

**AMENDED
FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

MedMen Enterprises Inc.
10115 Jefferson Boulevard
Culver City, CA 90232

Item 2 Date of Material Change

November 15, 2019

Item 3 News Release

A news release in respect of the material change was disseminated through the facilities of Business Wire on November 15, 2019 and subsequently filed on SEDAR.

Item 4 Summary of Material Change

MedMen Enterprises Inc. ("**MedMen**" or the "**Company**") announced a strategic plan (the "**Plan**") to achieve its target of positive EBITDA by the end of calendar year 2020.

Item 5 Full Description of Material Change

The Company announced the Plan to achieve its target of positive EBITDA by the end of calendar year 2020. The 90-day plan will focus on five key objectives: 1) focusing on core markets, while divesting non-core assets; 2) reducing corporate SG&A; 3) driving asset-level EBITDA; 4) limiting cash outlays for the next 12 months; and 5) reinvesting in the Company's employees and culture. MedMen believes the Company can execute this plan while still growing its retail presence and maintaining a best-in-class retail experience.

Strategic Plan Details:

1) Focusing on Core Business / Divesting Non-Core Assets

As with other consumer retail industries, certain markets such as Los Angeles, Las Vegas, New York City, Miami and Chicago present outsized potential benefits in brand creation and market demand. As such, the Company will continue to focus its growth in these core markets where it already has operating leverage. The reprioritization efforts include the following:

- **Sale of Interest in Treehouse REIT:** The Company was instrumental in the formation of Treehouse REIT, the first ever cannabis-focused REIT to target both cannabis retail and cultivation operations. As part of the Plan, the Company is in the process of selling its stake in the manager of the REIT for total net proceeds of \$14 million. The Company has received \$7 million of the proceeds to date and is currently engaged with parties to sell the remainder of its stake in the manager of the REIT.
- **Focus on Operationalizing Highest-ROI Licenses:** The Company will limit new store openings in 2020 to stores with revenue potential that the Company believes is greater

than \$10 million within the first 12 months of being operational. In addition, the Company will delay further investments in certain medical markets, such as New York and Arizona, which do not align with the Company's recreational retail strategy. As regulations shift, the Company will re-evaluate additional investments.

- **Monetize Minority Investments:** Over the past 18 months, the Company made venture investments in various high-growth brands that the Company believed were positioned for success. The Company has agreed to exit from the majority of its positions in these brands for total net proceeds of \$8 million, representing a 3X cash-on-cash return for such brands in less than 18 months.
- **Divest Licenses in Non-Core Markets:** The Company has engaged Canaccord Genuity Corp. to explore strategic alternatives for certain operations and licenses in states that are currently deemed not critical to the Company's retail footprint.

2) **Reduce Corporate SG&A**

As of its December 2018 quarter, the Company's corporate SG&A was \$154 million (adjusted for local taxes to be consistent with subsequent quarters) on an annualized run-rate basis. Assuming full and successful implementation of the Plan, the Company expects to achieve a \$85 million corporate SG&A annualized run-rate by the end of fiscal third quarter 2020. This will be achieved through a number of near-term initiatives including:

- **Headcount Reductions:** The Company initiated the process of laying off over 190 employees across the Company, including over 80 corporate-level employees. The corporate-level layoffs represent over 20% of its corporate employee base. The Company expects to generate approximately \$10 million in estimated annual savings through this initial headcount reduction.
- **Scale Back Marketing and Technology Spend:** The Company will significantly reduce budgets for marketing and technology. Marketing spend will now be focused on consumer engagement through digital content, retail programming and retail partnerships that have an identifiable impact on store visits. Technology spend will now be focused on driving revenue-generating activities, such as scaling MedMen's delivery platform. In total, the Company expects to generate over \$20 million in estimated annual savings through the reduction in marketing and technology spend.
- **Renegotiate Ancillary Costs:** The Company recently re-negotiated its insurance policies for healthcare, D&O and property to better align with industry standards. The Company will also be outsourcing elements of certain functions, such as human resources. The Company expects to generate at least \$2 million in estimated annual savings through these measures.

3) **Drive Asset-Level EBITDA**

Through further retail store optimization, increases in private label penetration and growth in its delivery platform, the Company expects to drive improvements in EBITDA from its operating assets and will be focused on the following:

- **Retail Optimization:** The Company recently signed vendor agreements with a number of its top suppliers in California that will be effective beginning January 1, 2020. The agreements contain a number of terms, including that the brand generates a minimum 60% gross margin for MedMen. The Company anticipates signing agreements with at least eight brands, which would comprise approximately 30% of its retail sales. In

addition to improving gross margins in this manner, the Company will be executing a cost rationalization plan to further reduce retail-level operating expenses.

- **Private Label / Factory Utilization:** MedMen's California and Nevada cultivation and manufacturing factories are both expected to be at full capacity by the first half of calendar 2020. During the ramp up, the Company continues to grow its private label business in both California and Nevada. Over the past eight weeks, [statemade] was the highest-selling pre-roll brand across all MedMen stores in Nevada and select stores in California, including its Downtown Los Angeles, Abbot Kinney and Beverly Hills locations. In addition to private label, the Company recently executed agreements with Platinum Vape and Nature's Lab for national co-manufacturing arrangements, which will add to wholesale revenue once such manufacturing begins.
- **Scale Delivery Platform:** The Company will continue investing in its first of its kind delivery platform in California, which has already surpassed \$6 million in annualized sales (with an ADS of \$72) based on last week within its first three months of launching. Over time, the delivery business is expected to be highly accretive to EBITDA margins through better utilization of retail employees and infrastructure.

