## EXPLANATORY NOTE

The purpose of this Amendment No. 2 on Form 10-Q/A (“**Amendment No. 2**”) to the MedMen Enterprises Inc. (the “**Company**”) Amendment No. 1 to its quarterly report on Form 10-Q/A for the period ended September 26, 2020, filed with the Securities and Exchange Commission (“**SEC**”) on February 17, 2021 (“**Amendment No. 1**”), is solely to include the correct certification for exhibit 31.2.

The purpose of Amendment No. 1 to the Company’s quarterly report on Form 10-Q for the period ended September 26, 2020, filed with the SEC on December 7, 2020, was to (i) amend disclosure related to Non-GAAP financial measures included in Item 2 of Part I entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“**MD&A**”) in order to conform such disclosure to the non-GAAP financial measures disclosure included in the Company’s registration statement on Form 10 (Amendment No. 4) as filed with the SEC on January 15, 2021 (“**Form 10**”), (ii) amend disclosure under Item 4 of Part I entitled “Controls and Procedures” regarding the status of a previously reported material weakness to conform to the disclosure in the Form 10, and (iii) correct an error in the presentation of income taxes related to the allocation of the provision prepared under US GAAP for the interim period ended September 28, 2019, as further described in a newly added Note 25 to the unaudited condensed consolidated financial statements that was originally included in Amendment No. 1, as well as revise certain information in the MD&A and in Item 4 of Part I entitled “Controls and Procedures” related to such correction.

There are no other changes to the Form 10-Q and Amendment No. 1 as previously filed. This Amendment No. 2 speaks as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date and does not modify or update in any way disclosures made in the original Form 10-Q.

**MEDMEN ENTERPRISES INC.**
**Unaudited Interim Condensed Consolidated Balance Sheets**
**As of September 26, 2020 and June 27, 2020**
*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| | *(unaudited)* | *(audited)* |
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 10,310,260 | $ 10,093,925 |
| Restricted Cash | 9,873 | 9,873 |
| Accounts Receivable and Prepaid Expenses | 7,192,349 | 5,626,761 |
| Inventory | 21,294,149 | 22,638,120 |
| Current Assets Held for Sale | 30,304,046 | 33,459,879 |
| Other Current Assets | 15,768,919 | 9,105,457 |
| Due from Related Party | 3,109,718 | 3,109,717 |
| Total Current Assets | 87,989,314 | 84,043,732 |
| Operating Lease Right-of-Use Assets | 100,762,121 | 116,354,828 |
| Property and Equipment, Net | 156,197,545 | 174,547,867 |
| Intangible Assets, Net | 138,437,778 | 148,081,030 |
| Goodwill | 33,861,150 | 33,861,150 |
| Other Assets | 16,928,369 | 17,374,997 |
| **TOTAL ASSETS** | **$ 534,176,277** | **$ 574,263,604** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **LIABILITIES:** | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Liabilities | $ 76,266,738 | $ 79,530,930 |
| Income Taxes Payable | 57,663,832 | 38,599,349 |
| Other Current Liabilities | 12,572,672 | 20,278,381 |
| Current Portion of Operating Lease Liabilities | 8,206,432 | 9,757,669 |
| Current Portion of Finance Lease Liabilities | 1,418,156 | 1,644,044 |
| Current Portion of Notes Payable | 17,067,303 | 16,188,668 |
| Current Liabilities Held for Sale | 20,345,665 | 18,659,038 |
| Due to Related Party | 4,553,715 | 4,556,814 |
| Total Current Liabilities | 198,094,513 | 189,214,893 |
| Operating Lease Liabilities, Net of Current Portion | 115,297,418 | 131,045,238 |
| Finance Lease Liabilities, Net of Current Portion | 29,701,187 | 58,569,498 |
| Other Non-Current Liabilities | 4,073,875 | 4,215,533 |
| Deferred Tax Liabilities | 46,996,241 | 48,928,492 |
| Senior Secured Convertible Credit Facility | 169,374,611 | 166,368,463 |
| Notes Payable, Net of Current Portion | 162,975,025 | 152,809,937 |
| **TOTAL LIABILITIES** | **726,512,870** | **751,152,054** |
| **MEZZANINE EQUITY** | | |
| Super Voting Shares (no par value, unlimited shares authorized, 815,295 and 815,295 shares issued and outstanding as of September 26, 2020 and June 27, 2020, respectively) | 82,500 | 82,500 |
| **SHAREHOLDERS' EQUITY:** | | |
| Preferred Shares (no par value, unlimited shares authorized and no shares issued and outstanding) | - | - |
| Subordinate Voting Shares (no par value, unlimited shares authorized, 439,396,938 and 403,907,218 shares issued and outstanding as of September 26, 2020 and June 27, 2020, respectively) | - | - |
| Additional Paid-In Capital | 816,321,013 | 791,172,613 |
| Accumulated Deficit | (649,149,618) | (631,365,866) |
| Total Equity Attributable to Shareholders of MedMen Enterprises Inc. | 167,253,895 | 159,889,247 |
| Non-Controlling Interest | (359,590,488) | (336,777,697) |
| **TOTAL SHAREHOLDERS' EQUITY** | **(192,336,593)** | **(176,888,450)** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$ 534,176,277** | **574,263,604** |

The accompanying notes are an integral part of these unaudited interim Condensed Consolidated Financial Statements.

**MEDMEN ENTERPRISES INC.**
**Unaudited Interim Condensed Consolidated Statements of Operations**
**Three Months Ended September 26, 2020 and September 28, 2019**
*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

