,026	\$ 73,439,944	1284%
Restricted Cash	\$ 6,163,599	\$ 2,190,067	\$ 3,973,532	181%
Total Current Assets	\$ 111,428,779	\$ 13,602,672	\$ 97,826,107	719%
Total Assets	\$ 282,190,342	\$ 60,431,402	\$ 221,758,940	367%
Total Current Liabilities	\$ 81,399,723	\$ 14,177,928	\$ 67,221,795	474%
Notes Payable, Net of Current Portion	\$ 3,593,334	\$ 12,673,609	\$ (9,080,275)	-72%
Total Liabilities	\$ 84,993,057	\$ 26,851,537	\$ 58,141,520	217%
Total Share Holders Equity	\$ 197,197,286	\$ 33,579,865	\$ 163,617,421	487%

DISCUSSION OF OPERATIONS

Year Ended June 30, 2018 Compared to Year Ended June 30, 2017

	Year Ended June 30,			
	2018	2017	\$ Change	% Change
Revenue	\$ 39,783,102	\$ 2,671,812	\$ 37,111,290	1389%
Cost of Goods Sold	26,653,266	1,803,677	24,849,589	1378%
Gross Profit Before Fair Value Adjustment	13,129,836	868,135	12,261,701	1412%
Unrealized Gain on Changes in Fair Value of Biological Assets	720,390	-	720,390	100%
Gross Profit	13,850,226	868,135	12,982,091	1495%
Expenses:				
General and Administrative	98,180,976	14,138,166	84,042,810	594%
Sales and Marketing	7,014,851	323,346	6,691,505	2069%
Depreciation and Amortization	5,257,859	1,196,103	4,061,756	340%
Total Expenses	110,453,687	15,657,615	94,796,072	605%
Loss from Operations	(96,603,461)	(14,789,480)	(81,813,981)	553%
Other Expense (Income):				
Interest Expense	5,312,436	512,441	4,799,995	937%
Change in Fair Value of Derivative Liabilities	(2,869,942)	-	(2,869,942)	100%
Amortization of Debt Discount	10,802,358	-	10,802,358	100%
Other Expense	877,476	73,218	804,258	1098%
Total Other Expense	14,122,329	585,659	13,536,670	2311%
Loss Before Provision for Income Taxes	(110,725,790)	(15,375,139)	(95,350,651)	620%
Provision for Income Taxes	1,539,054	43,169	1,495,885	3465%
Net Loss and Comprehensive Loss	(112,264,844)	(15,418,308)	(96,846,536)	628%
Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest	45,617,623	-	45,617,623	100%
Net Loss and Comprehensive Loss Attributable to MedMen	(66,647,221)	(15,418,308)	(51,228,913)	332%
Adjusted Net Income (loss) Attributable to MedMen	\$ (70,811,031)	\$ (11,487,046)	\$ (59,323,985)	
EBITDA	\$ (88,580,053)	\$ (13,221,384)	\$ (75,358,669)	570%
Adjusted EBTIDA	\$ (47,126,240)	\$ (9,290,122)	\$ (37,836,118)	407%

Revenue

Revenue for the year ended June 30, 2018 was \$39.78 million, an increase of \$37.11 million, or 1,389%, compared to revenue of \$2.67 million for the year ended June 30, 2017. The increase in revenue was driven by the acquisitions of dispensaries in California, Nevada and New York during 2017 and 2018. More specifically, for the year ended June 30, 2018, we had eleven active retail locations in the states of California, New York and Nevada, compared to two active retail locations for the same period in the prior year. The addition of the new operating retail locations in fiscal year 2018 together with the passage of the adult use cannabis laws in California and Nevada on January 1, 2018 and July 1, 2017, respectively, resulted in a significant increase in our revenues. We expect through our continued approach of acquiring retail dispensaries in states we operate in, our revenues will significantly increase in the coming periods. However, our expectations of increased revenues through acquisitions are subject to risks as further noted herein and in the Listing Statement

Cost of Goods Sold and Gross Profit

Cost of goods sold for the year ended June 30, 2018 was \$26.65 million, an increase of \$24.85 million, or 1,378%, compared with \$1.80 million of cost of goods sold for the year ended June 30, 2017. Gross profit before fair value adjustment for unrealized gain on changes in fair value of biological assets for the year ended June 30, 2018 was \$13.13 million, representing a gross margin of 33%, compared with gross profit of \$868,135, representing a gross margin of 32% for the year ended June 30, 2017. The increases in cost of goods sold and gross profit were driven primarily by the acquisitions of dispensaries in California, Nevada and New York during 2017 and 2018. For the year ended June 30, 2018, we had eleven active retail locations in the states of California, New York and Nevada, compared to 2 active retail locations in the states of California and New York for the same period in the prior year. The addition of the new operating retail locations in fiscal year 2018 and the passage of the adult use cannabis law in California and Nevada on January 1, 2018 and July 1, 2017, respectively, resulted in a significant increase in our cost of goods

sold and resulting gross profit. We expect through our continued approach of acquisitions of retail and cannabis related companies, our costs of goods sold and gross profit will significantly increase in the coming periods.

Total Expenses

Total expenses, including sales and marketing, general and administrative and depreciation and amortization for the year ended June 30, 2018 were \$110.45 million, an increase of \$94.80 million, or 605%, compared to total expenses of \$15.66 million for the year ended June 30, 2017, which represents 278% of revenue for the year ended June 30, 2018 compared to 586% of revenue for the year ended June 30, 2017. The increase in total expenses was attributable to an increase in headcount and operating costs for our retail stores acquired in California, Nevada and New York during 2017 and 2018. Sales and marketing expenses consist of selling costs to support our customer relationships and to deliver product to our retail stores. It also includes a significant investment in marketing and brand activities and the corporate infrastructure required to support our ongoing business. Selling costs for the year ended June 30, 2018 and 2017 were \$7.01 million and \$323,346 respectively, an increase of \$6.69 million or 2,069%. The increase in sales and marketing costs is primarily attributed to the growth of our retail locations. General and administrative expenses represent costs incurred in our corporate offices and retail locations. These are primarily related to salaries and salary related expenses (incentive compensation, benefits and share-based compensation), professional fees incurred in connection with becoming a publicly traded company (consulting, legal and accounting), deal costs (acquisition costs) and other general office support expenses. General and administrative costs for the year ended June 30, 2018 and 2017 were \$98.18 million and \$14.14 million, respectively, an increase of \$84.04 million or 594%. General and administrative costs have increased primarily due to growth of the Company's operations and retail locations and retention of management talent through equity compensation. We expect to continue to invest considerably in this area to support our aggressive expansion plans by hiring talent to support the increasing complexity of the cannabis business. Depreciation and amortization for the year ended June 30, 2018 and 2017 was \$5.26 million and \$1.20 million, respectively, an increase of \$4.06 million or 340%. The increase is attributed to the acquisitions as well as property and equipment acquired in the current year as compared to the same period in the prior year.

Total Other Expense

Total other expense for the year ended June 30, 2018 was \$14.12 million, an increase of \$13.54 million compared to total other expense of \$586,000 for the year ended June 30, 2017. The increase in total other expense was due to an increase in cash interest expense of \$4.80 million during the year ended June 30, 2018, primarily as a result of an increase in borrowings used to finance acquisitions and working capital. Additional increases in total other expense relates to \$10.80 million in the amortization of debt discounts on convertible debt for the year ended June 30, 2018 compared to no amortization for the year ended June 30, 2017. This was offset by a gain on change in fair market value of \$2.87 million for the three months ended June 30, 2018 compared to no gain during the same period in the prior year.

Provision for Income Taxes

The provision for income taxes for the year ended June 30, 2018 was \$1.54 million compared to provision for income taxes of \$43,169 for the year ended June 30, 2017. For the year ended June 30, 2018, the effective tax rate was (1.39%) and varied from the statutory tax rate of 34.0%.

Net Loss

Net loss for the year ended June 30, 2018 was \$112.26 million, an increase of \$96.85 million, or 628%, compared to a net loss of \$15.42 million for the year ended June 30, 2017. The increase in net loss was driven by the factors described above.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information, in thousands (1,000's) for the most recently prepared quarters. Prior to the completion of the Business Combination, certain quarters were not prepared. Accordingly, those quarters are not presented.

Quarter Ended	Total	
	Revenue	Net Loss
June 30, 2018	\$ 20,555	\$ 78,739
March 31, 2018	14,345	16,771
December 31, 2017	3,075	11,587
June 30, 2017	1,451	7,361
March 31, 2017	911	4,622
December 31, 2016	169	1,925

Revenues increased quarter over quarter through the period ended March 31, 2018, primarily due to the number of active retail locations acquired and operated since December 31, 2016. The Company had two active retail locations in March 2017. For the quarter ended June 30, 2017 and December 31, 2017, the Company had three active locations. For the quarter ended March 31, 2018, the Company had seven active locations, which contributed to the significant increase in revenues for the quarter ended March 31, 2018. For the quarter ended June 30, 2018, the Company had eleven active locations, which contributed to the significant increase in revenues for the quarter ended June 30, 2018. For each quarter presented, there were no significant factors, economically or industry wide relating to pricing, competition, or buying patterns that contributed to the significant increase in the latest quarter.