4) Limit Cash Outlays

Given the current capital market environment, the Company intends to limit significant cash outlays over the next 12 months and has begun its efforts through the following initiatives:

- **Delay Capital Intensive Projects:** The Company has indefinitely postponed the buildouts and expansions of retail stores that are not core to the business. In total, capital expenditures totaling approximately \$55 million are now on hold.
- **Renegotiate Cash Payment:** On November 13, 2019, the Company signed an agreement to amend a potential \$15 million cash earn-out for a previously announced M&A transaction, due at the end of calendar 2020, to a \$10 million stock payment due by the end of calendar 2019.
- **Slowdown in M&A:** The Company will focus its corporate development initiatives on highly accretive bolt-on deals in California and Nevada that are primarily stock-based and on retail license applications.

5) Invest in Employees and Culture

As part of its reduction in corporate SG&A, the Company will continue investing in its employees and building on its corporate culture of collaboration.

- **Flatten Organization:** The Company has and will continue to eliminate layers within the organization to create greater efficiency and communication. As such, certain functions that previously existed across multiple states, will be consolidated into a centralized function.
- **Re-align Performance Incentives:** The Company is in the process of creating a new bonus program for its employees that is share-based and heavily weighted towards Company-level EBITDA targets.
- **Consolidate Corporate Offices:** The Company plans to consolidate its corporate offices in Los Angeles, California into one campus to reduce its overall rent burden and enable team-building.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not Applicable

Item 7 Omitted Information

Not Applicable

Item 8 Executive Officer

Adam Bierman
Chief Executive Officer
info@medmen.com
(855) 292-8399

Item 9 Date of Report

November 18, 2019.

Cautionary Note Regarding Forward-Looking Information and Statements:

This material change report contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only MedMen's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of MedMen's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "target of", "objectives", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but are not limited to, expectations regarding the timing and results of the Company's ongoing corporate SG&A optimization efforts, the target of being EBITDA positive by the end of calendar year 2020, expectations to achieve an \$85 million corporate SG&A annualized run-rate by the end of fiscal third quarter 2020, expectations to continue to eliminate layers in the organization, expected increases in gross margins, implementing a cost rationalization program, consolidating corporate offices to reduce rent expense, other considerations that could impact achieving positive EBITDA, and the production capacity of cultivation and manufacturing factories.

This forward-looking information is based on certain assumptions made by management and other factors used by management in developing such information. These include the following:

- The assumed cost reductions set out above under the heading "Reduce Corporate SG&A", which savings are based on the following assumptions:
 - That the Company is able to initiate and complete the intended layoffs of 20% of its current employee base as of the date of this material change report, and that no additional extenuating circumstances that would reduce the overall savings to the Company – additional severance costs, potential lawsuits, and other related items to the termination of employees – prevent the intended \$10 million in cost savings from being reached.
 - That no additional marketing or technology spend will be needed outside of the intended uses of funds – consumer engagement, retail programing and partnerships and revenue-generating activities, such as the delivery program – that would preclude the Company from achieving the anticipated \$20 million in cost savings.
 - That the renegotiated healthcare, D&O and property expenses are negotiated under acceptable and terms in order to achieve the \$2 million in projected annual cost savings.

- The statements set out under the heading “Drive Asset-Level EBITDA” take into account the following:
 - That all of the Company's recently signed California vendors, which includes at least eight brands or approximately 30% of retail sales as of the date of this material change report, are able to achieve 60% gross margins on the sale of their products in stores.
 - That the Company's factories are able to reach full capacity by the end of the second quarter fiscal 2020 and that MedMen is able to sell all such cultivated product within a reasonable time frame for a competitive, higher than cost, price.
 - That the Company has enough free cash flow to continue to invest in its delivery platform which is anticipated to need further investment in order to maintain its current level of service.

By identifying such information and statements in this manner, MedMen is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of MedMen to be materially different from those expressed or implied by such information and statements, including the following risks:

- That the Plan must be revised to eliminate certain elements, or must be implemented over a longer period, in order to maintain the Company's operations and customer and supplier goodwill.
- The Company's sales do not continue to grow at levels experienced in the past or at the assumed growth rate, reducing overall expected gross profit.
- Production delays, inability to meet capacity, or crop failures in the Company's factories, resulting in delayed or reduced co-manufacturing revenues.
- That the Company does not identify strategic alternatives for certain retail licenses that could generate significant cash proceeds to MedMen.
- That the Company may be unable to sell its remaining interest in Treehouse REIT for \$7 million or at all and will therefore be unable to reduce its expenses by the intended \$14 million, hindering its ability to improve EBITDA.
- That the stores MedMen opens in 2020 do not reach \$10 million in sales within the first year of operation, that the stores currently in operation are unable to achieve their historical profit levels, or that the overall demand of product sold in current and impending retail locations does not decline, which combined could lower revenue and margins.
- That MedMen is unable to exit its minority investments in various high growth brands on anticipated terms and therefore cannot achieve the \$8 million in intended net proceeds.
- That the Company's halt in capital expenditures, including buildouts of retail locations in Florida, Nevada and California, total less than the anticipated \$55 million in cost savings as of November 15, 2019.
- That the new bonus plan does not reduce costs or incentivize employees as planned thus hindering the Company's overall revenue and retail margins.
- Estimates of severance and similar amounts owing to laid off employees are too low.
- That the Company is unable to exit one of its current office leases and must maintain two locations in California rather than consolidate into a single campus.

Although MedMen believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given 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. The forward-looking information and forward-looking statements contained in this material change report are made as of the date of this material change report, and MedMen does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws. All subsequent written and oral forward-looking information and statements attributable to MedMen or persons acting on its behalf are expressly qualified in its entirety by this notice.