PHARMACANN LLC AND SUBSIDIARIES

Chicago, Illinois

Consolidated Financial Statements

For the Three Months Ended

March 31, 2019 and 2018

C O N T E N T S

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CONSOLIDATED FINANCIAL STATEMENTS

Exhibit A

PHARMACANN LLC AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

	March 31, 2019	December 31, 2018
Current Assets		
Cash	$ 12,271,223	$ 22,403,621
Cash Held in Escrow	562,620	664,520
Accounts Receivable	1,301,993	438,044
Other Receivables	22,650,460	5,235,683
Inventory	26,978,678	26,924,636
Prepaid Expenses	2,705,372	2,609,783
Assets of Business Held for Sale	170,692	-
Total Current Assets	66,641,038	58,276,287
Property and Equipment, Net	72,426,244	71,957,404
Other Assets		
Restricted Cash	250,000	250,000
Intangibles, Net	3,298,125	77,083
Goodwill	4,967,594	253,375
Deferred Loss on the Sale of Property	867,687	884,700
Deposits	3,781,089	4,192,598
Assets of Business Held for Sale	375,481	-
Total Other Assets	13,539,976	5,657,756
Total Assets	$ 152,607,258	$ 135,891,447
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 4,146,924	$ 3,981,689
Accrued Expenses	2,080,127	3,238,410
Capital Lease Obligation	975,969	881,966
Liabilities of Business Held for Sale	209,868	-
Convertible Notes Payable	12,000,000	12,000,000
Total Current Liabilities	19,412,888	20,102,065
Long-Term Liabilities		
Line of Credit	5,000,000	-
Capital Lease Obligation	62,693,004	46,055,469
Contingent Consideration on Business Combination	771,278	219,982
Total Long-Term Liabilities	68,464,282	46,275,451
Total Liabilities	87,877,170	66,377,516
Members' Equity		
Members' Capital	141,675,046	137,878,834
Retained Deficit	(76,944,958)	(68,364,903)
Total Equity	64,730,088	69,513,931
Total Liabilities and Members' Equity	$ 152,607,258	$ 135,891,447

See Accompanying Notes

Exhibit B

PHARMACANN LLC AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31,
(Unaudited)

	2019	2018
Revenues		
Net Sales	$ 15,492,760	$ 4,841,552
Management Services Revenue	-	761,527
Total Revenues	15,492,760	5,603,079
Cost of Sales		
Cost of Sales	9,305,469	2,390,953
Other Costs of Production	1,001,214	2,427,693
Total Cost of Sales	10,306,683	4,818,646
Gross Profit	5,186,077	784,433
Expenses:		
General & Administrative	12,366,402	(399,494)
Sales & Marketing	136,842	185,621
Depreciation & Amortization	1,237,107	950,240
Total Expenses	**13,740,351**	**736,367**
Income (Loss) from Operations	(8,554,274)	48,066
Other Income (Expense)		
Interest Expense	(15,625)	(11,464)
Interest Income	722	5
Gain (Loss) on the Sale of Property & Write down of Assets	(17,013)	(17,013)
Other Income (Expense)	6,135	(6,523)
Total Other Income (Expense)	(25,781)	(34,995)
Net Income (Loss)	**$ (8,580,055)**	**$ 13,071**

See Accompanying Notes

PHARMACANN LLC AND SUBSIDIARIES
Consolidated Statements of Members' Equity
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

	Series A Preferred	Class A	Purchase of Member Units on Subscription	Unit Option Based Compensation	Total Members' Capital	Retained Deficit	Total Members' Equity
Members' Equity, January 1, 2018	$ 52,411,058	$ 402	$ (895,811)	$ 1,024,617	$ 52,540,266	$ (34,330,756)	$ 18,209,510
Series A Preferred Units Issued	2,605,073	-	-	-	2,605,073	-	2,605,073
Series A Preferred Units - Cost of Issuance	(6,050)	-	-	-	(6,050)	-	(6,050)
Issuance of Units on Conversion of Debt	45,176,823	-	-	-	45,176,823	-	45,176,823
Distribution to Members	(1,018,164)	-	-	-	(1,018,164)	-	(1,018,164)
Payments on Subscriptions	-	-	488,082	-	488,082	-	488,082
Convert Managed NFP to For-Profit Entity	-	-	-	-	-	(5,048,835)	(5,048,835)
Unit Option-Based Compensation	-	-	-	41,513	41,513	-	41,513
Net Income (Loss)	-	-	-	-	-	13,071	13,071
Members' Equity, March 31, 2018	$ 99,168,740	$ 402	$ (407,729)	$ 1,066,130	$ 99,827,543	$ (39,366,520)	$ 60,461,023
Members' Equity, January 1, 2019	$ 129,451,489	$ 330,420	$ -	$ 8,096,925	$ 137,878,834	$ (68,364,903)	$ 69,513,931
Series A Preferred Units Issued	269,974	-	-	-	269,974	-	269,974
Unit Option-Based Compensation	-	-	-	3,526,238	3,526,238	-	3,526,238
Net Income (Loss)	-	-	-	-	-	(8,580,055)	(8,580,055)
Members' Equity, March 31, 2019	$ 129,721,463	$ 330,420	$ -	$ 11,623,163	$ 141,675,046	$ (76,944,958)	$ 64,730,088

See Accompanying Notes

Exhibit D

PHARMACANN LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

	2019	2018
Cash Flows from Operating Activities		
Net Income (Loss)	$ (8,580,055)	$ 13,071
Adjustments to Reconcile Net Income (Loss) to		
Net Cash Used in Operating Activities:		
Depreciation and Amortization	1,237,107	950,240
Loss on Sale of Property, net	17,013	17,013
Write down on Inventory	188,533	2,378,691
Provision for Allowances on Notes Receivable	15,773	(4,184,512)
Non-cash interest related to rent abatement	116,008	-
Unit Based Option Compensation	3,526,238	41,513
(Increase) Decrease in Assets:		
Cash Held in Escrow	151,900	(20,000)
Accounts Receivable	(863,949)	(659,821)
Other Receivables	(1,319,225)	-
Inventory	(139,083)	(4,443,466)
Prepaid Expenses	(70,110)	(183,499)
Assets of Business Held for Sale	(170,692)	-
Deposits	(88,491)	(78,680)
Increase (Decrease) in Liabilities:		
Accounts Payable	537,830	1,087,941
Accrued Expenses	(888,309)	(1,230,135)
Liabilities of Business Held for Sale	209,868	-
Net Adjustments	2,460,411	(6,324,715)
Net Cash Used in Operating Activities	(6,119,644)	(6,311,644)
Cash Flows from Investing Activities		
Proceeds on the Sale of Property and Equipment	700,000	-
Issuance of Notes Receivable	(15,773)	(18,188)
Acquisition of Business, net of cash acquired	(7,112,635)	-
Purchases of Property and Equipment	(2,412,564)	(3,281,113)
Net Cash Used in Investing Activities	(8,840,972)	(3,299,301)
Cash Flows from Financing Activities		
Proceeds from Issuance of Series A Preferred Shares	-	2,605,073
Proceeds from Line of Credit	5,000,000	-
Receipts from Subscriptions Receivable	-	488,082
Payments on Notes Payable, Member	-	(500,000)
Payments on Notes Payable	-	(499,998)
Payments on Capital Lease Obligations	(171,782)	(97,993)
Distribution to Members	-	(1,018,164)
Net Cash Provided by Financing Activities	4,828,218	977,000
Net Change in Cash	(10,132,398)	(8,633,945)
Cash, Beginning of Period	22,403,621	20,208,499
Cash, End of Period	$ 12,271,223	$ 11,574,554