Net losses increased quarter over quarter primarily due to increases in headcount for the Company's active retail locations and compensation paid to retain and attract management talent. Headcount at the Company's corporate offices also increased in order to meet the demands of the growth of the Company, further increasing net losses. Net loss quarter over quarter was further increased by additional deal costs, legal, accounting and consulting fees incurred related to acquisitions as well as compliance with state and local regulations.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

The following table represents our financial position as of June 30, 2018 and 2017, respectively.

	June 30,		\$ Change	% Change
	2018	2017		
Cash and Cash Equivalents	\$ 79,159,970	\$ 5,720,026	\$ 73,439,944	1284%
Restricted Cash	\$ 6,163,599	\$ 2,190,067	\$ 3,973,532	181%
Total Current Assets	\$ 111,428,779	\$ 13,602,672	\$ 97,826,107	719%
Total Assets	\$ 282,190,342	\$ 60,431,402	\$ 221,758,940	367%
Total Current Liabilities	\$ 81,399,723	\$ 14,177,928	\$ 67,221,795	474%
Notes Payable, Net of Current Portion	\$ 3,593,334	\$ 12,673,609	\$ (9,080,275)	-72%
Total Liabilities	\$ 84,993,057	\$ 26,851,537	\$ 58,141,520	217%
Total Share Holders Equity	\$ 197,197,286	\$ 33,579,865	\$ 163,617,421	487%

As of June 30, 2018, we had \$79.16 million of cash and \$30.03 million of working capital, compared to \$5.72 million of cash and \$575,000 of working capital deficit as of June 30, 2017. The \$30.60 million increase in our working capital was primarily from a \$73.44 million increase in cash, an increase of \$8.70 million in prepaid assets and an increase in inventory and biological assets of \$7.97 million due to an increase in our cultivation facilities and significant purchases of inventory and the number of retail locations the Company has at the end of fiscal year 2018 compared to fiscal year 2017. This increase in our current assets was partially offset by increases in our accounts payable and accrued expenses

of \$16.34 million and an increase in our current portion of notes payable of \$45.76 million. The increase in our accounts payable was a result of our substantial growth as a company compared to the same period in the prior year, while our increase in the current portion of notes payable is a result of our significant financing activities during fiscal year 2018 relating to the Company going public. Our working capital is significantly impacted by our growth in the retail operations, opening new retail locations, increasing cultivation activities and new cultivation facilities coming online in the coming year. Our ability to fund our working capital needs will also be dependent on our ability to raise additional debt and equity financing.

Liquidity and Capital Resources

As of June 30, 2018, cash generated for our ongoing operations was not sufficient to fund our operations and growth strategy in the short term and long term. We are required to raise additional funds from debt and equity financing to meet our current working capital needs and to fund our growth strategy. Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service, and acquisitions. Our primary source of liquidity has been primarily from private and/or public financing and to a lesser extent by cash generated from sales. Our ability to fund our operations, to make planned capital expenditures, execute our growth/acquisition strategy, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

For the year ended June 30, 2018, our monthly burn rate was approximately \$5.74 million. At our current operations, we will not have sufficient funds generated from operations to cover our short term and long-term operational needs, capital expenditure plans and acquisition strategy. As of June 30, 2018, we had \$79.16 million of cash and cash equivalents, \$6.16 million of restricted cash and \$30.03 million of working capital (current assets minus current liabilities), compared with \$5.72 million of cash and cash equivalents, \$2.19 million of restricted cash and \$575,000 of working capital deficit as of June 30, 2017. The increase of \$30.60 million in our working capital was primarily due to \$243.20 million net equity and debt funding, offset by expenditures on acquisitions, property and other investment activities of \$95.99 million and cash used in operations of \$73.78 million during the year ended June 30, 2018. As of June 30, 2018, we had a total of approximately US\$20 million in capital commitments. This was comprised of approximately \$15 million in commitments toward the construction of a cannabis cultivation facility and related structures at our location at Desert Hot Springs in California and \$5 million in commitments were for all other capital expenses.

In order to fund our working capital requirements, operational needs, acquisition strategy and debt service requirements, we will need additional financing in the form of equity and/or debt issuances. Subsequent to June 30, 2018, we raised an additional, C\$186 million. The funds received are expected to be used for the expansion of the Company's retail network, cultivation facilities and general working capital needs.

Cash Flows

	June 30,			
	2018	2017	\$ Change	% Change
Net Cash Used In Operating Activities	\$ (68,876,515)	\$ (18,152,351)	\$ (50,724,164)	279.44%
Net Cash Used in Investing Activities	(95,988,201)	(43,809,704)	\$ (52,178,497)	119.10%
Net Cash Provided by Financing Activities	238,304,659	65,932,594	\$ 172,372,065	261.44%
Net Increase in Cash and Cash Equivalents	73,439,943	3,970,539	\$ 69,469,404	1749.62%
Cash and Cash Equivalents, Beginning of Year	5,720,026	1,749,487	\$ 3,970,539	226.95%
Cash and Cash Equivalents, End of Year	\$ 79,159,969	\$ 5,720,026	\$ 73,439,943	1283.91%

Cash Used in Operating Activities

Net cash used in operating activities was \$68.87 million for the year ended June 30, 2018, an increase of \$50.72 million, or 279%, compared to \$18.15 million for the year ended June 30, 2017. The increase in net cash used in operating activities was primarily due to an increase in net loss of \$112.26 million, issuance of Ladera common shares and subscription receipts for a non-cash value of \$4.89 million, a \$10.8 non-cash charge for the amortization of debt discounts, a \$31.36 million non-cash charge for share based compensation, a \$7.33 million increase in prepaid expenses and other current assets, a \$7.25 million increase in inventory, a \$11.23 million increase in other assets,

offset by an increase in accounts payable and accrued liabilities of \$15.69 million, a \$2.61 million increase in due to related party and a decrease in prepaid rent from related parties of \$2.03 million.

Cash Flow from Investing Activities

Net cash used in investing activities was \$95.99 million for the year ended June 30, 2018, an increase of \$52.17 million, or 119%, compared to \$43.81 million for the year ended June 30, 2017. The increase in net cash used in investing activities was primarily due to an increase in purchases of property and equipment of \$53.36 million.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$238.30 million for the year ended June 30, 2018, an increase of \$172.37 million, or 261%, compared to \$65.93 million for the year ended June 30, 2017. The increase in net cash provided by financing activities was primarily due to a private placements in connection with the reverse takeover of \$101.80 million, cash received on the exercise of warrants of \$1.29 million, contributions from members of \$21.90 million, proceeds from the issuance of notes payable and non-brokered private placement of \$111.29 million, contributions from non-controlling interest of \$10.32 million and issuance of member units of \$9.85 million. The increases during the year ended June 30, 2018 was offset by principle payments on notes payable of \$23.36 million.

Contractual Obligations

As of June 30, 2018 and 2017, and in the normal course of business, the Company has the following obligations to make future payments, representing contracts and other commitments that are known and committed.

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2027 and contain certain renewal provisions. The Company's net rent expense for the years ended June 30, 2018 and 2017 was \$6,977,507 and \$693,816, respectively, of which \$614,182 and \$387, respectively, is included in cost of goods sold.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

<u>Year Ending June 30</u>	<u>Scheduled Payments</u>
2019	\$ 15,977,588
2020	17,584,661
2021	17,884,429
2022	18,076,816
2023	17,722,709
2024 and Thereafter	<u>326,608,608</u>
Total Future Minimum Lease Payments	<u>\$413,854,811</u>

In addition to the commitments outlined above, notes payable, derivative liabilities, due from related party and current portion of notes payable, the Company has the following contractual obligations as of June 30, 2018:

	<u>< 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts Payable and Accrued Liabilities	\$ 18,001,505	\$ -	\$ -	\$ 18,001,505

In addition to the commitments outlined above, notes payable, derivative liabilities, due from related party and current portion of notes payable, the Company has the following contractual obligations as of June 30, 2017:

	<u>< 1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts Payable and Accrued Liabilities	\$ 1,659,550	\$ -	\$ -	\$ 1,659,550

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, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are material to investors.

TRANSACTIONS BETWEEN RELATED PARTIES

Related Party Balances

All related party balances due from or due to the Company as of June 30, 2018 and 2017 did not have any formal contractual agreements requiring payment terms or interest.