| | Three Months Ended | |
|---|---|---|
| | September 26, 2020 (unaudited) | September 28, 2019 (unaudited) |
| Revenue | $ 35,625,968 | $ 39,669,996 |
| Cost of Goods Sold | 18,801,910 | 20,277,820 |
| Gross Profit | 16,824,058 | 19,392,176 |
| Expenses: | | |
| General and Administrative | 31,683,604 | 54,094,949 |
| Sales and Marketing | 193,385 | 5,782,780 |
| Depreciation and Amortization | 8,625,708 | 9,484,181 |
| Realized and Unrealized Loss on Changes in Fair Value of Contingent Consideration | 302,834 | 2,284,054 |
| Impairment Expense | 789,709 | - |
| Gain On Disposals of Assets, Restructuring Fees and Other Expenses | (16,697,861) | (697,962) |
| Total Expenses | 24,897,379 | 70,948,002 |
| Loss from Operations | (8,073,321) | (51,555,826) |
| Other Expense (Income): | | |
| Interest Expense | 11,142,864 | 8,163,617 |
| Interest Income | (1,210) | (369,342) |
| Amortization of Debt Discount and Loan Origination Fees | 3,202,894 | 3,067,535 |
| Change in Fair Value of Derivatives | (305,379) | (5,128,420) |
| Realized and Unrealized Gain on Investments, Assets Held For Sale and Other Assets | (12,415,479) | (11,480,322) |
| Loss on Extinguishment of Debt | 10,129,655 | 31,570,116 |
| Total Other Expense | 11,753,345 | 25,823,184 |
| Loss from Continuing Operations Before Provision for Income Taxes | (19,826,666) | (77,379,010) |
| Provision for Income Tax (Expense) Benefit | (10,338,562) | 17,660,731) |
| Net Loss from Continuing Operations | (30,165,228) | (59,718,279) |
| Net Loss from Discontinued Operations, Net of Taxes | (2,682,175) | (3,080,420) |
| Net Loss | (32,847,403) | (62,798,699) |
| Net Loss Attributable to Non-Controlling Interest | (10,927,541) | (38,575,930) |
| **Net Loss Attributable to Shareholders of MedMen Enterprises Inc.** | **$ (21,919,862)** | **$ (24,222,769)** |
| **Loss Per Share - Basic and Diluted:** | | |
| **From Continuing Operations Attributable to Shareholders of MedMen Enterprises Inc.** | **$ (0.06)** | **$ (0.11)** |
| **From Discontinued Operations Attributable to Shareholders of MedMen Enterprises Inc.** | **$ (0.01)** | **$ (0.02)** |
| **Weighted-Average Shares Outstanding - Basic and Diluted** | **423,187,218** | **191,711,038** |

The accompanying notes are an integral part of these unaudited interim Condensed Consolidated Financial Statements.

**MEDMEN ENTERPRISES INC.**
**Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**
**Three Months Ended September 26, 2020 and September 28, 2019**
*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

| | Mezzanine Equity | | | | | | TOTAL EQUITY | | |
|---|---|---|---|---|---|---|---|---|---|
| | Units | $ Amount | Units | $ Amount | | | ATTRIBUTABLE | | |
| | Super Voting Shares | Super Voting Shares | Subordinate Voting Shares | Subordinate Voting Shares | Additional Paid-In Capital | Accumulated Deficit | TO SHAREHOLDERS OF MEDMEN | Non-Controlling Interest | TOTAL SHAREHOLDERS' EQUITY |
| **BALANCE AS OF JUNE 30, 2019** | **1,630,590** | **$ 164,999** | **173,010,922** | **$ -** | **$613,356,006** | **$(370,382,824)** | **$ 243,138,181** | **$(31,867,405)** | **$ 211,270,776** |
| Net Loss | - | - | - | - | - | (24,222,769) | (24,222,769) | (38,575,930) | (62,798,699) |
| Controlling Interest Equity Transactions: | | | | | | | | | |
| At-the-Market Equity Financing Program, Net | - | - | 4,940,800 | - | 8,894,012 | - | 8,894,012 | - | 8,894,012 |
| Shares Issued for Cash | - | - | 14,634,147 | - | 30,000,001 | - | 30,000,001 | - | 30,000,001 |
| Shares Issued to Settle Debt | - | - | 1,231,280 | - | 2,441,912 | - | 2,441,912 | - | 2,441,912 |
| Equity Component of Debt - New and Amended | - | - | - | - | 2,097,335 | - | 2,097,335 | - | 2,097,335 |
| Redemption of MedMen Corp Redeemable Shares | - | - | 8,382,618 | - | 20,196,142 | (19,986,022) | 210,120 | (210,120) | - |
| Shares Issued for Other Assets | - | - | 225,494 | - | 509,614 | - | 509,614 | - | 509,614 |
| Shares Issued for Acquisition Costs | - | - | 214,716 | - | 421,497 | - | 421,497 | - | 421,497 |
| Shares Issued for Business Acquisition | - | - | 5,112,263 | - | 9,833,000 | - | 9,833,000 | - | 9,833,000 |
| Stock Grants for Compensation | - | - | 364,948 | - | 875,055 | - | 875,055 | - | 875,055 |
| Share-Based Compensation | - | - | - | - | 3,367,898 | - | 3,367,898 | - | 3,367,898 |
| Non-Controlling Interest Equity Transactions: | | | | | | | | | |
| Distributions | - | - | - | - | - | - | - | (310,633) | (310,633) |
| Equity Component on Debt and Debt Modification | | | | | | | | (1,444,676) | (1,444,676) |
| Share-Based Compensation | - | - | - | - | - | - | - | 833,531 | 833,531 |
| **BALANCE AS OF SEPTEMBER 28, 2019** | **1,630,590** | **$ 164,999** | **208,117,188** | **$ -** | **$691,992,472** | **$(414,591,615)** | **$ 277,565,856** | **$ (71,575,233)** | **$ 205,990,623** |

| | Mezzanine Equity | | | | | | TOTAL EQUITY | | |
|---|---|---|---|---|---|---|---|---|---|
| | Units | $ Amount | Units | $ Amount | | | ATTRIBUTABLE | | |
| | Super Voting Shares | Super Voting Shares | Subordinate Voting Shares | Subordinate Voting Shares | Additional Paid-In Capital | Accumulated Deficit | TO SHAREHOLDERS OF MEDMEN | Non-Controlling Interest | TOTAL SHAREHOLDERS' EQUITY |
| **BALANCE AS OF JUNE 28, 2020** | **815,295** | **$ 82,500** | **403,907,218** | **$ -** | **$791,172,613** | **$(631,365,865)** | **$ 159,889,247** | **$(336,777,697)** | **$ (176,888,450)** |
| Net Loss | - | - | - | - | - | (21,919,862) | (21,919,862) | (10,927,541) | (32,847,403) |
| Controlling Interest Equity Transactions | | | | | | | | | |
| Shares Issued to Settle Accounts Payable and Liabilities | - | - | 3,608,690 | - | 516,618 | - | 516,618 | - | 516,618 |
| Equity Component of Debt - New and Amended | - | - | - | - | 21,660,379 | - | 21,660,379 | - | 21,660,379 |
| Redemption of MedMen Corp Redeemable Shares | - | - | 29,947,959 | - | 5,351,262 | 9,019,576 | 14,370,838 | (14,370,838) | - |
| Shares Issued for Vested Restricted Stock Units | - | - | 614,207 | - | 157,477 | - | 157,477 | - | 157,477 |
| Stock Grants for Compensation | - | - | 1,318,865 | - | 181,589 | - | 181,589 | - | 181,589 |
| Deemed Dividend - Down Round Feature of Warrants | - | - | - | - | 4,883,467 | (4,883,467) | - | - | - |
| Deferred Tax Impact On Conversion Feature | - | - | - | - | (8,610,921) | - | (8,610,921) | - | (8,610,921) |
| Share-Based Compensation | - | - | - | - | 1,008,530 | - | 1,008,530 | - | 1,008,530 |
| Non-Controlling Interest Equity Transactions | | | | | | | | | |
| Equity Component on Debt and Debt Modification | - | - | - | - | - | - | - | 2,485,588 | 2,485,588 |
| **BALANCE AS OF SEPTEMBER 26, 2020** | **815,295** | **$ 82,500** | **439,396,939** | **$ -** | **$816,321,014** | **$(649,149,618)** | **$ 167,253,895** | **$(359,590,488)** | **$ (192,336,593)** |