See Accompanying Notes

Exhibit D
(continued)

PHARMACANN LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

	2019	2018
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Period for Interest	$ 2,375,104	$ 1,628,119
Supplemental Disclosure of Non-Cash Financing Information		
Purchase of Property and Equipment and Increase in Other Receivables via Capital Lease Obligation	$ 17,466,385	$ -
Purchase of Property and Equipment via construction payable	$ -	$ 372,594
Acquisition of Business		
Net Identifiable Assets Acquired	$ 187,211	$ -
Intangible Assets	3,262,500	-
Goodwill Acquired	4,714,220	-
Net Assets Acquired	8,163,931	-
Contingent Consideration	(551,296)	-
Deposit Previously Paid	(500,000)	-
Cash Consideration for Acquisition of Business	$ 7,112,635	$ -
	-	-

See Accompanying Notes

1. Nature of Activities

PharmaCann LLC and Subsidiaries' ("PharmaCann" or the "Company") principal activities include cultivating, processing, distributing and dispensing medical and recreational cannabis to adult consumers and qualified medical patients. PharmaCann LLC is an Illinois limited liability company established in 2014 for the purpose of fulfilling the principal activities.

The Company is currently applying for and has been granted licenses in other states, but only operates in Illinois, New York, Massachusetts and Maryland exclusively as of March 31, 2019.

In Illinois, the Company operates two cultivation centers permitted to grow and process medical cannabis products, which are distributed to Illinois registered medical cannabis dispensaries, both owned and third-party. The Company operates five registered medical cannabis dispensaries in Illinois that sell medical cannabis and ancillary products to patients that have been certified by the State of Illinois to use medical cannabis.

In New York, the Company is a registered organization and operates one manufacturing facility to grow and process medical cannabis products which are distributed to four New York dispensaries operated by the Company and third parties. The Company's New York dispensaries sell medical cannabis and ancillary products to patients that have been certified by the New York State Department of Health to use medical cannabis.

In Massachusetts, the Company is a registered organization and operates one dispensary that sells medical cannabis and ancillary products to patients that have been certified by the State of Massachusetts to use medical cannabis, and beginning December 17, 2018, the Company began selling recreational cannabis to adult consumers at its Massachusetts dispensary.

In Maryland, the Company is a registered organization and operates one dispensary that sells medical cannabis and ancillary products to patients that have been certified by the State of Maryland to use medical cannabis.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. While the Company has been successful in raising capital in the past, there is no assurance it will be successful in closing further financing transactions in the future.

Acquisition by MedMen Enterprises Inc.
On October 10, 2018, the Company signed a binding letter of intent with MedMen Enterprises Inc. ("MedMen"), and on December 23, 2018 entered into a definitive business combination agreement ("the Business Combination Agreement") whereby MedMen would acquire 100 percent of the Company. Per the Business Combination Agreement, MedMen

will deliver to the unit-holders of the Company MedMen stock in an amount equivalent to approximately 25 percent of the fully-diluted shares of MedMen immediately following the close. The transaction is subject to regulatory approvals by various state and local authorities in each of the markets where the Company's assets and licenses are held, and other customary closing conditions.

In conjunction with pending acquisition by MedMen, the Company incurred approximately $328,000 in transaction related professional fees. Additionally, approximately $3.4 million of additional compensation expense was recognized as a result of recording the fair value of the Company's options based on the fair value of MedMen's publicly traded stock's closing price at March 31, 2019. Both the additional professional fees and unit-based compensation are included within General and Administrative expenses for the three months ended March 31, 2019.

2. Summary of Significant Accounting Policies

a. Basis of Consolidation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the accounts of the Company and its subsidiaries. All transactions and balances between these entities have been eliminated upon consolidation.

As of March 31, 2019, the Company has established the following wholly and majority-owned subsidiaries that will be used to fulfill the principal activities:

Entity Name	Principal Activity
PharmaCann of New York LLC	N/A for the years ended December 31, 2018 and 2017 (no activity)
PharmaCann Mass LLC ("MASS")	Management company for current and future cultivation and dispensary locations in Massachusetts, 100% owner of PharmaCannis Massachusetts Inc.
PharmaCannis Labs LLC	Research and development of pharmaceutical cannabis strains
Sunbiz Acquisition LLC	Acquired Breakthrough Junction Corporation, which converted to PharmaCann Florida LLC
PharmaCann Florida LLC	Applied for a license to operate a medical marijuana treatment facility in Florida
PharmaCann DC LLC	Applied for a dispensary license in Washington DC
PharmaCann Ohio LLC	Granted provisional licenses, subject to final state review and approval for dispensary and cultivation activities in Ohio in May 2018
PharmaCann Penn LLC	Awarded three dispensary licenses in Pennsylvania, which allows for the operation of up to nine dispensary locations in Pennsylvania