As of June 30, 2018 and 2017, amounts due from related parties were as follows:

<u>Name and Relationship to Company</u>	<u>Transaction</u>	<u>2018</u>	<u>2017</u>
MedMen Opportunity Fund GP II, LLC ("Fund GP II"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP II is the General Partner of Fund II, which holds membership interests in the Company.	Management Fees	\$ 2,100,000	\$ 52,679
MedMen Opportunity Fund GP LLC ("Fund GP"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP is the General Partner of Fund I, which holds membership interests in the Company.	Management Fees	1,228,259	180,442
Other		<u>180,776</u>	<u>1,965,567</u>
Total Amounts Due from Related Party		<u>\$ 3,509,035</u>	<u>\$ 2,198,688</u>

As of June 30, 2018 and 2017, amounts due to related parties were as follows:

<u>Name and Relationship to Company</u>	<u>Transaction</u>	<u>2018</u>	<u>2017</u>
MedMen Opportunity Fund GP II, LLC ("Fund GP II"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP II is the General Partner of Fund II which holds membership interests in the Company.	Working Capital, Construction and Tenant Improvements, Lease Deposits and Cash Used for Acquisitions	\$ (2,427,693)	\$ -
MedMen Opportunity Fund GP LLC ("Fund GP"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.33% controlling interest. Fund GP is the General Partner of Fund I, which holds membership interests in the Company.	Working Capital, Management Fees and Cash Used for Acquisitions	(2,862,647)	(5,129,374)
Other		(4,568,105)	(353,443)
Total Amounts Due to Related Party		<u>\$ (9,858,445)</u>	<u>\$ (5,482,817)</u>

Leases - Related Parties

In January 2017, Bloomfield Industries, Inc. entered into a 10-year lease agreement with UN EAST, LLC, a related party, to occupy a temporary facility and for five acres of land for future development. The lease provides, among other things, for the issuance of a 10% initial members' equity interest in Project Compassion NY, LLC valued at \$3,500,000. As of June 30, 2018 and 2017, prepaid rent related to this lease agreement totaled \$2,975,000 and \$3,500,000, respectively.

In June 2017, Project Mustang Development, LLC entered into a 99-year ground lease agreement with MMNV OWNER, LLC, a related party. The lease, which commenced in July 2017, provides for an initial annual rent payment of \$1,500,000 that increases by 3% per annum. As of June 30, 2018 and 2017, prepaid rent related to this lease agreement totaled \$1,576,012 and \$3,076,012, respectively.

In January 2018, Manlin DHS Development LLC entered into a 51-year ground lease agreement with Manlin 2, LLC, a related party. The lease, which commenced in May 2018 and terminates in April 2069, provides for an initial annual rent payment of \$1,825,000 that increases by 3% per annum.

For the years ended June 30, 2018 and 2017, rent expense under all lease agreements with related parties totaled \$2,340,798 and \$14,883, respectively.

FOURTH QUARTER

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

	Three Months Ended June 30,			
	2018	2017	\$ Change	% Change
Revenue	\$ 20,555,441	\$ 1,451,128	\$ 19,104,313	1317%
Cost of Goods Sold	14,659,409	1,351,430	13,307,979	985%
Gross Profit Before Fair Value Adjustment	5,896,032	99,698	5,796,334	5814%
Unrealized Gain on Changes in Fair Value of Biological Assets	720,390	-	720,390	100%
Gross Profit	6,616,422	99,698	6,516,724	6536%
Expenses:				
General and Administrative	65,521,827	5,705,824	59,816,003	1048%
Sales and Marketing	4,730,654	65,844	4,664,810	7085%
Depreciation and Amortization	2,335,368	1,156,381	1,178,987	102%
Total Expenses	72,587,849	6,928,049	65,659,800	948%
Loss from Operations	(65,971,427)	(6,828,351)	(59,143,076)	866%
Other Expense (Income):				
Interest Expense	3,283,296	415,942	2,867,354	689%
Change in Fair Value of Derivative Liabilities	(2,869,942)	-	(2,869,942)	100%
Amortization of Debt Discount	10,802,358	-	10,802,358	100%
Other Expense	877,477	73,218	804,259	1098%
Total Other Expense	12,093,189	489,160	11,604,029	2372%
Loss Before Provision for Income Taxes	(78,064,616)	(7,317,511)	(70,747,105)	967%
Provision for Income Taxes	674,821	43,169	631,652	1463%
Net Loss and Comprehensive Loss	(78,739,437)	(7,360,680)	(71,378,757)	970%
Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest	42,431,535	-	42,431,535	100%
Net Loss and Comprehensive Loss Attributable to MedMen	(36,307,902)	(7,360,680)	(28,947,222)	393%
Adjusted Net Income (loss) Attributable to MedMen	\$ (36,307,902)	\$ (7,360,680)	\$ (28,947,222)	393%
EBITDA	\$ (61,441,818)	\$ (5,287,169)	\$ (56,154,649)	1062%
Adjusted EBTIDA	\$ (24,631,928)	\$ (4,136,095)	\$ (20,495,833)	496%

Revenue

Revenue for the three months ended June 30, 2018 was \$20.56 million, an increase of \$19.10 million, or 1,317%, compared to revenue of \$1.45 million for the three months ended June 30, 2017. The increase in revenue was driven by the acquisitions of dispensaries in California, Nevada and New York during 2017 and 2018. More specifically, for the three months ended June 30, 2018, we had eleven active retail locations in the states of California, New York and Nevada, compared to two active retail locations for the same period in the prior year. The addition of the new operating retail locations in fiscal year 2018 together with the passage of the adult use cannabis laws in California and Nevada on January 1, 2018 and July 1, 2017, respectively, resulted in a significant increase in our revenues. We expect through our continued approach of acquiring retail dispensaries in states we operate in, our revenues will significantly increase in the coming periods. However, our expectations of increased revenues through acquisitions are subject to risks as further noted herein and in the Listing Statement.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the three months ended June 30, 2018 was \$14.66 million, an increase of \$13.31 million, or 985%, compared with \$1.35 million of cost of goods sold for the three months ended June 30, 2017. Gross profit before fair value adjustment for unrealized gain on changes in fair value of biological assets for the three months ended June 30, 2018 was \$5.90 million, representing a gross margin of 29%, compared with gross profit of \$100,000, representing a gross margin of 7% for the three months ended June 30, 2017. The increases in cost of goods sold and gross profit were driven primarily by the acquisitions of dispensaries in California, Nevada and New York during 2017 and 2018. For the three months ended June 30, 2018, we had eleven active retail locations in the states of California, New York and Nevada, compared to 2 active retail locations in the states of California and New York for the same period in the prior year. The addition of the new operating retail locations in fiscal year 2018 and the passage of the adult use cannabis law in California and Nevada on January 1, 2018 and July 1, 2017, respectively, resulted in a significant increase in our cost of goods sold and resulting gross profit. We expect through our continued approach

of acquisitions of retail and cannabis related companies, our costs of goods sold and gross profit will significantly increase in the coming periods.

Total Expenses

Total expenses, including sales and marketing, general and administrative and depreciation and amortization for the three months ended June 30, 2018 were \$72.59 million, an increase of \$65.66 million, or 948%, compared to total expenses of \$6.93 million for the three months ended June 30, 2017, which represents 353% of revenue for the three months ended June 30, 2018 compared to 477% of revenue for the three months ended June 30, 2017. The increase in total expenses was attributable to an increase in headcount and operating costs for our retail stores acquired in California, Nevada and New York during 2017 and 2018. Sales and marketing expenses consist of selling costs to support our customer relationships and to deliver product to our retail stores. It also includes a significant investment in marketing and brand activities and the corporate infrastructure required to support our ongoing business. Selling costs for the three months ended June 30, 2018 and 2017 were \$4.73 million and \$66,000 respectively, an increase of \$4.66 million or 7,085%. The increase in sales and marketing costs is primarily attributed to the growth of our retail locations. General and administrative expenses represent costs incurred in our corporate offices and retail locations. These are primarily related to salaries and salary related expenses (incentive compensation, benefits and share-based compensation), professional fees incurred in connection with becoming a publicly traded company (consulting, legal and accounting), deal costs (acquisition costs) and other general office support expenses. General and administrative costs for the three months ended June 30, 2018 and 2017 were \$65.52 million and \$5.71 million, respectively, an increase of \$59.82 million or 1,048%. General and administrative costs have increased primarily due to growth of the Company's operations and retail locations and retention of management talent through equity compensation. We expect to continue to invest considerably in this area to support our aggressive expansion plans by hiring talent to support the increasing complexity of the cannabis business. Depreciation and amortization for the three months ended June 30, 2018 and 2017 was \$2.34 million and \$1.16 million, respectively, an increase of \$1.18 million or 102%. The increase is attributed to the acquisitions as well as property and equipment acquired in the current year as compared to the same period in the prior year.

Total Other Expense

Total other expense for the three months ended June 30, 2018 was \$12.09 million, an increase of \$11.60 million compared to total other expense of \$489,000 for the three months ended June 30, 2017. The increase in total other expense was due to an increase in cash interest expense of \$2.87 million during the three months ended June 30, 2018, primarily as a result of an increase in borrowings used to finance acquisitions and working capital. Additional increases in total other expense relates to \$10.80 million in the amortization of debt discounts on convertible debt for the three months ended June 30, 2018 compared to no amortization for the three months ended June 30, 2017. This was offset by a gain on change in fair market value of \$2.87 million for the three months ended June 30, 2018 compared to no gain during the same period in the prior year.