**MEDMEN ENTERPRISES INC.**
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**
**Three Months Ended September 26, 2020 and September 28, 2019**
*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

| | Three Months Ended September 26, 2020 | Three Months Ended September 28, 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net Loss from Continuing Operations | $ (30,165,228) | $ (59,718,279) |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: | | |
| Deferred Tax (Recovery) Expense | (8,749,513) | (78,281) |
| Depreciation and Amortization | 8,688,155 | 10,394,617 |
| Non-Cash Operating Lease Costs | 7,658,920 | 6,702,802 |
| Accretion of Debt Discount and Loan Origination Fees | 3,202,894 | 3,067,536 |
| Gain on Lease Modifications | (15,919,946) | - |
| Accretion of Deferred Gain on Sale of Property | (141,659) | (141,656) |
| Impairment of Assets | 789,709 | - |
| Realized and Unrealized Gain on Investments, Assets Held For Sale and Other Assets | (12,415,479) | (11,480,322) |
| Unrealized Gain on Changes in Fair Value of Contingent Consideration | 302,834 | 2,284,054 |
| Change in Fair Value of Derivative Liabilities | - | (5,128,420) |
| Loss on Extinguishment of Debt and Settlement of Accounts Payables and Accrued Liabilities | 10,129,658 | 32,230,229 |
| Share-Based Compensation | 1,347,604 | 5,076,470 |
| Shares Issued for Acquisition Costs | - | 421,497 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | (1,565,588) | (1,308,981) |
| Prepaid Rent - Related Party | - | 2,712,237 |
| Prepaid Expenses | (172) | 5,630,506 |
| Inventory | 1,343,971 | (10,849,695) |
| Other Current Assets | 1,994,417 | (497,876) |
| Due from Related Party | - | 458,160 |
| Other Assets | 446,628 | (7,022,876) |
| Accounts Payable and Accrued Liabilities | (473,753) | 10,527,727 |
| Interest Payments on Finance Leases | (1,523,821) | (1,432,930) |
| Cash Payments - Operating Lease Liabilities | (9,158,398) | (7,172,029) |
| Income Taxes Payable | 19,064,475 | (16,207,725) |
| Other Current Liabilities | 8,189,077 | (18,654,740) |
| Due to Related Party | (3,099) | (729,871) |
| Other Non-Current Liabilities | - | 15,870,558 |
| **NET CASH USED IN CONTINUED OPERATING ACTIVITIES** | **(16,958,314)** | **(45,047,288)** |
| Net Cash (Used in) Provided by Discontinued Operating Activities | (1,194,616) | 2,980,952 |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(18,152,930)** | **(42,066,336)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of Property and Equipment | (201,017) | (17,976,501) |
| Additions to Intangible Assets | (55,505) | (1,821,936) |
| Proceeds from Sale of Assets Held for Sale and Other Assets | 10,000,000 | - |
| Proceeds from Sale of Property | - | 9,300,000 |
| Acquisition of Businesses, Net of Cash Acquired | - | (1,000,000) |
| Restricted Cash | - | 43,477 |
| **NET CASH PROVIDED BY (USED IN) CONTINUED INVESTING ACTIVITIES** | **9,743,478** | **(11,454,960)** |
| Net Cash Used in Discontinued Investing Activities | - | (1,694,969) |
| **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES** | **9,743,478** | **(13,149,929)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Issuance of Subordinate Voting Shares for Cash | - | 38,894,013 |
| Payment of Loan Amendment Fee | - | (500,000) |
| Proceeds from Issuance of Senior Secured Convertible Credit Facility | 4,825,000 | 25,000,000 |
| Proceeds from Issuance of Notes Payable | 4,125,000 | 11,100,000 |
| Principal Repayments of Notes Payable | (284,334) | (9,940,188) |
| Principal Repayments of Finance Lease Liability | (39,879) | - |
| Debt and Equity Issuance Costs | - | (544,498) |
| Distributions - Non-Controlling Interest | - | (310,633) |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | **8,625,787** | **63,698,694** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **216,335** | **8,482,429** |
| Cash and Cash Equivalents, Beginning of Period | 10,093,925 | 33,753,747 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | **$ 10,310,260** | **$ 42,236,176** |

**MEDMEN ENTERPRISES INC.**
**Unaudited Interim Condensed Consolidated Statements of Cash Flows**
**Three Months Ended September 26, 2020 and September 28, 2019**
*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

| | Three Months Ended | | | |
|---|---|---|---|---|
| | September 26, 2020 | | September 28, 2019 | |
| **SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION** | | | | |
| Cash Paid for Interest | $ | 3,893,490 | $ | 10,004,305 |
| | | | | |
| Non-Cash Investing and Financing Activities: | | | | |
| Net Assets Transferred to Held for Sale | $ | 6,614,987 | $ | 8,453,664 |
| Receivable Recorded on Asset Held for Sale | $ | 9,407,879 | $ | - |
| Adoption of ASC 842 - Leases | $ | - | $ | 141,557,231 |
| Lease Termination and Amendments | $ | 34,250,918 | $ | - |
| Recognition of Right-of-Use Assets for Finance Leases | $ | 350,249 | $ | 42,676,528 |
| Issuance of Subordinate Voting Shares for Intangible Assets and Other Assets | $ | - | $ | 509,614 |
| Redemption of MedMen Corp Redeemable Shares | $ | 14,370,838 | $ | 210,120 |
| Release of Investments for liabilities | $ | 750,000 | $ | - |
| Shares Issued to Settle Accounts Payable and Liabilities | $ | 516,618 | $ | 2,028,342 |
| Equity Component of Debt - New and Amended | $ | 2,883,786 | $ | 652,659 |
| Deferred Tax Impact on Conversion Feature | $ | 8,610,921 | $ | - |

The accompanying notes are an integral part of these unaudited interim Condensed Consolidated Financial Statements.