Entity Name (continued)	Principal Activity
PharmaCann Michigan LLC	In application process to obtain licenses to operate in Michigan
PCL Management LLC	Plan is for entity to act as payroll processing entity for all employees of the Company
PharmaCannis Massachusetts Inc.	Formerly known as Brighton Health Advocates Inc. ("BHA"), which was a not-for-profit entity operating dispensary locations in Massachusetts. Converted to for-profit in March 2018
PharmaCann Holdings LLC	Holding company set up as 100% owner of PC 16280 East Twombly LLC and PC 1200 East Mazon LLC
PC 16280 East Twombly LLC	Set up to hold real estate in Illinois (currently no holdings)
PC 1200 East Mazon LLC	Set up to hold real estate in Illinois (currently no holdings)
PharmaCann Penn Plant LLC	Licensed grower and processor in the Commonwealth of Pennsylvania. Company owns 98%, while an affiliated company owns remaining 2%
PharmaCann Virginia LLC	Granted provisional licenses, subject to final state review and approval for dispensary and cultivation activities in Virginia in September 2018
1313 Johnson LLC	Subsidiary of PharmaCann Michigan LLC. Owns property for future dispensary
PharmaCann New Jersey LLC	In application process to obtain licenses to operate in New Jersey
Midwest Compassion Center, Inc. ("MCC")	An Illinois corporation acquired by the Company in February 2019. MCC holds a medical dispensary license in the state of Illinois

b. Other Receivables

Other Receivables relates to the fair value amounts due to the Company related to the buildout of its new cultivation facilities in Massachusetts and Ohio. The buildouts are part of two separate capital leases in which the lessor (an independent third party) will reimburse the Company for the cost to build each facility. As such, the balance of Other Receivables will decrease as each facility nears completion, which is expected to occur during the near the end of 2019.

c. *Inventory*

Inventories are valued at the lower of cost or net realizable value. The direct and indirect cost of inventories includes costs of materials, labor and depreciation related to such goods. Such costs are capitalized as incurred, and subsequently included within cost of goods sold within the consolidated statements of income, at the time the products are sold. Net realizable value is determined as the estimated selling price in the ordinary course of business, less reasonable costs associated with the sale.

In calculating final inventory values, management is required to compare the inventory cost to estimated net realizable value.

d. Property and equipment

Property and equipment are recorded at cost. Minor additions are expensed in the year acquired. Major additions over $5,000 are capitalized and depreciated over their estimated useful lives using straight-line or accelerated methods. Useful lives are 5-12 years for equipment, 10 years for furniture and fixtures and 39 years for buildings. The useful lives of leasehold improvements are the lower of the life of the leasehold or the life of the lease.

Property and equipment classified as construction in progress are transferred when placed in service, at which time depreciation of the asset begins.

e. Notes Receivable

The Company reduces notes receivable by a valuation allowance that reflects management's best estimate of probable losses determined principally on historical experience and operations for the debtor. As of March 31, 2019, there was a valuation allowance totaling $121,995, which represented the full note receivable balance outstanding plus accrued interest at such date.

f. *Intangible Assets*

Intangible assets comprise an acquired medical dispensary license, a customer list and non-compete agreements. The acquired medical dispensary license, customer list and non-compete agreements are being amortized over fifteen, five and three years, respectively. The Company will test its intangibles for impairment upon the occurrence of an event or circumstance that may indicate the fair value is less than its carrying amount. No such events or circumstances occurred in 2019 or 2018.

g. *Goodwill*

Goodwill represents the excess of the purchase price paid for acquisitions of two separate entities over the fair value of the net tangible and intangible assets acquired. Goodwill is reviewed for possible impairment at least annually, or more frequently upon the occurrence of an event or circumstances that indicates the carrying amount is greater than the fair value.

h. Assets and Liabilities of Business Held for Sale

Assets and liabilities of businesses held for sale are recorded at the lower of their book value or their estimated fair value. The applicable assets and liabilities are reported as separate line items on the consolidated balance sheet.

i. *Revenue and Cost of Goods Sold*

Revenue comprises the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of any discounts and New York and Massachusetts excise taxes. The Company recognizes revenue when the transaction is completed upon delivery of the final product to the customers at the point of sale or when the product is shipped from the Company's cultivation facilities to third party customer locations.

The Company expenses shipping and handling costs as they are incurred. Shipping and handling expenses incurred on products sold are included in cost of sales.

Illinois cultivation tax is seven percent of cannabis sales on wholesale sales to third parties from cultivation facilities based on the selling price attributed to the amount of cannabis in the product. While the Company is paying the cultivation tax on the sales from the cultivation facilities to its owned dispensaries, it does not believe these to be true sales. The tax is included in cost of goods sold and totaled $146,881 and $141,913 for the three months ended March 31, 2019 and 2018, respectively. In New York, there is no cultivation tax, but there is a seven percent excise tax on sales at the dispensaries that is remitted to the state of New York. Additionally, in Massachusetts, there is a 10.75 percent excise tax on adult-use sales at the dispensary that is remitted to the state of Massachusetts and a three percent local tax that is remitted to the town where the dispensary is located.

j. *Advertising*

Advertising costs are charged to operations when incurred. Advertising expenses totaled $59,420 and $14,305 for the three months ended March 31, 2019 and 2018, respectively.

k. *Sales-Leasebacks*

Losses from sale-leaseback transactions are deferred and recognized over the life of the underlying leased asset as disclosed in Note 19.

l. *Income Taxes*

As a limited liability company, the Company's taxable income or loss is allocated to members in accordance with the Company's member agreement. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. On or before April 10 of each year, the Company is required to make mandatory tax distributions on a pro-rata basis in accordance with the member agreement based upon a percentage of the Company's net taxable income for the previous calendar year.

As of March 31, 2019, the federal and state tax filings since the year ended December 31, 2015 remain open for review by tax authorities.

m. *Functional Currency*

The Company’s functional currency, as determined by management, is the United States (“U.S.”) dollar. These consolidated financial statements are presented in U.S. dollars.

n. *Change in Accounting Policy*

In March 2018, the Company implemented a new enterprise resource planning (“ERP”) system at two of its cultivation sites and began the process of transitioning all of its locations to the new ERP system. In conjunction with this implementation, the Company changed its methodology for allocating overhead costs related to the production of inventory to be capitalized to work in-process inventory (the “WIP policy change”).

The WIP policy change transitioned the Company from capitalizing costs incurred by or allocated to the cultivation facilities based on costs incurred directly by the cultivation facility and estimates of support costs, to a standard cost accounting methodology, which is the manufacturing industry standard. Under the new method, the Company determines the estimated cost of the manufacturing process under normal conditions to determine the standard cost of producing inventory. Such costs are capitalized to work in-process inventory, based on monthly production, and relieved to cost of sales as inventory is sold. The Company plans to review the standard cost of production, and updates such costs, as applicable.

The major impact of the WIP policy change was a non-cash write down of inventory of $2.4 million in the first quarter of 2018. Additionally, for all periods presented, the general and administrative expense line item includes a credit for the total costs capitalized to inventory.