Provision for Income Taxes

The provision for income taxes for the three months ended June 30, 2018 was \$675,000 compared to provision for income taxes of \$43,000 for the three months ended June 30, 2017. For the three months ended June 30, 2018, the effective tax rate was (2.7%) and varied from the statutory tax rate of 34.0%.

Net Loss

Net loss for the three months ended June 30, 2018 was \$78.74 million, an increase of \$71.38 million, or 970%, compared to a net loss of \$7.36 million for the three months ended June 30, 2017. The increase in net loss was driven by the factors described above.

PROPOSED TRANSACTIONS

Key Developments During the Fourth Quarter

A description of the significant fourth quarter developments are more fully described in the *Fourth Quarter* results of operations discussed above and in the subsection titled *Moving the Needle via Growth – Recent Developments* of the section titled *About MedMen*.

Key Developments Subsequent to June 30, 2018

A description of the significant subsequent to June 30, 2018 developments are more fully described in the above and in the subsection titled *Moving the Needle via Growth – Recent Developments* of the section titled *About MedMen*.

CRITICAL ACCOUNTING ESTIMATES

The Company makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The preparation of the Company's consolidated and combined financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Biological Assets and Inventory

In calculating the value of biological assets and inventory, management is required to make a number of estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, selling costs, average or expected selling and list prices, expected yields for the plants, and oil conversion factors. In calculating final inventory values, management compares the inventory cost to estimated net realizable value.

Business Combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, Financial Instruments: Recognition and Measurement, or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Convertible Notes Payable

Convertible notes payable are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible notes payable components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Unit-Based Compensation

The Company uses the Black-Scholes option-pricing model to determine the fair value of members' units granted. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Goodwill Impairment

Goodwill is tested for impairment annually during the second quarter and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no new standards effective July 1, 2017 that had an impact on the Company's consolidated and combined financial statements. The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated and combined financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, Financial Instruments: Disclosure ("IFRS 7")

IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company does not expect any material impact of this amendment on its consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect any material impact on its consolidated financial statements from the adoption of this new standard.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company has assessed the impact from this new standard. Under IFRS 15, revenue from the sale of cannabis would be recognized at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18.

Service revenues earned are recognized monthly as services are performed over a period of time and no other commitments are required to earn the fees due. This is consistent with the Company's current revenue recognition under IAS 18.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company will adopt IFRS 15 on July 1, 2018 using the modified retrospective approach. Based on the Company's assessment, the adoption of this new standard is not expected to have a material impact on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The Company is examining the potential impact of this new standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities; short-term note payable; and long-term debt. The carrying values of these financial instruments approximate their fair values as of June 30, 2018 and 2017.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

- ***Credit Risk***

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at June 30, 2018, is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

- ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

- ***Market Risk***

- (i) ***Currency Risk***

The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of June 30, 2018 and 2017, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(iii) *Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices.

UNITED STATES REGULATORY ENVIRONMENT

Federal Regulatory Environment

Under U.S. federal law, marijuana is currently a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the Drug Enforcement Agency considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD and ecstasy. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while studies show cannabis is less harmful than alcohol,¹ alcohol is not classified under the CSA.

31 states and the District of Columbia, have now legalized adult-use and/or medical marijuana. The federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the United States Department of Justice Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "Cole Memo")² and the Department of the Treasury Financial Crimes Enforcement Network ("FinCEN") guidance in 2014.³

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;

¹ See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; see also Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; see also Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.ntt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE5705DC20090825>; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; see also Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AggressiveBehavior.pdf>; and see also Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

² U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement*. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>.

³ Department of the Treasury Financial Crimes Enforcement Network. (2014). *Guidance re: BSA Expectations Regarding Marijuana-Related Businesses* (FIN-2014-G001). Retrieved from <https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>.

3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
4. Preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.

In January 2018, United States Attorney General, Jeff Sessions, by way of issuance of a new Department of Justice Memorandum (the “Sessions Memo”), rescinded the Cole Memo and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice. As an industry best practice, despite the recent rescission of the Cole Memo, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memo:

- Ensure the operations of its subsidiaries (or third parties, in the jurisdictions where the Company conducts its business as an ancillary services provider) are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Company retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- The activities relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the products are only sold to individuals who meet the requisite age requirements;
- In working with licensed operators, such as cultivators and manufacturers in states where programs allow for the wholesaling of products, the Company conducts due diligence on the policies and procedures to ensure that the products are not distributed to minors. Additionally, the Company employs professional consultants to investigate any past license violations and ensure that the business has not been involved in these types of violations;
- The Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises, gangs and cartels. Furthermore, as a part of its due diligence, the Company retains professional consultants to vet the ownership of such cannabis businesses to ensure that no profits or revenues are used for the benefit of criminal enterprises;
- As a part of its compliance audit, the Company also ensures that the licensed operators have an adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory. This is done to ensure that there is no diversion of cannabis or cannabis products into the states where cannabis is not permitted by state law, or cross the state lines in general;
- The Company conducts the necessary review of financial records and where appropriate retains professional third-party consultants to do so, to ensure that the state-authorized cannabis business activity is not used as a cover or pre-text for trafficking of other illegal drugs, is engaged in other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;
- The Company conducts background checks to ensure that the principals and management of the licensed operators are of good character, and have not been involved with other illegal drugs, engaged in illegal

activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis;

- The Company conducts reviews of activities of the cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of licensed premises (including the cases where such possession permitted by regulation – e.g. transfer of products between licensed premises). These activities are done to ensure that no licensed operators possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands;
- The Company conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving; and
- The Company ensures, through policies, procedures, training and technology solutions, that it complies with interstate commerce restrictions.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the United States Currency and Foreign Transactions Reporting Act of 1970 (the "Bank Secrecy Act"). 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 or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. Requesting from state licensing and enforcement authorities available information about the business and related parties;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, cannabis businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to cannabis businesses. Despite the attempt by FinCEN to legitimize cannabis banking, in practice its guidance has not made banks much more willing to provide services to cannabis businesses.

This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each cannabis business they take on as a customer. Recently, some banks that have been servicing cannabis businesses have been closing accounts operated by cannabis businesses and are now refusing to open accounts for new cannabis businesses for the reasons enumerated above.

The few credit unions who have agreed to work with cannabis businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to cannabis businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also servicing the need of their other customers.

The U.S. Treasury Department, headed by Stephen Mnuchin, has publicly stated they were not informed of the Attorney General Jeff Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN guidance for financial institutions.⁴ Multiple legislators believe that Attorney General Jeff Sessions' rescinding of the Cole Memo invites an opportunity for Congress to pass more definitive protections for cannabis businesses in states with legal cannabis programs during this Congress.⁵

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 expired with the 2018 Fiscal Year on September 30, 2018.

While funding restrictions that protect the medical cannabis industry continue through the end of September as a part of the 2018 Fiscal Year cycle, 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 be enacted 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.

If and/or until Congress agrees on the 2019 Fiscal Year Appropriations package, Congress would pass additional Continuing Resolutions from the 2018 Fiscal Year – which provides ongoing and consistent protection for the medical cannabis industry.

Since 2014, Congress has made immense strides in marijuana policy. The bipartisan Congressional Cannabis Caucus launched in 2017 and is headed by Representatives Dana Rohrabacher (CA-48), Earl Blumenauer (OR-03), Don Young (AK-At Large), and Jared Polis (CO-02). The group is “dedicated to developing policy reforms that bridge the gap between federal laws banning marijuana and the laws in an ever-growing number of states that have legalized it

⁴ Angell, Tom. (2018 February 6). Trump Treasury Secretary Wants Marijuana Money In Banks. Retrieved from <https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53>; see also Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7). Retrieved from <http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/>.

⁵ Jackson, Chereese. (2018 January 30). State-by-State Analysis of Sessions Move to Rescind Cole Memo. Retrieved from <http://guardianlv.com/2018/01/state-state-analysis-sessions-move-rescind-cole-memo/>; see also Velasquez, Josefa. (2018 January 23). NY Lawmarker Asks US Attorneys to Keep Hands Off State's Med Marijuana Programs. Retrieved from <https://www.law.com/newyorklawjournal/sites/newyorklawjournal/2018/01/22/ny-lawmaker-asks-us-attorneys-to-keep-hands-off-states-med-marijuana-programs/?slreturn=20180205182803>; and see also The Cannabist. (2018 January 4). “This is Outrageous”: Politicians react to news that A.G. Sessions is rescinding Cole Memo. Retrieved from <https://www.thecannabist.co/2018/01/04/sessions-marijuana-cole-memo-politicians/95890/>.

for medical or recreational purposes”⁶ Additionally, each year more Representatives and Senators sign on and co-sponsor marijuana legalization bills including the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end federal marijuana prohibition, Congressman Blumenauer and Senator Wyden introduced the three-bill package, Path to Marijuana Reform which would fix Section 280E of the United States Internal Revenue Code of 1986, as amended (the “Code”), eliminate civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduce barriers to banking, and would de-schedule, tax and regulate marijuana in 2017.⁷ Senator Booker has also introduced the Marijuana Justice Act, which would deschedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion.