## 1. NATURE OF OPERATIONS

MedMen Enterprises Inc. ("MedMen Enterprises" or the "Company"), formerly known as Ladera Ventures Corp., was incorporated under the Business Corporations Act (British Columbia) on May 21, 1987. 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", on the Stuttgart Stock Exchange under the symbol "OJS.SG", on the Munich Stock Exchange under the symbol "OJS.MU", on the Berlin Stock Exchange under the symbol "OJS.BE" and on the Dusseldorf Stock Exchange under the symbol "OJS.DU". The head office and principal address of the Company is 10115 Jefferson Boulevard, Culver City, California 90232. The Company's registered and records office address is 885 West Georgia Street, Suite 2200, Vancouver, British Columbia Canada V6C 3E8. The Company operates through its principal whole-owned subsidiaries, MM CAN USA, Inc., a California corporation ("MM CAN" or "MedMen Corp"), and MM Enterprises USA, LLC, a Delaware limited liability company ("MM Enterprises USA").

MM CAN was 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 MM CAN 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 MM Enterprises USA is 10115 Jefferson Boulevard, Culver City, California 90232. MM Enterprises USA was formed as a joint venture whose contributors were 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") (collectively, the "MedMen Group of Companies").

On January 24, 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 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 USA; MMMG; Fund I; Fund II; MMNV2; DHS Owner; and Utica Owner.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Preparation***

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited interim Condensed Consolidated Financial Statements include the accounts of MedMen Enterprises, its subsidiaries and variable interest entities ("VIEs") where the Company is considered the primary beneficiary, if any, after elimination of intercompany accounts and transactions. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of and for the three months ended September 26, 2020, year ended June 27, 2020 and three months ended September 28, 2019, the consolidated results of operations and cash flows for the three months ended September 26, 2020 and September 28, 2019 have been included.

The accompanying unaudited interim Condensed Consolidated Financial Statements do not include all of the information required for full annual financial statements. Accordingly, certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with GAAP, have been condensed or omitted in accordance with SEC rules and regulations within the instruction to Form 10-Q and Article 10 of Regulation S-X. The financial data presented herein should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes included in Item 13 of the registration statement on Form 10 for the fiscal year ended June 27, 2020.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

***Going Concern***

As reflected in the Condensed Consolidated Financial Statements, the Company had an accumulated deficit and a negative net working capital (current liabilities greater than current assets) as of September 26, 2020, as well as a net loss and negative cash flow from operating activities for the reporting period then ended. These factors raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of these unaudited interim Condensed Consolidated Financial Statements.

Management believes that substantial doubt of our ability to meet our obligations for the next twelve months from the date these financial statements were first made available has been alleviated due to, but not limited to, (i) capital raised between December 2020 and December 2021, (ii) restructuring plans that have already been put in place to reduce corporate-level expenses, (iii) debt amendments that have been agreed to with lenders and landlords to defer cash interest and rent payments, (iv) reduction in capital expenditures through a slow-down in new store buildouts, (v) plans to divest non-core assets to raise non-dilutive capital, (vi) enhancements to its digital offering, including direct-to-consumer delivery and curbside pick-up in light of COVID-19 and (vii) a change in retail strategy to pass certain local taxes and payment processing fees to customers.

However, management cannot provide any assurances that we will be successful in accomplishing any of our plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur at any time within the next twelve months or thereafter which could increase our need to raise additional capital on an immediate basis.

The Company will continually monitor its capital requirements based on its capital and operational needs and the economic environment and may raise new capital as necessary. The Company's ability to continue as a going concern will depend on its ability to raise additional equity or debt in the private or public markets, reducing operating expenses, divesting of certain non-core assets, achieving cash flow profitability. While the Company has been successful in raising equity and debt to date, there can be no assurances that the Company will be successful in completing a financing in the future. If the Company is unable to raise additional capital whenever necessary, it may be forced to divest additional assets to raise capital and/or pay down its debt, amend its debt agreements which could potentially have a dilutive effect on the Company's shareholders, further reduce operating expenses and temporarily pause the opening of new store locations. Furthermore, COVID-19 and the impact the global pandemic has had and will continue to have on the broader retail environment could also have a significant impact on the Company's financial operations.

***COVID-19***

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. While the ultimate severity of the outbreak and its impact on the economic environment is uncertain, the Company is monitoring this closely. In the event that the Company were to experience widespread transmission of the virus at one or more of the Company's store or other facilities, the Company could suffer reputational harm or other potential liability. Further, the Company's business operations may be materially and adversely affected if a significant number of the Company's employees are impacted by the virus.

***Emerging Growth Company***

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act (the "JOBS Act") under which emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

***Functional Currency***

The Company and its subsidiaries' functional currency, as determined by management, is the United States ("U.S.") dollar. These unaudited interim Condensed Consolidated Financial Statements are presented in U.S. dollars as this is the primary economic environment of the group. All references to "C$" refer to Canadian dollars.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

***Significant Accounting Policies***

The significant accounting policies and critical estimates applied by the Company in these unaudited interim Condensed Consolidated Financial Statements are the same as those applied in the Company's audited Consolidated Financial Statements and accompanying notes included in Item 13 of the registration statement on Form 10 for the fiscal year ended June 27, 2020.

***Restricted Cash***

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of September 26, 2020 and June 27, 2020, restricted cash was $9,873 and $9,873, respectively, which is used to pay for lease costs and costs incurred related to building construction in Reno, Nevada. This account is managed by a contractor and the Company is required to maintain a certain minimum balance.

***Down-Round Provisions***

The Company calculates down-round features under ASU 2017-11, in which down round features do not meet the criteria for derivative accounting and no liability is to be recorded until an actual issuance of securities triggers the down-round feature.

***Loss per Share***

The Company calculates basic loss per share by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting profit or loss attributable to common shareholders and the weighted-average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise convertible debentures, DSU, RSU, warrants and stock options issued.

***Recently Adopted Accounting Standards***

In June 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") No. 2016-13, *"Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments"* ("ASU 2016-13"), which replaces the incurred loss model with a current expected credit loss ("CECL") model and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. Under the new standard, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. The Company is not required to track the changes in credit risk. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings in the period of adoption. The Company adopted ASU 2016-13 on June 28, 2020. The adoption of the standard did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 *"Intangibles— Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment"* ("ASU 2017-04"), which provides a simplified assessment method whether goodwill is impaired by removing the requirement to determine the fair value of individual assets and liabilities in order to calculate a reporting unit's implied goodwill. Per ASU 2017-04, the Company performed its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The Company should recognize a goodwill impairment charge for the amount by which the reporting unit's carrying amount exceeds its fair value. If fair value exceeds the carrying amount, no impairment should be recorded. Any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Impairment losses on goodwill cannot be reversed once recognized. ASU 2017-04 must be applied prospectively and is effective in fiscal years beginning after December 15, 2019. The Company adopted the new standard on June 28, 2020. The adoption of the standard did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

***Recently Issued Accounting Standards***

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes", which eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is evaluating the adoption date and impact, if any, adoption will have on its financial position and results of operations.