The Company has applied such change in accounting policy on a prospective basis. Such prospective treatment is based on the impracticality of applying the new standard cost methodology to prior periods in which activities were just being initiated, cultivation facilities were not working near full capacity, and the Company lacked the ability to track overhead costs in a consistent manner, as it can with its new ERP system.

o. *Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions about future events that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

In calculating the value of inventory, management is required to make a number of estimates, including standard costs allocated to work in-process inventory, estimates of the amount of spoiled or expired inventory and comparisons of the inventory cost to estimated net realizable value. Allocation of overhead costs to work in process is based on an estimate of a standard cost of production based on normal conditions. Due to the uncertainties inherent in the estimation process and changes to normal conditions as the Company continues to grow, it is at least reasonably possible that the standard cost of production will be revised, as applicable.

Compensation expense recognized related to the issuance of member unit options is based on the intrinsic value of the underlying options. Such calculations require management to make estimates as to the overall value of the Company, which due to the Business Combination Agreement are based on the market value of the publicly traded stock of MedMen as of March 31, 2019 and the Company's valuation during its most recent historical capital raises for all prior periods.

Cannabis is still considered a Schedule 1 substance under the Controlled Substance Act. As such, there is an inherent risk related to the federal government's position on cannabis; however, the Company has deemed it not reasonable to estimate a potential liability related to the possible enforcement of laws against the medical cannabis industry.

p. *New Standards and interpretations not yet adopted*

Revenue from Contracts with Customers (Accounting Standards Codification ("ASC") 606): In May 2014 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09. This ASU, as amended, provides comprehensive guidance for recognizing revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued an ASU to clarify guidance on principal versus agent evaluation considerations and whether an entity reports revenue on a gross or net basis. These ASUs will be effective for the Company for annual reporting periods beginning after December 15, 2018 an interim reporting periods beginning after December 31, 2019. The Company is evaluating the impact of this ASU on its consolidated financial statements.

Leases (ASC 842): In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This ASU and subsequent clarifying ASUs require lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The guidance is effective for reporting periods beginning after December 15, 2019 and early adoption is permitted under a modified retrospective approach. The Company is evaluating the impact of this ASU on its consolidated financial statements.

Simplifying the Test for Goodwill Impairment (ASC 350): In January 2017, the FASB issued ASU No. 2017-04, "Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment." This ASU eliminates the two-step process that required identification of potential impairment and a separate measure of the actual impairment. Goodwill impairment charges, if any, would be determined by reducing the goodwill balance by the difference between the carrying value and the reporting unit's fair value. The impairment charge would be limited to the carrying value of goodwill. This ASU is effective for annual and interim impairment tests for periods beginning after December 15, 2021. Early adoption is allowed for annual and interim impairment tests occurring after January 1, 2017. The Company does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements.

3. Collateralization of Deposits

Cash is a financial instrument that potentially subjects the Company to a concentration of credit risk. As of March 31, 2019, the Company has bank deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation in the amount of $12,652,913, including cash held in escrow and restricted cash balances.

4. Cash Held in Escrow and Restricted Cash

Cash held in escrow is $562,620 and $664,520 at March 31, 2019 and December 31, 2018, respectively. The balance comprises:

	March 31, 2019	December 31, 2018
Illinois dispensaries	$ 200,920	$ 200,920
Pennsylvania licenses	173,200	347,600
Other	188,500	116,000
Total cash held in escrow	$ 562,620	$ 664,520

The balance at each of March 31, 2019 and December 31, 2018 includes escrow accounts related to each of the Illinois dispensary locations, as required by the Illinois Department of Financial and Professional Regulation for medical cannabis dispensaries. Included in the March 31, 2019 balance is a deposit related to the acquisition of MCC in February 2019. Additionally, as of March 31, 2019, the Company has $50,000 included in escrow within Assets of Business Held for Sale (see Note 10). The balances related to the Illinois dispensaries must remain in escrow as long as the Company maintains its license to operate the dispensaries in Illinois.

The deposits of unsuccessful licenses in the state of Pennsylvania were returned to the Company in the first three months of 2019.

The Company had an additional $188,500 and $116,000 held in other miscellaneous escrow accounts at March 31, 2019 and December 31, 2018, respectively, which are primarily related to applications and dispensaries in certain states.

Restricted cash consists of cash deposits serving as collateral for the two surety bonds in the amount of $250,000 at both March 31, 2019 and December 31, 2018, respectively.

5. Notes Receivable

The Company has notes receivable outstanding at each of March 31, 2019 and December 31, 2018. As described herein, such balances have been fully reserved.

In 2018, the Company issued a note receivable to an aspirational third-party license holder in the state of Florida. The balance of such receivable, including interest, as of March 31, 2019 and December 31, 2018 is $121,995 and $106,222, respectively. The loan is due March 22, 2023 with a maximum principal balance of $500,000, accruing interest at the March 2018 applicable federal rate, which is 2.57 percent. Due to the unlikeliness of repayment, the Company recorded an allowance for the entire balance of the note and accrued interest as of each balance sheet date.

In 2016 and 2017, the Company issued separate lines of credit and working capital loans to BHA. BHA, as a result of its acquisition in 2017, is the company managed by MASS. In March 2018, BHA was converted from a not-for-profit entity (“NFP”) to a for-profit corporation. As a result of such conversion, all outstanding common shares of BHA are owned by MASS, and BHA (which, prior to conversion, changed its name to Pharmacannis Massachusetts Inc. (“PCMASS Inc.”)) became part of the Company’s consolidated financial statements. Therefore, all outstanding loan balances at each of March 31, 2019 and December 31, 2018 have been eliminated.

The total of these loans, which have varying maturity and interest rates, plus accrued but unpaid interest totaled $4,184,512 at December 31, 2017. Due to the unlikeliness of repayment, the Company recorded an allowance for the entire balance of the three BHA-related notes and related interest in 2017. Such full allowance was reversed in the first quarter of 2018 in anticipation of the conversion of BHA/PC MASS Inc. to a for-profit corporation fully owned by MASS. Such reversal is included as a credit to bad debt expense within General and Administrative expenses on the consolidated statement of income for the three months ended March 31, 2018.

6. Inventory

The major classes of inventory are as follows:

	March 31, 2019	December 31, 2018
Raw Materials	$ 531,588	$ 263,662
Intermediate Materials	12,946,808	14,026,333
Work in Process	4,118,388	3,849,151
Finished Goods	9,381,894	8,785,490
Total Inventory	$ 26,978,678	$ 26,924,636

The Company incurred non-cash write downs of inventory of approximately $188,000 and $2.4 million in the three months ended March 31, 2019 and 2018, respectively. Such write downs were incurred as a result of a facility incident with the vault in February 2019 and the WIP policy change in 2018, respectively.