Additionally, on June 7, 2018, the STATES Act was introduced in the Senate by Republican Senator Cory Gardner of Colorado and Democratic Senator Elizabeth Warren of Massachusetts. A companion bill was introduced in the House by Democratic representative Jared Polis of Colorado. The bill provides in relevant part that the provisions of the CSA, as applied to marijuana, “shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marihuana.” Even though marijuana will remain within Schedule I under the STATES Act, it makes the CSA unenforceable to the extent it is in conflict with state law. In essence, the bill extends the limitations afforded by the Rohrabacher-Blumenauer protection within the federal budget – which prevents the Department of Justice and the Drug Enforcement Agency from using funds to enforce federal law against state-legal medical cannabis commercial activity – to both medical and recreational cannabis activity in all states where it has been legalized. By allowing continued prohibition to be a choice by the individual states, the STATES Act does not fully legalize cannabis on a national level. In that respect, the bill emphasizes states’ rights under the Tenth Amendment, which provides that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”

Notwithstanding the foregoing, there is no guarantee that the current presidential administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws that conflict with state laws. The Trump administration and Congress could decide to enforce U.S. federal laws vigorously. Accordingly, there are a number of significant risks associated with the business of the Company and unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States.

As of June 30, 2018, US\$282.19 million of the Company’s assets and US\$39.18 million of the Company’s revenues (for the year ended June 30, 2018) are exposed to U.S. marijuana related activities. In this respect, all of the Company’s assets and operations are currently related to U.S. marijuana related activities.

An additional challenge to cannabis-related businesses is that the provisions of the Code, Section 280E, are being applied by the United States Internal Revenue Service to businesses operating in the medical and adult use cannabis industry. Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Another aspect of federal law is that it provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result, all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult for the Company, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state, then this could exert downward pressure on the retail price for the products the Company sells. If too many retail licenses are offered by state authorities in any given state, then this could result in

⁶ Huddleston, Tom Jr. (2017 February 17). Pro-Pot Lawmakers Launch a Congressional Cannabis Caucus. Retrieved from <http://fortune.com/2017/02/16/congress-cannabis-caucus/>.

⁷ Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-path-marijuana-reform>.

increased competition and exert downward pressure on the retail price for the products the Company sells. On the other hand, if cultivation and production in a state fails to match growing demand then, in the short term, there could be insufficient supply of product in a state to meet demand and while the Company may be able to raise its prices there could be inadequate product availability in the short term, causing the Company's revenue in that state to fall.

The following sections describe the legal and regulatory landscape in the states in which the Company operates. The Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements. Additionally, the Company uses the same proprietary, best-practices policies and procedures in its managed dispensaries as in its owned dispensaries in order to ensure systematic operations and, as such, to the Company's knowledge, the dispensaries that the Company manages are in full compliance with all applicable state laws, regulations and licensing requirements. Nonetheless, for the reasons described above and the risks further described in Section 17 of the Listing Statement and under the heading "Risks and Uncertainties" herein, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained in Section 17 of the Listing Statement and under the heading "Risks and Uncertainties" herein.

California

California Regulatory Landscape

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 ("CUA"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("MCRSA"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("AUMA") creating an adult-use marijuana program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are the California Department of Consumer Affairs' Bureau of Cannabis Control ("BCC"), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine the number of licenses they will issue to marijuana operators or can choose to outright ban marijuana.

MAUCRSA went into effect on January 1, 2018. The Company began receiving its marijuana medical and adult-use licenses at the beginning of 2018 and was one of the first businesses to begin selling adult-use marijuana products. The Company was also the first business to receive approval to dispense adult-use marijuana in the City of Los Angeles on January 20, 2018. The Company currently owns three (the maximum allowed) of the 169 permitted dispensaries in the City of Los Angeles. The Company only operates in Californian cities with clearly defined marijuana programs.

Licenses

The Company and its subsidiaries are licensed to operate as Medical and Adult-Use Retailers, and Distributors under applicable California and local jurisdictional law. The Company's licenses permit it to possess, cultivate, distribute, dispense and sell medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses

issued by the BCC under the provision of the MAUCRSA and California Assembly Bill No. 133. The Company obtained the rights to the entities that were ultimately licensed pursuant to several acquisitions in the form of stock and/or asset purchase agreements.

The licenses are independently issued for each approved activity for use at the Company's facilities in California. Please see Table 1 below for a list of the licenses issued to the Company in respect of its operations in California.

Table 1: California Licenses

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Advanced Patients' Collective	A10-18-0000167-TEMP	Los Angeles	11/15/18	State Temp Adult Use and Medicinal Retail License
	A11-18-0000139-TEMP		12/5/18	State Temp Adult Use and Medicinal Distributor License
	0002086145-0001-8. Fund Class J010		12/28/18	City of Los Angeles – Medical Retail
	0002086145-0001-8. Fund Class J020		12/28/18	City of Los Angeles – Adult Use Retail
	0002086145-0001-8. Fund Class J080		12/28/18	City of Los Angeles – Medical Distributor
	0002086145-0001-8. Fund Class J090		12/28/18	City of Los Angeles – Adult Use Distributor
The Compassion Network	A10-18-0000165-TEMP		11/15/18	State Temp Adult Use and Medicinal Retail License
	0002181643-0001-9 Fund Class J010		12/28/18	City of Los Angeles – Medical Retail
	0002181643-0001-9 Fund Class J020		12/28/18	City of Los Angeles – Adult Use Retail
Cyon Corporation, Inc.	A10-18-0000164-TEMP		11/15/18	State Temp Adult Use and Medicinal Retail License
	0002053218-0001-8. Fund Class J010		12/28/18	City of Los Angeles – Medical Retail
	0002053218-0001-8. Fund Class J020		12/28/18	City of Los Angeles – Adult Use Retail
San Diego Health & Wellness ⁸	CUP 1291580	San Diego	6/25/20	City of San Diego – Recorded Conditional Use Permit for Retail
MMOF San Diego Retail, Inc.	A10-17-0000038-TEMP		10/28/18	State Temp Adult Use and Medicinal Retail License
	N/A (Form DS-191)		2/22/19	Medical Marijuana Consumer Cooperative Permit
Desert Hot Springs Green Horizon, Inc.	CUP 14-16	Desert Hot Springs	9/25/19	Conditional Use Permit for Cultivation
	CUP 14-16		9/25/19	Conditional Use Permit for Production
	CUP 14-16		9/25/19	Conditional Use Permit for Distribution

⁸ As a conditional use permit for retail, this permit is attached to the real estate, which is in turn owned by MMOF RE SD, LLC, a subsidiary of the Company.

California state and local licenses are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by BCC. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

License and Regulations

The Adult-Use Retailer licenses permit the sale of cannabis and cannabis products to any individual age 21 years of age or older who do not possess a physician's recommendation. Under the terms of such licenses that it holds, the Company is permitted to sell adult-use cannabis and cannabis products to any domestic and international qualified customer, provided that the customer presents a valid government-issued photo identification. The Company maintains an open and collaborative relationship with the BCC and city level cannabis regulators.

The Medicinal Retailer licenses permit the sale of medicinal and non-medical cannabis and cannabis products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations. The Company maintains an open and collaborative relationship with the BCC and city level cannabis regulators.

The Adult-Use and Medicinal Distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities. Distribution activity is permissible to and from certain MedMen and non-MedMen licensees.

In the state of California, only cannabis that is grown in the state can be sold in the state. Although California is not a vertically integrated system, the Company is endeavouring to be vertically integrated and is in the development of capabilities to cultivate, harvest and process and has the capabilities to sell/dispense/deliver cannabis and cannabis products. The state also allows the Company to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

Reporting Requirements

The state of California has selected Franwell Inc.'s METRC solution ("METRC") as the state's track-and-trace ("T&T") system used to track commercial cannabis activity and movement across the distribution chain ("seed-to-sale"). The METRC system is in the process of being implemented state-wide but has not been released. When operational, the system will allow for other third-party system integration via application programming interface ("API"). The Company currently utilizes an electronic T&T system independent of METRC that will integrate with METRC via API. The Company's T&T system currently captures required data points for cultivation, distribution and retail as stipulated in BCC regulations. Certain processes remain manual, with proper control and oversight, in anticipation of METRC and greater integration of processes.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Company is required to do the following:

1. Maintain a fully operational security alarm system;
2. Contract for security guard services;
3. Maintain a video surveillance system that records continuously 24 hours a day;
4. Ensure that the facility's outdoor premises have sufficient lighting;

5. Not dispense from its premises outside of permissible hours of operation;
6. Store cannabis and cannabis product only in areas per the premises diagram submitted to the state of California during the licensing process;
7. Store all cannabis and cannabis products in a secured, locked room or a vault;
8. Report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
9. To ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products. Only vehicles registered with the BCC, that meet BCC distribution requirements, are to be used to transport cannabis and cannabis products.