In January 2020, the FASB issued ASU 2020-01, "*Investments – Equity Securities (Topic 321)*", "*Investments – Equity Method and Joint Ventures (Topic 323)* ", and "*Derivatives and Hedging (Topic 815)*", which is intended to clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The standard is effective for the Company beginning January 1, 2021. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements.

In August 2020, the FASB issued ASU 2020-06, "*Debt – Debt with Conversion and Other Options (Subtopic 470-20)*" and "*Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible instruments and contracts in an Entity's Own Equity* ", which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption is applied on a modified or full retrospective transition approach. The Company is currently evaluating the adoption date and impact, if any, adoption will have on its financial position and results of operations.

## 3. INVENTORIES

As of September 26, 2020 and June 27, 2020, inventory consists of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Raw Materials | $ 2,671,185 | $ 2,055,500 |
| Work-in-Process | 9,654,494 | 8,807,137 |
| Finished Goods | 8,968,470 | 11,775,483 |
| **Total Inventory** | **$ 21,294,149** | **$ 22,638,120** |

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

## 4. OTHER CURRENT ASSETS

As of September 26, 2020 and June 27, 2020, other current assets consist of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Investments | $ 3,036,791 | $ 3,786,791 |
| Excise Tax Receivable | 3,447,005 | 5,254,595 |
| Note Receivable | 9,171,694 | - |
| Other Current Assets | 113,429 | 64,071 |
| **Total Other Current Assets** | **$ 15,768,919** | **$ 9,105,457** |

As of September 26, 2020 and June 27, 2020, investments included in other current assets consist of the following:

| | ToroVerde Inc. *(1)* | The Hacienda Company, LLC *(2)* | Old Pal *(3)* | Other Investments | TOTAL |
|---|---|---|---|---|---|
| **Fair Value as of June 27, 2020** | **$ -** | **$ 750,000** | **$ 1,970,000** | **$ 1,066,791** | **$ 3,786,791** |
| Settlement of Liabilities | - | (750,000) | - | - | (750,000) |
| **Fair Value as of September 26, 2020** | **$ -** | **$ -** | **$ 1,970,000** | **$ 1,066,791** | **$ 3,036,791** |

_________________________

*(1) In July 2018, the Company purchased 9,000,000 common shares of ToroVerde Inc., an investment company focused on emerging international cannabis markets, for an aggregate purchase price of $5,000,000, or $0.56 per common share, amounting to 14.3% of the outstanding common shares. As the Company was not deemed to exert any significant influence, the investment was recorded at FVTPL as of September 26, 2020 and June 27, 2020. As of September 26, 2020 and June 27, 2020, the Company holds 14.3% of the equity ownership and voting interests in this investment.*

*(2) In July 2018, the Company purchased units of The Hacienda Company, LLC, a California limited liability company, which owns Lowell Herb Co., a California-based cannabis brand known for its pack of pre-rolls called Lowell Smokes, for an aggregate purchase price of $1,500,000, amounting to 3.2% of the outstanding units. Pursuant to SEC guidance under ASC 323, the application of equity method to investments applies to limited liability companies and are required unless the investor holds less than 3-5%. Accordingly, the Company was deemed to have significant influence resulting in equity method accounting. The Company has elected the fair value option under ASC 825 and the investment was recorded at FVTPL. As of September 26, 2020 and June 27, 2020, the Company holds 3.2% and 0%, respectively, of the equity ownership and voting interests in this investment.*

*(3) In October 2018 and March 2019, the Company purchased an aggregate of 125.3 units of Old Pal, a California-based brand that provides high-quality cannabis flower for its customers, for an aggregate purchase price of $2,000,000, amounting to approximately 10.0% of the outstanding units with 8.7% voting interests. Pursuant to SEC guidance under ASC 323, the application of equity method to investments applies to limited liability companies and are required unless the investor holds less than 3-5%. Accordingly, the Company was deemed to have significant influence resulting in equity method accounting. During the year ended June 27, 2020, the Company decreased their level of ownership in which Old Pal no longer qualified under equity method accounting. The Company has elected the fair value option under ASC 825 and the investment was recorded at FVTPL as of June 27, 2020 and continues to measure Old Pal at the previously elected FVTPL under ASC 323 as of September 26, 2020. As of September 26, 2020, the Company holds 2.6% of the equity ownership and 1.4% of the voting interests in this investment.*

As of September 26, 2020, the Company's investment balance in ToroVerde Inc. and The Hacienda Company, LLC was nil and nil, respectively. In August 2020, the Company entered into an agreement to exchange all of its investment in The Hacienda Company, LLC to settle outstanding balances totaling approximately $750,000. The Company determined that the fair value of its investment in Old Pal LLC was $1,970,000 as of September 26, 2020.

The fair value of investments included in other current assets is considered a Level 3 categorization in the fair value hierarchy. Investments are measured at fair value using a market approach that is based on unobservable inputs.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 5. ASSETS HELD FOR SALE

A reconciliation of the beginning and ending balances of assets held for sale for the three months ended September 26, 2020 is as follows:

| | PharmaCann Assets (1) | Available for Sale Subsidiaries (2) | Discontinued Operations | TOTAL |
|---|---|---|---|---|
| Balance at Beginning of Period | $ 212,400 | $ 12,066,428 | $ 21,181,051 | $ 33,459,879 |
| Transferred In | - | 6,614,987 | - | 6,614,987 |
| Gain on the Sale of Assets Held for Sale | - | 12,415,479 | - | 12,415,479 |
| Proceeds from Sale | - | (19,407,879) | - | (19,407,879) |
| Ongoing Activity from Discontinued Operations | - | (2,300,763) | (477,657) | (2,778,420) |
| **Balance at End of Period** | **$ 212,400** | **$ 9,388,252** | **$ 20,703,394** | **$ 30,304,046** |

_________________________

*(1) During the year ended June 27, 2020, PharmaCann LLC, ("PharmaCann") transferred 100% of the membership interests for MME Evanston Retail, LLC ("Evanston"), PharmaCann Virginia, LLC ("Staunton"), and PC 16280 East Twombly LLC ("Hillcrest"). As of September 27, 2020, the Company has 100% of membership interests in Staunton which holds land and a license for a vertically-integrated facility in Staunton, Virginia. The Staunton assets were classified as assets held for sale in accordance with ASC 360, "Long-Lived Assets Classified as Held for Sale" and are measured at the lower of its carrying amount or FVLCTS which was determined as $212,400 as of September 26, 2020.*