Additionally, at March 31, 2019, the Company holds finished goods inventory of $68,412 which is included in Assets of Business Held for sale (see Note 10).

Due to the state and federal laws against cannabis, the Company is unable to move inventory across state lines to their other locations.

7. Property and Equipment, Net

Property and equipment consist of the following:

	March 31, 2019	December 31, 2018
Land	$ 3,822,947	$ 4,522,945
Building	18,197,985	17,778,277
Leasehold Improvements	8,724,069	9,104,368
Equipment	6,909,726	5,850,729
Furniture and Fixtures	311,349	304,109
Construction in Progress	2,075,290	2,087,859
Capital Leased Assets	42,382,174	41,254,728
Total Property and Equipment	82,423,540	80,903,015
Less: Accumulated Depreciation and Amortization	(9,997,296)	(8,945,611)
Property and Equipment, Net	$ 72,426,244	$ 71,957,404

For the three months ended March 31, 2019 and 2018, depreciation and amortization expense related to property and equipment was $1,195,649 and $934,823, respectively. A portion of each of these amounts has been capitalized into work process inventory. See Note 2 for additional details about the Company's standard cost methodology and WIP policy change.

In addition, at March 31, 2019, the Company holds property and equipment with a net balance of $375,481 which is included in Assets of Business Held for sale (see Note 10).

8. Prepaid Expenses

Prepaid expenses consist of the following:

	March 31, 2019	December 31, 2018
Licenses and Fees	$ 1,053,655	$ 857,246
Insurance	597,188	740,500
Prepaid Inventory	900,377	686,020
Other Prepaids	154,152	326,017
Total Prepaid Expenses	$ 2,705,372	$ 2,609,783

9. Goodwill and Intangible Assets

Goodwill at March 31, 2019 of $4,967,594 comprises the sum of the excess of the purchase prices paid for the acquisitions of MCC in February 2019 (see Note 23) and another entity in 2017. The goodwill balance at December 31, 2018 of $253,375 comprises the excess of the purchase price paid for the acquisition made in 2017. Management has determined that there is no impairment for the three months March 31, 2019 and 2018.

Intangible assets as of March 31, 2019 and December 31, 2018 comprise:

	March 31, 2019	December 31, 2018
Dispensary License	$ 2,550,000	$ -
Customer List	712,500	-
Non-Compete Agreements	185,000	185,000
Total Intangible Assets	3,447,500	185,000
Less: Accumulated Amortization	(149,375)	(107,917)
Intangibles, Net	$ 3,298,125	$ 77,083

Amortization expense related to the intangibles was $41,458 and $15,417 for the three months ended March 31, 2019 and 2018, respectively.

Future amortization for the Company's intangible assets is as follows:

For the nine months ended December 31, 2019	$ 280,629
For the year ended December 31, 2020	327,920
For the year ended December 31, 2021	312,504
For the year ended December 31, 2022	312,504
For the year ended December 31, 2023	312,504
Thereafter	1,752,064
Total Future Amortization	$ 3,298,125

10. Assets and Liabilities of Business Held for Sale

In March 2019, the Company signed a definitive agreement to sell one of its five Illinois medical cannabis dispensary licenses for approximately $5.0 million to a third party. In addition to the dispensary license, the sale will include the transfer of the lease and other assets specific to the dispensary being sold. The transaction is subject to customary closing conditions including regulatory and other approvals, and is conditioned on the closing of the Business Combination Agreement. At March 31, 2019, the Company determined that the pending sale of the dispensary met the standards of a business held for sale. The assets and liabilities at March 31, 2019 comprised:

Assets:	
Cash	$ 14,635
Cash Held in Escrow	50,000
Inventory	68,412
Prepaid Expenses	37,645
Property and Equipment, Net	375,481
Total Assets	$ 546,173
Liabilities:	
Accrued Expenses	$ 209,868
Total Liabilities	$ 209,868

11. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2019	December 31, 2018
Accrued Compensation	$ 842,488	$ 1,581,917
Accrued Sales Tax	430,018	210,875
Accrued Interest	15,625	461,589
Accrued Consulting	-	347,948
Other Accrued Expenses	791,996	636,081
Total Accrued Expenses	$ 2,080,127	$ 3,238,410

The balance included within accrued consulting at December 31, 2018 is with a related party disclosed in Note 20 and has been settled during 2019 via cash payment and equity issuance. See Note 16 for further discussion of the equity issuance.

12. Line of Credit and Note Payable

In March 2019, in accordance with the Business Combination Agreement, the Company entered into a line of credit with MedMen for $5,000,000. The line of credit will bear interest at 7.5 percent per annum. Upon the successful completion of the acquisition, the principal balance of the loan plus any accrued but unpaid interest will be characterized as an intercompany loan, otherwise, the loan plus any accrued but unpaid interest will mature no later than twelve months from the date of any termination of the Business Combination Agreement. The Company accrued $15,625 of interest for the three months ended March 31, 2019.

The Company had a $1,000,000 revolving note agreement with a related party, at a fixed interest rate of 10 percent. The outstanding balance at December 31, 2017 of $500,000 was repaid in full in the first quarter of 2018, and at that time, the credit facility was terminated.

13. Convertible Notes Payable

In August 2018, the Company entered into new convertible note agreements with two parties for balances totaling $12,000,000. The notes accrue interest at 13.0 percent annually and are payable on demand any time after June 30, 2019. At the noteholder's discretion, such notes plus any accrued but unpaid interest, may be converted into Series A Preferred Units at any time at a price per unit of $125.47. Additionally, at the discretion of the noteholders due to the occurrence of a Qualified Equity Financing ("QEF"), the notes may be converted into Series A Preferred Units at a price equal to the lower of (A) $125.47, or (B) 80 percent of the price per unit of the most recent QEF transaction. As a result of the Business Combination Agreement signed with MedMen (see Note 1), interest on such notes ceased to accrue in December 2018, which was ten days prior to the signing of the Business Combination Agreement, and as a result, the principal amount of the notes will convert to equity upon the effective date of the change in control. The full accrued interest balance at December 31, 2018 of $461,589 was paid in full in the first quarter of 2019.