Nevada

Nevada Regulatory Landscape

Medical marijuana use was legalized in Nevada by a ballot initiative in 2000. In November 2016, voters in Nevada passed an adult-use marijuana measure to allow for the sale of recreational marijuana in the state. The first dispensaries to sell adult-use marijuana began sales in July 2017. The Nevada Department of Taxation (“DOT”) is the regulatory agency overseeing the medical and adult use cannabis programs. Similar to California, cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue.

The Company only operates in Nevada cities or counties with clearly defined marijuana programs. Currently the Company is located in the City of Las Vegas, Clark County and Washoe County jurisdictions.

Licenses

The Company is licensed to operate in the state of Nevada as a Recreational and Medical Cultivator, a Recreational and Medical Product Manufacturer and a Recreational and Medical Dispensary. Please see Table 2 below for a list of the licenses issued to the Company in respect of its operations in Nevada. Under applicable laws, the licenses permit the Company to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the DOT under the provisions of Nevada Revised Statutes section 453A. The Company is in the process of obtaining a Recreational and Medical license for one (1) provisional license also located in Washoe County.

All marijuana establishments must register with DOT. If applications contain all required information and after vetting by officers, establishments are issued a marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by DOT of a marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from DOT may an entity engage in cannabis business operation.

Table 2: Nevada Licenses

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
MMOF Vegas Retail, Inc.	2000169.MMR.301	Clark County	12/31/18	Clark County Business License – Marijuana Master License
	Certificate: 34652970986411553293 ME Code: D078		6/30/19	State of NV Final Registration Certificate
	Retail Marijuana Store License, Taxpayer ID: 1037525396-001		6/30/19	State of NV – Recreational Marijuana Store License
MMOF Fremont Retail, Inc.	Certificate: 51798010886861416556 Code: D178	Las Vegas	6/30/19	State of NV Final Registration Certificate
	67501179020484699802			State of NV – Recreational Marijuana Store License
	License No.: M66-00014		9/28/2018 ⁽¹⁾	City of Las Vegas Medical Business License
	License No.: M66-00015		9/28/2018 ⁽¹⁾	City of Las Vegas Retail Business License
MMNV2 Holdings I, LLC	Certificate: 17870088520850390544 Code: C025	Unincorporated Washoe County	6/30/2019	State of NV Final Registration Certificate
	07912568590104527553		7/31/2019	State of NV Marijuana Cultivation Facility License – Recreational
	Certificate: 42811321585035807243 Code: P016		6/30/2019	State of NV Final Registration Certificate
	28332017443877189253		7/31/2019	State of NV Marijuana Production Facility License – Recreational
	W000009ME-LIC		01/1/19	Washoe County Medical Marijuana Establishment Business License
	W000005ME-LIC			Washoe County Medical Marijuana Establishment Business License

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
MMNV2 Holdings V, LLC	Certificate: 10617708293398081636 Code: C036	Unincorporated Washoe County	12/31/18 ⁽²⁾	State of NV Provisional Registration Certificate – Cultivation

Notes:

- (1) Renewal applications have been submitted by the Company in respect of the noted licenses held by MMOF Freemont Retail, Inc. Such licenses remain effective during the renewal application process. The Company expects to receive renewals for such license and registration certificate in the ordinary course of business.
- (2) The DOT previously released guidance stating that holders of provisional licenses must commence operations at the corresponding facilities by August 31, 2018 and that if holders did not do so, they were deemed to have forfeited their provisional license. The operations that were required to have been commenced can be limited and were not required to be the full contemplated operations for the applicable facility. The Company obtained an extension from the DOT for provisional certificate C036 through to 12/31/18.

License and Regulations

In the state of Nevada, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. Although Nevada is not a vertically integrated system, the Company is vertically integrated and has the capabilities to cultivate, harvest, process and sell/dispense/deliver cannabis and cannabis products. The state also allows the Company to make wholesale purchase of cannabis from another licensed entity within the state.

Retail dispensary licenses and registration certificates permit holders to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities and marijuana from other retail stores and allow the sale of marijuana and marijuana products to consumers.

Recreational and Medical cultivation licenses permit holders to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to marijuana dispensaries, facilities for the production of edible marijuana products and/or marijuana-infused products, or other marijuana cultivation facilities.

Recreational and Medical product manufacturing licenses permit holders to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other marijuana production facilities or marijuana dispensaries.

Reporting Requirements

The state of Nevada uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. For all Nevada licensed facilities, the Company will designate an in-house computerized seed to sale software that will integrate with METRC via API. The chosen seed-to-sale system captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Company is required to do the following:

- Be an enclosed, locked facility;
- Have a single secure entrance;

- Train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;
- Install security equipment to deter and prevent unauthorized entrances, which includes:
 - Devices that detect unauthorized intrusion which may include a signal system;
 - Exterior lighting to facilitate surveillance;
 - Electronic monitoring including, without limitation:
 - At least one call-up monitor that is 19 inches or more;
 - A video printer capable of immediately producing a clear still photo from any video camera image;
 - Video cameras with a recording resolution of at least 704 x 480 which provide coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;
 - A video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;
 - A video camera in each grow room which can identify any activity occurring within the grow room in low light conditions;
 - A method for storing video recordings from the video cameras for at least 30 calendar days;
 - A failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;
 - Sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage;
 - Security alarm to alert local law enforcement of unauthorized breach of security; and
- Implement security procedures that:
 - Restrict access of the establishment to only those persons/employees authorized to be there;
 - Deter and prevent theft;
 - Provide identification (badge) for those persons/employees authorized to be in the establishment;
 - Prevent loitering;
 - Require and explain electronic monitoring; and
 - Require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

New York

New York Regulatory Landscape

In July 2014, the New York Legislature and Governor enacted the Compassionate Care Act (A06357E, S07923) (the “CCA”) to provide a comprehensive, safe and effective medical marijuana program to meet the needs of New Yorkers. The program currently allows ten (10) “Registered Organizations” to hold vertically integrated licenses and service qualified patients and caregivers. Limited product types are allowed in the state and smoking of cannabis flower is prohibited. The New York State Department of Health (the “NYSDOH”) is the regulatory agency overseeing the medical marijuana program.

New York License

MedMen NY, Inc. (“MedMen NY”) is licensed to operate as a vertically integrated medical marijuana cultivator, manufacturer and retailer, as a “Registered Organization”, under applicable New York jurisdictional law. MedMen NY was issued five (5) licenses that are vertically integrated – one (1) cultivation/manufacturing license and four (4) dispensary licenses (collectively, the “NY Licenses”), under the CCA and Medical Use of Marijuana Regulations (Title 10, Chapter XIII, Part 1004) by the NYSDOH, permitting MedMen NY to possess, cultivate, process, transport, dispense and sell medical cannabis in the State of New York. MedMen NY obtained the rights to the NY Licenses through a stock purchase agreement completed in January 2017 with Bloomfield Industries, Inc., the original holder of the NY Licenses. In August 2017, the NYSDOH approved the change of the business name from Bloomfield Industries, Inc. to MedMen NY, Inc.

While there are individual licenses issued for each site in New York, MedMen NY is considered a vertically integrated license holder with one (1) cultivation/manufacturing facility in Utica, NY, and four dispensaries geographically dispersed throughout the state per the CCA. Please see Table 3 below for a list of the licenses issued to MedMen NY in respect of its operations in New York.

Table 3: New York Licenses

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
MedMen NY	MM0501M	Utica	7/31/19	Utica – Manufacturing License
	MM0502D	Lake Success	7/31/19	Lake Success – Dispensary License
	MM0503D	New York	7/31/19	New York – Dispensary License
	MM0504D	Syracuse	7/31/19	Syracuse – Dispensary License
	MM0505D	Williamsville	7/31/19	Williamsville – Dispensary License

The state licenses in New York are renewed every two years. Before the two-year period ends, licensees are required to submit a renewal application per guidelines published by the NYSDOH. While renewals are granted every two years, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company’s compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company’s licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company’s business, financial condition, results of operations or prospects.

New York Regulations

The Company maintains an open and collaborative relationship with NYSDOH regulators. Under the terms of the NY Licenses, MedMen NY is permitted to sell NYSDOH approved medical marijuana manufactured products to any New York qualified patient, provided that the patient presents a valid government-issued photo identification, a physician's recommendation and a NYSDOH-issued Registry Identification Card proving the patient or designated caregiver meets the statutory conditions to be a qualified patient or designated caregiver. Registry Identification Cards are valid for one year after the date the certification is signed. The card contains the recommendation from the physician and the limitation on form or dosage of medical marijuana.

In order for a physician to recommend medical marijuana, the physician must pay for and pass a NYSDOH approved physician certification training program which lasts from two to four hours. The content of the course includes: "pharmacology of marijuana; contraindications; side effects; adverse reactions; overdose prevention; drug interactions; dosing; routes of administration; risks and benefits; warnings and precautions; abuse and dependence; and such other components as determined by the commissioner".