*(2) Long-lived assets classified as held for sale that do not qualify as discontinued operation and classified as held for sale. Significant classes of assets and liabilities are presented in the notes to the Condensed Consolidated Financial Statements in accordance with ASC 360-10.*

On July 1, 2020, the Company agreed to transfer all outstanding membership interests in MME Evanston Retail, LLC ("Evanston") dispensary operation located in Evanston, Illinois to an unaffiliated third party ("Purchaser"). The Company received an aggregate consideration of $20,000,000, of which, $10,000,000 cash was received at closing on July 1, 2020 ("Closing Date"), an additional $8,000,000 cash is due on or before November 16, 2020 and an additional $2,000,000 in the form of a secured promissory note will be payable three months following the Closing Date in exchange for all of the company's membership interests in Evanston. On August 10, 2020 ("Effective Date"), all operational control and risk of loss was transferred to the Purchaser and the Company had no further obligation to fund operations of Evanston through a Consulting Agreement. Management performed an assessment and determined that the Company no longer has a controlling financial interest as of the Effective Date. The transfer of the cannabis license is pending regulatory approval as of the issuance of these Condensed Consolidated Financial Statements and the Company will take all commercially reasonable steps to maintain all permits for Evanston to operate its business. The Company recognized a gain upon sale of membership interests equal to the difference between the aggregate consideration and the book value of the assets as of the disposition date, less direct costs to sell, which is recognized on the Condensed Consolidated Statements of Operations during the three months ended September 26, 2020.

As of September 26, 2020 the Company decided to divest two cannabis licenses and entered into separate agreements to sell 100% of its membership interests in these two locations, located in California, for an aggregate sale price of $5,250,000 of which a non-binding term sheet was entered on June 26, 2020 and $750,000 is to be paid upon the date of close in addition to $750,000 paid in equal monthly installments over twelve months through a promissory note. An additional verbal agreement was entered into during the three months ended September 26, 2020, in which the total consideration to be paid includes $3,500,000 cash paid within thirty days following the date of close and equity consideration equal to $250,000. As of September 26, 2020, the contemplated sale of these locations are pending customary closing conditions and are expected to be completed within a one year period. The assets and liabilities related to these subsidiaries were classified as held for sale in accordance with ASC 360-10 and are measured at the lower of its carrying amount or FVLCTS.

In accordance of ASC 360-10, the company performed an analysis of any impairments prior to reclassifying certain assets as held for sale and recorded an impairment charge of $789,709 which is included as a component of impairment expense in the accompanying Condensed Consolidated Statements of Operations.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**5. ASSETS HELD FOR SALE** *(Continued)*

Subsidiaries classified as assets held for sale that do not qualify as discontinued operations as of September 26, 2020 and June 27, 2020 consists of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Carrying Amounts of the Assets Included in Assets Held for Sale: | | |
| Cash and Cash Equivalents | $ 7,714 | $ 743,271 |
| Prepaid Expenses | 4,054 | 7,798 |
| Inventory | - | 520,464 |
| Other Current Assets | 53,176 | 81,427 |
| **TOTAL CURRENT ASSETS** [(1)] | | |
| Property and Equipment, Net | 326,701 | 717,952 |
| Operating Lease Right-of-Use Assets | 1,042,535 | 190,986 |
| Intangible Assets, Net | 6,115,570 | 5,227,288 |
| Goodwill | 1,838,502 | 4,577,242 |
| **TOTAL NON-CURRENT ASSETS** [(1)] | | |
| **TOTAL ASSETS OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE** | **$ 9,388,252** | **$ 12,066,428** |
| Carrying Amounts of the Liabilities Included in Assets Held for Sale: | | |
| Accounts Payable and Accrued Liabilities | $ 137,061 | $ 963,255 |
| Income Taxes Payable | 85,616 | 159,053 |
| Other Current Liabilities | 2,670 | 27,854 |
| Current Portion of Operating Lease Liabilities | 274,079 | - |
| **TOTAL CURRENT LIABILITIES** [(1)] | | |
| Operating Lease Liabilities, Net of Current Portion | 1,088,221 | 296,694 |
| Deferred Tax Liabilities | 2,328,367 | 2,151,879 |
| **TOTAL NON-CURRENT LIABILITIES** [(1)] | | |
| | - | - |
| **TOTAL LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE** | **$ 3,916,014** | **$ 3,598,735** |

______________________

*[(1)] The assets and liabilities of subsidiaries classified as held for sale are classified as current on the Condensed Consolidated Balance Sheets as of September 26, 2020 and June 27, 2020 because it is probable that the sale will occur and proceeds will be collected within one year.*

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

## 6. PROPERTY AND EQUIPMENT

As of September 26, 2020 and June 27, 2020, property and equipment consists of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Land and Buildings | $ 37,421,326 | $ 37,400,378 |
| Finance Lease Right-of-Use Assets | 12,556,847 | 26,194,566 |
| Furniture and Fixtures | 13,991,481 | 13,970,449 |
| Leasehold Improvements | 67,428,253 | 63,976,372 |
| Equipment and Software | 29,496,811 | 29,277,120 |
| Construction in Progress | 35,333,101 | 38,470,016 |
| **Total Property and Equipment** | 196,227,819 | 209,288,901 |
| Less Accumulated Depreciation | (40,030,274) | (34,741,034) |
| **Property and Equipment, Net** | **$156,197,545** | **$174,547,867** |

Depreciation expense related to continuing operations of $5,335,301 and $7,034,650 was recorded for the three months ended September 26, 2020 and September 28, 2019, respectively, of which $62,447 and $942,542, respectively, is included in cost of goods sold. The amount of depreciation recognized for the right of use assets for capital leases during the three months ended September 26, 2020 and September 28, 2019 was $604,280 and $2,070,767, respectively, see *"Note 11 – Leases"* for further information.

During the three months ended September 26, 2020 and September 28, 2019, borrowing costs totaling nil and $876,096, respectively, were capitalized using an average capitalization rate of nil and 8.8%, respectively. In addition, during the three months ended September 26, 2020 and September 28, 2019, total labor related costs of $60,620 and $436,164, respectively, were capitalized to Construction in Progress, of which $8,154 and $136,386, respectively, was share-based compensation.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 7. INTANGIBLE ASSETS

As of September 26, 2020 and June 27, 2020, intangible assets consist of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Dispensary Licenses | $ 133,053,216 | $ 139,736,881 |
| Customer Relationships | 18,586,200 | 18,586,200 |
| Management Agreement | 7,594,937 | 7,594,937 |
| Capitalized Software | 9,311,278 | 9,255,026 |
| Intellectual Property | 8,520,116 | 8,520,121 |
| **Total Intangible Assets** | 177,065,747 | 183,693,165 |
| Dispensary Licenses | (21,228,281) | (19,162,587) |
| Customer Relationships | (12,480,609) | (8,113,913) |
| Management Agreement | (615,347) | (565,972) |
| Capitalized Software | (2,862,569) | (2,273,432) |
| Intellectual Property | (1,441,163) | (5,496,231) |
| Less Accumulated Amortization | (38,627,969) | (35,612,135) |
| Intangible Assets, Net | **$ 138,437,778** | **$ 148,081,030** |

The Company recorded amortization expense related to continuing operations of $3,352,854 and $3,359,970 for the three months ended September 26, 2020 and September 28, 2019, respectively. During the three months ended September 26, 2020 and September 28, 2019, $24,819 and $201,254, respectively, of share-based compensation was capitalized to capitalized software.