During 2016 and 2017, the Company issued several convertible notes with balances totaling $43,782,437 at December 31, 2017. The notes accrued interest at 3.0 percent annually with lump sum payments due at various dates in 2018. These notes were convertible at maturity or change in control into Series A Preferred Units at a strike price equal to the lesser of (A) a per unit price based on a total value divided by the fully diluted units outstanding at time of conversion, as detailed in the various convertible note agreements, of (B) per unit price of the most recently completed sale of Equity Securities by the Company pursuant to a bona fide arm's length transaction. The notes are also convertible automatically in the event of QEF. In the event of a QEF, the noteholder will receive Series A Preferred Units in the amount of principal and accrued but unpaid interest at the discounted per unit price equivalent to the QEF price per unit plus a 20 percent discount, unless the amount of the discounted per-unit price for conversion of the note is greater than the per unit cap price, then the per unit cap price is used for conversion.

In the first quarter of 2018, the Company completed an equity fundraising where it issued Series A Preferred Units. Such issuance qualified as a QEF, which triggered a conversion event for each of the previously described convertible notes that were outstanding as of December 31, 2017. As such, the full balance of the convertible notes, of $43,782,437 plus accrued, but unpaid interest totaling $1,394,385, were converted into 494,925 Series A Preferred Units. The conversion price per unit was equivalent to this most recent QEF price per unit plus a 20 percent discount.

14. Share Capital and Member Agreement

Share Capital

The Company's units authorized and issued as of March 31, 2019 and December 31, 2018 is as follows:

	March 31, 2019		December 31, 2018	
	Authorized	Issued and Outstanding	Authorized	Issued and Outstanding
Class A Units	2,362,272	886,968	2,362,272	886,968
Series A Preferred Units	2,217,142	1,892,180	2,217,142	1,889,925
Class B Units	375,000	-	375,000	-

Member Agreement

The Company and its members have entered into an agreement which, among other matters, governs the distributions, liquidation preferences, and transferability of its membership interests.

The Class A Unit holders' distribution and liquidation rights are subject to and qualified by the rights, powers and preferences of the holders of Series A Preferred Units as summarized below.

Distributions and Conversion

The holders of Series A Preferred Units participate in all distributions of net cash flow on an as-if-converted to Class A Units basis. Each Series A Preferred Unit is convertible (upon the election of the holders of a majority of the Series A Preferred Units) into one Class A Unit at the time of issuance, subject to certain adjustments for unit splits or combinations. The Company's Amended and Restated Certificate of Designation for the Series A Preferred Units sets forth the mechanics for such conversion.

Holders of Series A Preferred Units are not entitled to any form of dividend.

Liquidation Preferences

In the event of any liquidation event or deemed liquidation event, the holders of Series A Preferred Units shall be entitled to receive, prior and in preference to any proceeds of the liquidation to the holders of Class A Units the greater of (1) the original issue price of the Series A Preferred Units or (2) the distribution they would be entitled to receive on an as-if-converted to Class A Unit basis. If liquidation proceeds are insufficient to cover all members, holders of the Series A Preferred Units will be distributed the full proceeds ratably among themselves.

Transferability

In the event that any Class A Member wishes to transfer any or all of its membership interest in the Company, the Class A Member must first offer to sell the membership interest to the Company and then to the Series A Preferred Members by providing written notice of intent.

15. Redemption of Members

In 2016, the Company entered into purchase agreements with two significant members. Under the agreements, the Company redeemed 100 percent of the members' units for $4,979,975, which was based on the estimated fair value of the Company as agreed upon by the parties. The purchase was paid $979,996 in cash and the remaining $3,999,979 of the purchase price was paid through issuance of promissory notes.

As of December 31, 2017, the Company had a balance payable of $999,995, of which $499,998 was paid in the three months ended March 31, 2018.

16. Issuance of Member Units

In late 2017, the Company entered into a consulting agreement with an investment manager ("IM") for fundraising purposes. Of the amount raised by the IM, the IM is to receive cash equal one percent of the amount raised less the monthly retainer of $12,000, and one percent of the amount raised in "at-the-money" Series A Preferred Units. As of December 31, 2018, the IM was responsible for raising a total of $26,997,380 in two separate QEF events. As such, as of December 31, 2018, the Company accrued $347,948 for the amounts due to the IM. In the first quarter of 2019, the Company settled such liability in accordance with the agreement with a cash payment of $77,974, and the issuance of 2,255 Series A Preferred Units valued at $269,974.

In the first quarter of 2018, the Company finalized a QEF with the receipt of $2,605,073. This QEF totaled $15.5 million (as the additional $12.9 million was collected at the end of 2017) and triggered the conversion of the Company's notes as discussed in Note 13.

17. Member Unit Options

The Company has an employee unit option plan. The Company's policy is to grant options to purchase shares of the Company's Class B member units. The unit options have been granted with an exercise price not less than its estimated market value, as determined by the Company, on grant date. The options generally vest ratably over three years and expire on the tenth anniversary of grant date.

The Company did not grant any options to employees for the purchase of Class B member units during the three months ended March 31, 2019. Any unvested options will become vested and exercisable under certain circumstances including, but not limited to, a sale of the equity and voting interests in the Company or a qualifying merger or asset sale (as defined in the employee unit option plan).

A summary of the unit options for the three months ended March 31, 2019 is as follows:

Unit Options	Units	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (years)
Outstanding at January 1, 2019	278,467	$	68.84	
Granted	-		-	
Exercised	-		-	
Expired	-		-	
Forfeited	-		-	
Outstanding at March 31, 2019	278,467	$	68.84	8.23
Exercisable at March 31, 2019	110,958	$	60.52	7.12

The Company has elected to value its options using the intrinsic method. Under this method, the options are valued at the date of issuance and any excess of the current per unit value of the Company over the strike price of the vested options is recognized as compensation expense over the unit option's life. The per unit value of the Company as of March 31, 2019 was based on the fair value of MedMen publicly traded stock. In accordance with the Business Combination Agreement, MedMen has agreed to acquire the Company in exchange for MedMen stock in an amount equivalent to approximately 25 percent of the fully-diluted shares of MedMen immediately following the close of the transaction.

Compensation expense for the three months ended March 31, 2019 and 2018 was $3,526,238 and $41,513, respectively.

18. Operating Lease Commitments

The Company has various non-cancellable operating leases for equipment, land, parking lots and office space, with monthly payments ranging from $167 to $31,883, expiring through June 2054.

Future minimum lease payments under operating leases as of March 31, 2019 are as follows:

For the nine months ended December 31, 2019	$	1,286,393
For the year ended December 31, 2020		1,619,170
For the year ended December 31, 2021		1,536,493
For the year ended December 31, 2022		1,417,836
For the year ended December 31, 2023		1,271,845
Thereafter		3,857,442
Total Future Minimum Lease Payments	$	10,989,179

Rental expense from the operating leases noted above and other month-to-month leases amounted to $554,663 and $414,427 for the three months ended March 31, 2019 and 2018, respectively.