In order for a patient or registered caregiver to receive dispensed marijuana, the dispensary must check the Prescription Monitoring Program ("PMP") registry to ensure the patient receives appropriately recommended medical marijuana products and does not receive more than a 30-day supply of medical marijuana. The PMP registry is monitored by the NYSDOH and contains controlled substance prescription dispensing history and medical marijuana dispensing history to ensure that patients only receive a maximum of 30 days worth of dispensed product from one Registered Organization ("RO").

Allowable forms of medical marijuana in New York State are the following:

- “(1) metered liquid or oil preparations;
- (2) solid and semisolid preparations (e.g. capsules, chewable and effervescent tablets, lozenges);
- (3) metered ground plant preparations; and
- (4) topical forms and transdermal patches.”⁹

Medical marijuana may not be incorporated into food products by the RO, unless approved by the Commissioner of Health. Smoking is not an approved route of administration.

Qualifying conditions in the state of New York are the following: cancer, HIV infection or AIDS, amyotrophic lateral sclerosis (ALS), Parkinson's disease, multiple sclerosis, spinal cord injury with spasticity, epilepsy, inflammatory bowel disease, neuropathy, Huntington's disease, post-traumatic stress disorder, chronic pain, and any condition for which an opioid could be prescribed (provided that the precise underlying condition is expressly stated on the patient's certification). The severe debilitating or life-threatening condition must also be accompanied by one or more of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures, or severe or persistent muscle spasms.

The RO is responsible for patient confidentiality. To ensure confidentiality of patients, the RO offers private consultation spaces and keeps all patient data out of plain site during patient check-in and check-out process.

In the state of New York, only cannabis that is grown and manufactured in the state can be sold in the state. New York is a vertically integrated system however it does allow ROs to wholesale manufactured product to one another. As such, MedMen NY is vertically integrated and has the capabilities to cultivate, harvest, process, transport, sell and dispense cannabis products. Delivery is allowed from dispensaries to patients, however the delivery plan must be pre-approved by the NYSDOH. As of the date hereof, the Company has not submitted a delivery plan to the NYSDOH.

⁹ New York State Department of Health. (2018 July). Registered Organizations. Retrieved from https://www.health.ny.gov/regulations/medical_marijuana/application/.

Reporting Requirements

The state of New York has selected BioTrackTHC's solution as the state's T&T system used to track commercial cannabis activity and seed-to-sale. The BioTrackTHC system is required to serve as all ROs' patient verification system but is optional as the RO facing tracking system. The Company currently uses BioTrackTHC as its seed-to-sale tracking system but is also exploring more robust options for the future that more seamlessly integrate with its tracking systems used in other states as well.

In addition to entering all dispensing transactions into the BioTrackTHC system, every month the NYSDOH requests a dispensing report in Excel format, via email, showing all products dispensed for the month. This is the only report the Company is required to submit to the NYSDOH. All other data is pulled by the NYSDOH directly from the Company's seed-to-sale tracking system.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Company is required to:

- Maintain a security operations plan that includes the following at a minimum:
 - a perimeter alarm;
 - motion detectors;
 - video cameras in all areas that may contain marijuana and at all points of entry and exit, which shall be appropriate for the normal lighting conditions of the area under surveillance. The manufacturing facility or dispensing facility shall direct cameras at all approved safes, approved vaults, dispensing areas, marijuana sales areas and any other area where marijuana is being manufactured, stored, handled, dispensed or disposed of. At entry and exit points, the manufacturing facility or dispensing facility shall angle cameras so as to allow for the capture of clear and certain identification of any person entering or exiting the facility;
 - twenty-four hour recordings from all video cameras, which the manufacturing facility or dispensing facility shall make available for immediate viewing by the department or the department's authorized representative upon request and shall be retained for at least 90 days. The RO shall provide the department with an unaltered copy of such recording upon request. If an RO is aware of a pending criminal, civil or administrative investigation or legal proceeding for which a recording may contain relevant information, the RO shall retain an unaltered copy of the recording until the investigation or proceeding is closed or the entity conducting the investigation or proceeding notifies the RO that it is not necessary to retain the recording;
 - a duress alarm, which for purposes of this section means a silent security alarm system signal generated by the entry of a designated code into an arming station in order to signal that the alarm user is being forced to turn off the system;
 - a panic alarm, which for purposes of this section, means an audible security alarm system signal generated by the manual activation of a device intended to signal a life threatening or emergency situation requiring a law enforcement response;
 - a holdup alarm, which for purposes of this section, means a silent alarm signal generated by the manual activation of a device intended to signal a robbery in progress;
 - an automatic voice dialer or digital dialer, which for purposes of this section, means any electrical, electronic, mechanical, or other device capable of being programmed to send a prerecorded voice message, when activated, over a telephone line, radio or other communication system, to a law enforcement, public safety or emergency services agency requesting dispatch, or other department approved industry standard equivalent;

- a failure notification system that provides an audible, text or visual notification of any failure in the surveillance system. The failure notification system shall provide an alert to the manufacturing facility or dispensing facility within five minutes of the failure, either by telephone, email, or text message;
- the ability to immediately produce a clear color still photo that is a minimum of 9600 dpi from any camera image (live or recorded);
- a date and time stamp embedded on all recordings. The date and time shall be synchronized and set correctly and shall not significantly obscure the picture; and
- the ability to remain operational during a power outage.
- As an RO, ensure that any manufacturing facility and dispensing facility maintains all security system equipment and recordings in a secure location so as to prevent theft, loss, destruction or alterations.
- In addition to the requirements listed in of the first bullet above, ensure each manufacturing facility and dispensing facility shall have a back-up alarm system approved by the department that shall detect unauthorized entry during times when no employees are present at the facility and that shall be provided by a company supplying commercial grade equipment.
- As an RO, limit access to any surveillance areas solely to persons that are essential to surveillance operations, law enforcement agencies, security system service employees, the department or the department's authorized representative, and others when approved by the department. An RO shall make available to the department or the department's authorized representative, upon request, a current list of authorized employees and service employees who have access to any surveillance room. A manufacturing facility and dispensing facility shall keep all on-site surveillance rooms locked and shall not use such rooms for any other function.
- As an RO, keep illuminated the outside perimeter of any manufacturing facility and dispensing facility that is operated under the RO's license.
- Ensure all video recordings shall allow for the exporting of still images in an industry standard image format (including .jpeg, .bmp, and .gif). Exported video shall have the ability to be archived in a proprietary format that ensures authentication of the video and guarantees that no alteration of the recorded image has taken place. Exported video shall also have the ability to be saved in an industry standard file format that can be played on a standard computer operating system. An RO shall erase all recordings prior to disposal or sale of the facility.
- As an RO, keep all security equipment in full operating order and shall test such equipment no less than semi-annually at each manufacturing facility and dispensing facility that is operated under the RO's registration. Records of security tests must be maintained for five years and made available to the department upon request.
- With respect to the manufacturing facility of the RO, it must be securely locked and protected from unauthorized entry at all times. In this regard:
 - The RO shall be responsible for ensuring the integrity of the security of the manufacturing facility and the maintenance of sanitary operations when permitting access to the facility.
 - The manufacturing facility shall maintain a visitor log of all persons other than RO employees or emergency personnel responding to an emergency that access any secured areas, which shall include the name of the visitor, date, time and purpose of the visit. The visitor log shall be available to the department at all times during operating hours and upon request.
- Ensure all marijuana must be stored in a secure area or location within the RO accessible to the minimum number of employees essential for efficient operation and in such a manner as approved by the department in advance, to prevent diversion, theft or loss.
- Return marijuana to its secure location immediately after completion of manufacture, distribution, transfer or analysis.

- Ensure all medical marijuana must be stored in such a manner as to protect against physical, chemical and microbial contamination and deterioration of the product.
- Ensure all approved safes, vaults or any other approved equipment or areas used for the manufacturing or storage of marijuana and approved medical marijuana products must be securely locked or protected from entry, except for the actual time required to remove or replace marijuana or approved medical marijuana products.
- Ensure that keys shall not be left in the locks or stored or placed in a location accessible to individuals who are not authorized access to marijuana or manufactured medical marijuana products.
- Ensure that all security measures, such as combination numbers, passwords or biometric security systems, shall not be accessible to individuals other than those specifically authorized to access marijuana or manufactured medical marijuana products.
- Prior to transporting any medical marijuana, an RO shall complete a shipping manifest using a form determined by the department.
- A copy of the shipping manifest must be transmitted to the destination that will receive the products and to the department at least two business days prior to transport unless otherwise expressly approved by the department. In this regard:
 - The RO shall maintain all shipping manifests and make them available to the department for inspection upon request, for a period of 5 years.
 - Approved medical marijuana products must be transported in a locked storage compartment that is part of the vehicle transporting the marijuana and in a storage compartment that is not visible from outside the vehicle.
- Ensure its employees, when transporting approved medical marijuana products, shall travel directly to his or her destination(s) and shall not make any unnecessary stops in between.
- As an RO, ensure that all approved medical marijuana product delivery times are randomized.
- As an RO, staff all transport vehicles with a minimum of two employees. At least one transport team member shall remain with the vehicle at all times that the vehicle contains approved medical marijuana products.
- Ensure its transport team member shall have access to a secure form of communication with employees at the RO's manufacturing facility at all times that the vehicle contains approved medical marijuana products.
- Ensure its transport team member shall possess a copy of the shipping manifest at all times when transporting or delivering approved medical marijuana products and shall produce it to the commissioner, the commissioner's authorized representative or law enforcement official upon request.