**MEDMEN ENTERPRISES INC.**
**Notes to Unaudited Interim Condensed Consolidated Financial Statements**
**Three Months Ended September 26, 2020 and September 28, 2019**
*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 8. OTHER ASSETS

As of September 26, 2020 and June 27, 2020, other assets consist of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Long-Term Security Deposits for Leases | $ 9,270,225 | $ 9,752,611 |
| Loans and Other Long-Term Deposits | 7,563,737 | 7,568,738 |
| Other Assets | 94,407 | 53,648 |
| **Total Other Assets** | **$ 16,928,369** | **$ 17,374,997** |

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILTIES

As of September 26, 2020 and June 27, 2020, accounts payable and accrued liabilities consist of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Accounts Payable | $ 53,330,661 | $ 58,614,619 |
| Accrued Liabilities | 9,998,881 | 10,532,715 |
| Other Accrued Liabilities | 12,937,196 | 10,383,596 |
| **Total Other Current Liabilities** | **$ 76,266,738** | **$ 79,530,930** |

## 10. OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

As of September 26, 2020 and June 27, 2020, other current liabilities consist of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Accrued Interest Payable | $ 1,239,976 | $ 9,051,650 |
| Contingent Consideration | 9,254,634 | 8,951,801 |
| Derivatives | 240,697 | 546,076 |
| Other Current Liabilities | 1,837,365 | 1,728,854 |
| **Total Other Current Liabilities** | **$ 12,572,672** | **$ 20,278,381** |

***Contingent Consideration***

Contingent consideration recorded relates to a business acquisition during the year ended June 27, 2020. The contingent consideration related to the acquisition of One Love Beach Club is based upon fair value of the additional shares required to be paid upon the expiration of the lock-up and is based upon the fair market value of the Company's trading stock and is considered a Level 1 categorization in the fair value hierarchy. Contingent consideration classified as a liability and measured at fair value in accordance with ASC 480, *"Distinguishing Liabilities from Equity"*. The contingent consideration is remeasured at fair value at each reporting period with changes recorded in profit and loss in the Condensed Consolidated Statements of Operations.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 10. OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES *(Continued)*

***Derivative Liabilities***

A reconciliation of the beginning and ending balance of derivative liabilities and change in fair value of derivative liabilities for the three months ended September 26, 2020 is as follows:

| | September 26, 2020 |
|---|---|
| **Balance as of Beginning of Year** | $ 546,076 |
| Initial Recognition of Derivative Liabilities | - |
| Change in Fair Value of Derivative Liabilities | (305,379) |
| **Balance as of End of Year** | **$ 240,697** |

Fair value was measured based on Level 1 inputs on the fair value hierarchy since there are quoted prices in active markets for these warrants. The Company used the closing price of the publicly-traded warrants to estimate fair value of the derivative liability as of September 26, 2020.

## 11. LEASES

In accordance with ASU 2016-02, the Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and accrued obligations under operating lease (current and non-current) liabilities in the Condensed Consolidated Balance Sheets. Finance lease ROU assets are included in property and equipment, net and accrued obligations under finance lease (current and noncurrent) liabilities in the Condensed Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. The Company classifies a lease as an operating lease when it does not meet any of the criteria of a finance lease as set forth by ASU 2016-02.

ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.
Most operating leases contain renewal options that provide for rent increases based on prevailing market conditions. The Company has lease extension terms at its properties that have either been extended or are likely to be extended. The terms used to calculate the ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**11. LEASES** *(Continued)*

The below are the details of the lease cost and other disclosures regarding the Company's leases as of September 26, 2020 and September 28, 2019:

| | September 26, 2020 | September 28, 2019 |
|---|---|---|
| Finance Lease Cost: | | |
| Amortization of Finance Lease Right-of-Use Assets | $ 314,143 | $ 2,070,767 |
| Interest on Lease Liabilities | 1,523,821 | 1,432,930 |
| Operating Lease Cost | 7,658,920 | 6,986,299 |
| **Total Lease Expenses** | **$ 9,496,884** | **$ 10,489,996** |

| | 2020 | 2019 |
|---|---|---|
| (Gain) and Loss on Sale and Leaseback Transactions, Net | $ - | $ (704,207) |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | |
| Financing Cash Flows from Finance Leases | $ 39,879 | $ - |
| Operating Cash Flows from Operating Leases | $ 9,158,398 | $ 7,172,043 |
| Non-Cash Additions to Right-of-Use Assets and Lease Liabilities: | | |
| Recognition of Right-of-Use Assets for Finance Leases | $ 350,249 | $ 42,676,528 |
| Recognition of Right-of-Use Assets for Operating Leases | $ - | $ 141,557,231 |

| | 2020 | 2019 |
|---|---|---|
| Weighted-Average Remaining Lease Term (Years) - Finance Leases | 38 | 48 |
| Weighted-Average Remaining Lease Term (Years) - Operating Leases | 8 | 9 |
| Weighted-Average Discount Rate - Finance Leases | 16.22% | 10.66% |
| Weighted-Average Discount Rate - Operating Leases | 13.50% | 11.35% |

Future lease payments under non-cancelable operating leases and finance leases as of September 26, 2020 are as follows:

| Fiscal Year Ending | Operating Leases | Finance Leases |
|---|---|---|
| June 26, 2021 | $ 23,512,450 | $ 3,725,785 |
| June 25, 2022 | 31,430,045 | 5,860,696 |
| June 24, 2023 | 31,536,071 | 6,035,912 |
| June 29, 2024 | 41,208,860 | 11,494,331 |
| June 28, 2025 | 38,674,115 | 7,347,736 |
| September 26, 2026 and Thereafter | 126,851,773 | 1,080,067,137 |
| Total Lease Payments | 293,213,314 | 1,114,531,597 |
| Less: Interest | (169,709,464) | (1,083,412,254) |
| **Present Value of Lease Liability** | **$123,503,850** | **$ 31,119,343** |

Finance leases noted above contain required security deposits, refer to *"Note 8 – Other Assets"*.