19. Sale-Leaseback and Capital Leases

Sales-Leaseback

In March 2019, the Company sold property it had recently acquired in Ohio to IIP-OH1 LLC ("IIP-OH") for $700,000, which was the cost to the Company. In connection with this sale, the Company and IIP-OH entered into a lease agreement and development agreement. The lease meets the requirements of a sales-leaseback transaction and is being accounted for as such. The lease agreement expires in May 2034, with two five-year lease renewal options. Monthly rent for the first year of the lease period approximates $220,833 with annual increases of 3.25%. In relation to the lease, the Company has a security deposit of $70,225. As there is a two-month rent abatement period for such lease, for the three months ended March 31, 2019, there were no payments made in relation to this lease, however, $116,008 has been applied to interest expense. The present value of the future lease payments as of March 31, 2019 was $16,903,321. Additionally, the Company has recorded a receivable as of March 31, 2019 of $17,466,385 in relation to the build out of the cultivation facility and is included within Other Receivables on the March 31, 2019 consolidated balance sheet.

The development agreement, pursuant to which Tenant is responsible for the development of an approximately 32,000 square foot greenhouse facility and an approximately 26,000 square foot industrial facility on the property, requires IIP-OH to reimburse the Company for costs of development of up to $19.3 million, subject to the satisfaction of certain conditions contained therein.

During 2016, the Company sold its New York cultivation plant and specified equipment for $30,000,000 at a loss of $1,235,581, of which $214,773 was recognized immediately and $1,020,808 to be recognized over the term of the lease. As of March 31, 2019 and December 31, 2018, the deferred loss on the sale was $867,687 and $884,700, respectively; therefore, $17,013 was recognized for the three months ended March 31, 2019.

Upon the sale in 2016, the Company immediately entered into an agreement to lease the property with an initial lease term of 15 years with two options to extend for five years each. The lease meets the requirements of a sales-leaseback transaction and is being accounted for as such. The lease requires monthly payments of the following: $319,580 for base rent, $105,477 for supplemental rent in the first five years of the lease, and 1.5 percent of the current base rent as additional rent for a management fee. The base rent will increase each year at either four percent, or 75 percent of the Consumer Price Index, whichever is greater.

In relation to the lease, the Company has a security deposit of $2,112,474. Between month seven and month sixty of the lease, the security deposit will be reduced to $1,056,237 if the Company achieves annualized EBITDA of $10,000,000, measured over a continuous six-month period.

For the three months ended March 31, 2019, payments totaled $1,369,088, of which $1,210,525 was applied to interest. The present value of the future lease payments as of March 31, 2019 was $28,686,983.

Capital Leases

In 2017, the Company exercised its option to acquire property in Massachusetts in order to build a cultivation facility. The total cost of the property was $3,000,000. In May 2018, the property was acquired and then sold via a purchase agreement to a third party for $3,000,000. After the sale, the Company entered into a lease agreement with the purchaser. As part of this lease agreement, the lessor agreed to contribute $15,500,000 towards the development of a cultivation facility on the property. The Company has determined that it does not meet the requirements of sales-leaseback transaction due to its continuing involvement in the property, and is therefore accounting for the lease as a capital lease.

The lease agreement has a term of approximately 15 years with two options to extend for five years each. The lease requires monthly payments of the following: $223,542 for base rent and 1.5 percent of the current base rent as additional rent for a management fee. The base rent will increase each year at either 3.25 percent, or 75 percent of the Consumer Price Index, whichever is greater.

In relation to the lease, the Company is required to fund a security deposit totaling $670,625, of which $475,514 has been funded as of March 31, 2019. The remaining portion of the security deposit will be funded in proportion to the payments from the lessor in regards to the agreed upon build out of the cultivation facility.

For the three months ended March 31, 2019, total payments made in relation to this capital lease totaled $680,684 of which $677,632 has been applied to interest expense. The present value of the future lease payments as of March 31, 2019 was $17,477,358. Additionally, the Company has recorded a receivable as of March 31, 2019 of $5,192,631 in relation to the build out of the cultivation facility and is included within Other Receivables on the March 31, 2019 consolidated balance sheet.

In addition to the capital lease related to the Massachusetts cultivation facility, the Company entered into three capital leases for equipment in 2018. For the three months ended March 31, 2019, payments totaled $75,880, of which $19,252 was applied to interest expense. The present value of the future lease payments of these leases as of March 31, 2019 was $601,311.

Future minimum lease payments under all capital leases as of March 31, 2019 are as follows:

For the nine months ended December 31, 2019	$	7,428,169
For the year ended December 31, 2020		11,586,654
For the year ended December 31, 2021		11,722,530
For the year ended December 31, 2022		10,747,408
For the year ended December 31, 2023		11,132,338
Thereafter		120,796,823
Net Minimum Capital Lease Payments		173,413,922
Less: Amount representing interest		(109,744,949)
Present Value of Net Minimum Lease Payments	$	63,668,973

20. Related-Party Transactions

The Company contracts architectural and construction services to companies related through common ownership. The following is a summary of the related party activities as of and for the three months ended March 31, 2019 and 2018:

	2019		2018	
	Payments	Due to Vendor	Payments	Due to Vendor
Vendor A	$ 916,025	$ -	$ 424,958	$ -
Vendor B	545,337	367,460	-	66,918
Vendor C	15,950	-	7,975	-
Vendor D	89,974	-	60,000	-

Vendor A and B are both construction companies that perform services for the Company, and their respective owners hold member units of the Company. Vendor C is a leasing company with owners who hold member units of the Company. Vendor D is an investment management company, that, as part of its agreement was issued Series A Preferred Units (see Note 16).

A related party was also created during 2017, PharmaCannis Foundation, Inc., an Illinois not-for-profit organization, with the primary purpose of educating the public about the legal, regulated, and responsible use of high-quality medical cannabis for legally-registered medical cannabis patients. The Company has not had any activity related to this entity through March 31, 2019.

21. Significant Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash. At times, cash in banks is in excess of the FDIC insurance limit. The Company has not experienced any loss as a result of those deposits and does not expect any in the future.

The Company has been granted a license to cultivate and distribute cannabis for medical purposes pursuant to the laws of Illinois, Massachusetts, Virginia, Pennsylvania, Ohio and New York, and has been granted a license to distribute recreational cannabis in

Massachusetts. The Company has also been granted a dispensary license in Maryland. Presently, this industry is illegal under federal law. The Company has and intends to continue to adhere strictly to the statutes in the states in which it operates.