Florida

Florida Regulatory Landscape

In June 2014, the Florida Legislature and Governor enacted the Compassionate Medical Cannabis Act (SB1030) (the "CMCA") to provide a comprehensive, safe and effective medical marijuana program to meet the needs of Florida residents. The program currently allows 13 Medical Marijuana Treatment Centers (each, an "MMTC") to hold vertically integrated licenses and service qualified patients and caregivers. Limited product types are allowed in the state and smoking of cannabis flower is prohibited. The Florida State Department of Health's Office of Medical Marijuana Use (the "OMMU") is the regulatory agency overseeing the medical marijuana program.

Florida License

The Company is licensed to operate as a vertically integrated medical marijuana cultivator, manufacturer and retailer, as a MMTC, under applicable Florida jurisdictional law. Each MMTC is licensed to operate one (1)

cultivation/manufacturing facility and 30 dispensaries, under Title XXIX, Chapter 381, Section 381.986 of the Florida Statutes.

The expiration/renewal date for the Company's Florida license is January 15, 2020. Florida state licenses are issued unnumbered and are renewed biennially. Licensees are required to submit a renewal application and fees per guidelines published by OMMU. While renewals are biennial, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and regulatory requirements are met, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Florida Regulations

The Company maintains an open and collaborative relationship with the OMMU. Licenses in Florida permit the sale of medical cannabis products to any qualified patients who possess a physician's recommendation. Under the terms of Florida licenses, the applicable holder is permitted to sell OMMU approved medical marijuana manufactured products to any qualified patient, provided that the patient presents a valid government-issued photo identification and OMMU-issued Registry Identification Card proving the patient or designated caregiver meets the statutory conditions to be a qualified patient or designated caregiver. Registry Identification Cards are valid for one year after the date approval.

In order for a physician to recommend medical marijuana, the physician must take a two-hour course and examination offered by the Florida Medical Association or Florida Osteopathic Medical Association, depending on the physician license type.

In order for a patient or designated caregiver to be dispensed marijuana, they must be registered in the Medical Marijuana Use registry. The registry is monitored by the OMMU, and is accessible to law enforcement, and contains medical marijuana dispensing history to ensure that patients only receive a maximum of 70 day supply of dispensed product.

Allowable forms of medical marijuana in Florida State are low-THC dried flower (ground form) and marijuana derivative products (vape pens, gel caps, tinctures, etc.). Edibles are codified into existing regulations, but are not yet approved.

Qualifying conditions in the state of Florida are the following:

- Cancer
- Epilepsy
- Glaucoma
- HIV
- AIDS
- Post-traumatic stress disorder (PTSD)
- Amyotrophic lateral sclerosis (ALS)
- Crohn's disease
- Parkinson's disease
- Multiple sclerosis (MS)

- Medical conditions of the same kind or class as or comparable to those above
- A terminal condition diagnosed by a physician other than the qualified physician issuing the physician certification
- Chronic nonmalignant pain caused by a qualifying medical condition or that originates from a qualifying medical condition and persists beyond the usual course of that qualifying medical condition

In the state of Florida, only cannabis that is grown and manufactured in the state can be sold in the state. Florida is a vertically integrated system, providing under a single license the holder with the ability to cultivate, harvest, process, transport, sell and dispense cannabis products. Delivery is allowed from dispensaries to patients, however the delivery must be pre-approved by the OMMU.

Reporting Requirements

The OMMU has not selected a state mandated seed-to-sale system at this time. Licensed entities are permitted to choose their own provider or to track marijuana products from seed-to-sale using proprietary methods. Currently the Company plans to use BioTrackTHC and its proprietary system to track all inventory and product movements and storage. Although there are no periodic reporting requirements to the State, full seed-to-sale tracking is required by all licensees and will be periodically audited by the OMMU.

Storage and Security

To ensure the safety and security of premises where the cultivation, processing, storing, or dispensing of marijuana occurs, and to maintain adequate controls against the diversion, theft, and loss of marijuana or marijuana delivery devices, a medical marijuana treatment center must:

- Maintain a fully operational security alarm system that secures all entry points and perimeter windows and is equipped with motion detectors; pressure switches; and duress, panic, and hold-up alarms.
- Maintain a video surveillance system that records continuously 24 hours a day and meets the following criteria:
 - Cameras are fixed in a place that allows for the clear identification of persons and activities in controlled areas of the premises. Controlled areas include grow rooms, processing rooms, storage rooms, disposal rooms or areas, and point-of-sale rooms.
 - Cameras are fixed in entrances and exits to the premises, which shall record from both indoor and outdoor, or ingress and egress, vantage points.
 - Recorded images must clearly and accurately display the time and date.
- Retain video surveillance recordings for at least 45 days or longer upon the request of a law enforcement agency.
- Ensure that the medical marijuana treatment center's outdoor premises have sufficient lighting from dusk until dawn.
- Ensure that the indoor premises where dispensing occurs includes a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area that is isolated from the waiting area and area where dispensing occurs. A medical marijuana treatment center may not display products or dispense marijuana or marijuana delivery devices in the waiting area.
- Not dispense from its premises marijuana or a marijuana delivery device between the hours of 9 p.m. and 7 a.m., but may perform all other operations and deliver marijuana to qualified patients 24 hours a day.
- Store marijuana in a secured, locked room or a vault.

- Require at least two of its employees, or two employees of a security agency with whom it contracts, to be on the premises at all times where cultivation, processing, or storing of marijuana occurs.
- Require each employee or contractor to wear a photo identification badge at all times while on the premises.
- Require each visitor to wear a visitor pass at all times while on the premises.
- Implement an alcohol and drug-free workplace policy.
- Report to local law enforcement within 24 hours after the medical marijuana treatment center is notified or becomes aware of the theft, diversion, or loss of marijuana.

Compliance Program

The Company's VP of Compliance oversees, maintains, and implements the compliance program and personnel in conjunction with the SVP of Legal and the General Counsel. In addition to the Company's robust legal and compliance departments, the Company also has local regulatory/compliance counsel engaged in every jurisdiction (state and local) in which it operates. Such counsel regularly provides legal advice to the Company regarding compliance with state laws and regulation and the Company's legal and compliance exposures under United States federal law. The VP of Compliance and Compliance Managers serve as the liaison to state and local regulators during both regular business hours and after hours. The compliance department is responsible for ensuring operations and employees strictly comply with applicable laws, regulations and licensing conditions and ensure that operations do not endanger the health, safety or welfare of the community. The VP of Compliance coordinates with the Chief Security Officer to ensure that the operation and all employees are following and complying with the Company's written security procedures.

The compliance department oversees training for all employees, including on the following topics:

- Compliance with State and local laws
- Safe Cannabis Use
- Dispensing Procedures
- Security & Safety Policies and Procedures
- Inventory Control
- Track-and-Trace Training Session
- Quality Control
- Transportation Procedures

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access the Company's computerized seed-to-sale system and strict controls will be implemented when California releases the statewide T&T system.

The VP of Compliance monitors all compliance notifications from the statewide T&T systems, timely resolving any issues identified. The Company keeps records, on its computerized seed-to-sale system, of all compliance notifications received from the statewide T&T system and how and when the issue was resolved. If the Company is unable to resolve the issue within 12 hours of notice, the Company notifies the state immediately.

The Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains accurate records of its inventory at all licensed facilities. Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's

operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements.

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 MedMen could suspend or withdraw their services, which may have a material adverse effect on MedMen's business, revenues, operating results, financial condition or prospects.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, robust access to equity and debt financing from the public and private markets in Canada and private markets in the United States and internationally. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has access to such equity and debt financing in Canada, the United States and internationally, both on a brokered and non-brokered basis. The Company's executive team and the MedMen Board have extensive relationships with sources of private capital (such as funds and high net worth individuals), which has facilitated its ability to complete non-brokered financing transactions. Further, the Company is actively pursuing a sale and leaseback transaction to divest itself of certain of its portfolio real estate assets and currently plans to endeavour to complete similar transactions in the future. Proceeds from the sale of such assets would be used to finance the continued growth of the Company's business.

If such equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law or on terms which are acceptable, then the Company currently expects that it would have the ability to raise equity and/or debt financing privately. Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in cannabis companies similar to the Company. Although there has been an increase in the amount of private financing available to cannabis companies over the last several years, there can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable.

The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, financial condition, cash flows, results of operations or prospects.

In addition to the above disclosure, please see Section 17 of the Listing Statement and "Risks and Uncertainties" herein for further risk factors associated with the operations of the Company.