For the three months ended March 31, 2019, one of the Company's wholesale customers accounted for $1,820,111, or approximately 12 percent of net sales, in which $273,816 is included in Accounts Receivable at March 31, 2019. There were no other customers who accounted for more than 10 percent of the Company's net sales during the three months ended March 31, 2019. There were no customers who accounted for more than 10 percent of the Company's net sales during the three months ended March 31, 2018.

22. Commitments and Contingencies

The Company has entered into certain construction and project contracts related to the building of a cultivation center. As of March 31, 2019, the remaining commitment associated with these contracts is still being finalized but the Company estimates that it will be an approximate additional $5.0-$10.0 million.

As part of the sale-leaseback transaction in Note 19, the Company is required to perform specified improvements to build-out greenhouse zones that are not yet completed. These improvements do not qualify as continued involvement for sales-leaseback treatment because the sale is not contingent on the improvements being completed. The improvements must be completed no later than June 30, 2020 but can be deferred until June 30, 2022 if the Company achieves annualized EBITDA of $10,000,000, measured over a trailing six-month period on the date ninety days prior to June 30, 2020. Due to uncertainty in construction costs, the Company is not able to accurately estimate the commitment; however, the Company believes that improvements will cost approximately $12,500,000, which includes certain improvements to the existing greenhouse facility that would be made simultaneously to any work initiated to build-out the greenhouse zones that are not yet completed. This estimate could change significantly overtime.

During 2018, the Company entered into numerous purchase agreements for properties to be used for cultivation and dispensaries. As of March 31, 2019, the Company has two purchase options open for a total of approximately $395,000 for dispensaries in Pennsylvania, and for which the Company has the right to terminate the agreements for dissatisfaction during the due diligence phase. Additionally, the Company has given notice to exercise an option to purchase property in Virginia for approximately $212,500, however, as of March 31, 2019, this transaction had not closed. Such agreement is contingent upon, among other things, obtaining all government approvals in the state and approval for use and development of property for medical marijuana activities. The right to cancel such agreements is at the discretion of the Company, based on the outcomes of due diligence on each property.

The Company has also entered into various agreements for potential leases for dispensary locations in Pennsylvania, Florida and Massachusetts. The agreements are in-place to reserve the properties, so that the landlords do not seek other lessees during the term of the agreements. As of March 31, 2019, there are two lease options that are still open with extension payments of $3,000 and $8,800 per month. All Florida lease options were cancelled by the Company during 2018.

In August 2018, the Company executed a licensing agreement with another cannabis company for use of their branding on products and extraction products. The agreement included a $50,000 deposit at execution. The license fees owed by the Company will be eight percent of net sales attributable to the products sold each month.
The Company has entered into agreements with certain of its employees, whereby the Company will pay approximately $2.8 million to such employees, contingent on the successful completion of the Business Combination Agreement. Additionally, as part of the successful completion of the transaction, a portion of the consideration due to the Company will be paid directly to the Company's third-party adviser as compensation for consulting and other deal-related advisory services.

23. Acquisition of Business

In February 2019, the Company acquired all of the stock of MCC, an Illinois corporation holding a medical dispensary license in Illinois and the related dispensary. The total purchase price for such acquisition, net of cash received is $7,612,635, of which $500,000 was paid as a deposit in 2018, plus a contingent payment of $1,000,000, which is contingent upon being awarded an adult-use license in Medical Cannabis District 29 in Illinois within five years of the acquisition closing date. Based on Company estimates as to the probability of such payment being made, the fair value of the contingent consideration was valued at $551,296.

The acquisition was accounted for in accordance with the GAAP guidance related to business combinations, which requires the Company to measure and record all of the identifiable assets acquired and liabilities assumed at their fair value on the acquisition date. Goodwill is recognized as the excess of consideration paid over fair value of the net identifiable assets acquired. The identified intangible assets include the medical dispensary license as well as the customer list of MCC.

The following table summarizes the fair value of the consideration paid and the assets acquired and liabilities assumed at the acquisition date:

Consideration:		
Cash	$	7,612,635
Contingent Consideration		551,296
Total Consideration	$	8,163,931

Recognized amount of identifiable net assets acquired:		
Dispensary License	$	2,550,000
Customer List		712,500
Inventory		103,492
Cash Held in Escrow		50,000
Prepaid Assets		25,479
Other Receivables		8,240
Total Identifiable Net Assets Acquired		3,449,711
Goodwill		4,714,220
	$	8,163,931

24. General and Administrative

For the three months ended March 31, 2019 and 2018 general and administrative expenses comprised:

	For the three months ended March 31,	
	2019	2018
Compensation & Benefits	$ 9,658,233	$ 4,227,611
Professional Fees	2,344,428	1,220,041
Occupancy & Other Facility Costs	2,394,696	1,457,009
Interest Expense on Capital Leases	2,069,879	1,230,609
Licenses, Permits & Fees	498,833	144,776
Bad Debt Expense	15,773	(4,184,512)
Other	1,196,215	866,512
Overhead Capitalized to Inventory	(5,811,655)	(5,361,540)
Total General & Administrative Expense	$ 12,366,402	$ (399,494)

Bad debt expense primarily relates to notes receivable from BHA. As discussed in Note 5 as of December 31, 2017, due to the unlikeliness of repayment of the BHA notes receivable, the Company recorded an allowance for the entire balance of the three notes and related interest in the amount of $4,184,512. Such full allowance was reversed in 2018 as a result of the acquisition of PC MASS Inc., previously named BHA, by MASS.

25. Subsequent Events

Since December 31, 2018, the Company has created the following legal entities in the respective state: (i) Illinois – 4104 North Columbus LLC; (ii) New Jersey –PC NJ 2 LLC;

In April 2019, in accordance with the Business Combination Agreement, the Company increased its borrowing under the line of credit with MedMen from $5,000,000 to $10,000,000.

In April 2019, the Company signed a ten-year lease for space for a dispensary in Brooklyn, New York. The rent payments will escalate over the ten-year period. Initial monthly rent for the property will be approximately $58,000. As part of the agreement, the Company has the option to renew the lease for two successive five-year periods.

In May 2019, the Company signed a five-year lease for space for a dispensary in Bucks County, Pennsylvania. The rent payments will escalate over the five-year period. Initial monthly rent for the property will be approximately $6,600. As part of the agreement, the Company has the option to renew the lease for two successive five-year periods.

The Company exercised its option to acquire a property in Staunton, Virginia (see Note 22) for a purchase price of $212,352 excluding certain administrative and other charges. The purchase closed in May 2019.

The Company has evaluated subsequent events through June 4, 2019, the date which the consolidated financial statements were available to be issued.