***Lease Deferral Arrangements***

On July 2, 2020, the Company modified its existing lease arrangements with the Treehouse Real Estate Investment Trust (the "REIT") in which the REIT agreed to defer a portion of total current monthly base rent on certain cultivation facilities and ground leases for the 36-month period between July 1, 2020 and July 1, 2023 for a total of four properties. Amendments for two of the properties were accounted for as lease modifications in accordance with ASC 842 "*Leases*", whereas the two additional leases related to failed leaseback transactions in which the related finance obligation was modified and accounted for in accordance with ASC 470, "*Debt*", see "*Note 12 – Notes Payable*", for further discussion. The total amount of all deferred rent accrues interest at 8.6% per annum during the deferral period. As consideration for the rent deferral, the Company issued 3,500,000 warrants to the REIT, each exercisable at $0.34 per share for a period of five years. Upon the analysis of the warrants issued under ASC 815, the Company determined that the warrants are accounted for as a direct costs in relation to the lease and to be measured at fair value and accounted for as an equity instrument. As a result of the modification to the leases discussed above, a gain on lease modification was recognized in the amount of $16,274,615 and is included in gain on disposals of assets, restructuring fees and other expenses in the accompanying Condensed Consolidated Statements of Operations during the three months ended September 26, 2020.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 12. NOTES PAYABLE

As of September 26, 2020 and June 27, 2020, notes payable consist of the following:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Finance liabilities incurred on various dates between January 2019 through September 2019 with implied interest rates ranging from 0.7% to 17.0% per annum. | $ 83,576,661 | $ 83,576,661 |
| Non-revolving, senior secured term notes dated between October 1, 2018 and September 16, 2020, issued to accredited investors, which mature on January 31, 2022, and bear interest at a rate of 15.5% and 18.0% per annum. | 89,464,671 | 77,675,000 |
| Convertible debentures dated September 16, 2020, issued to accredited investors and qualified institutional buyers, which mature on September 16, 2022, and bear interest at a rate of 7.5% per annum. | 1,000,000 | - |
| Promissory notes dated between January 15, 2019 through March 29, 2019, issued for deferred payments on acquisitions, which mature on varying dates from August 3, 2019 to June 30, 2020 and bear interest at rates ranging from 8.0% to 9.0% per annum. | 16,298,250 | 16,173,250 |
| Promissory notes dated November 7, 2018, issued to Lessor for tenant improvements as part of sales and leaseback transactions, which mature on November 7, 2028, bear interest at a rate of 10.0% per annum and require minimum monthly payments of $15,660 and $18,471. | 2,057,058 | 2,339,564 |
| Other | 15,419 | 15,418 |
| Total Notes Payable | 192,412,059 | 179,779,893 |
| Less Unamortized Debt Issuance Costs and Loan Origination Fees | (12,369,731) | (10,781,288) |
| Net Amount | $ 180,042,328 | $ 168,998,605 |
| Less Current Portion of Notes Payable | (17,067,303) | (16,188,668) |
| **Notes Payable, Net of Current Portion** | **$ 162,975,025** | **$ 152,809,937** |

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

**12. NOTES PAYABLE** *(Continued)*

A reconciliation of the beginning and ending balances of notes payable for the three months ended September 26, 2020 and September 28, 2019 is as follows:

| | September 26, 2020 |
|---|---|
| Balance at Beginning of Period | $ 168,998,605 |
| Cash Additions | 4,125,000 |
| Non-Cash Addition - Debt Modification | 877,439 |
| Debt Discount Recognized on Modification | (879,267) |
| Paid-In-Kind Interest Capitalized | 7,912,232 |
| Cash Payments | (284,334) |
| Equity Component of Debt | (2,883,786) |
| Cash Paid for Debt Issuance Costs | 1,828 |
| Accretion of Debt Discount | 2,174,611 |
| **Balance at End of Period** | **$180,042,328** |
| Less Current Portion of Notes Payable | (17,067,303) |
| **Notes Payable, Net of Current Portion** | **$162,975,025** |

***Amendments to Senior Secured Term Loan Facility***

On July 2, 2020, the Company completed the amendment of its existing term loan facility (the "Facility") in the principal amount of $77,675,000 with funds managed by Hankey Capital and with an affiliate of Stable Road Capital (the "Lenders") wherein the entirety of the interest at a rate of 15.5% per annum shall accrue monthly to the outstanding principal as payment-in-kind effective March 1, 2020 through July 2, 2021. Thereafter until maturity on January 31, 2022, one-half of the interest (7.75% per annum) shall be payable monthly in cash and one-half of the interest (7.75% per annum) shall be paid-in-kind. In addition, the Company may request an increase to the Facility through December 31, 2020 to be funded through incremental term loans. Certain reporting and financial covenants were added, and the minimum liquidity covenant was waived until September 30, 2020 wherein the amount of required cash balance thereafter was amended. The amendment to the Facility was not deemed to be a substantial modification under ASC 470-50, *"Modifications and Extinguishments"*.

The Company incurred an amendment fee of $834,000 that was added to the outstanding principal balance. As consideration for the amendment, the Company issued approximately 20,227,863 warrants exercisable at $0.34 per share until July 2, 2025. The Company also cancelled 20,227,863 existing warrants held by the lenders exercisable at $0.60 per share until December 31, 2022. The warrants may be exercised at the election of their holders on a cashless basis. The warrants issued in connection with the term loan facility met the scope exception under ASC 815, *"Derivatives and Hedging"* and are classified as equity instruments. The change in fair value of the warrants was recorded as a debt discount in connection with the Facility. As a result of the modification, the Company recorded an additional debt discount of $906,436 related to the change in terms of the warrants. See *"Note 15 – Share-Based Compensation"* for further information regarding the valuation method and assumptions used in determining the fair value of these equity instruments.

**12. NOTES PAYABLE** *(Continued)*

On September 16, 2020, the Company entered into further amendments wherein the amount of funds available under the Facility was increased by $12,000,000, of which $5,700,000 was fully committed by the lenders through October 31, 2020. The additional amounts are funded through incremental term loans at an interest rate of 18.0% per annum wherein 12.0% shall be paid in cash monthly in arrears and 6.0% shall accrue monthly as payment-in-kind. In connection with each incremental draw under the amended Facility, the Company shall issue warrants equal to 200% of the incremental term loan amount, divided by the greater of (a) $0.20 per share and (b) 115% multiplied by the volume-weighted average trading price ("VWAP") of the shares for the five consecutive trading days ending on the trading day immediately prior to the applicable funding date of the second tranche, which shall be the exercise price of the issued warrant. Such warrants are subject to a down round feature wherein the exercise price would be decreased in the event of the exercise of a down-round price reset of select warrants under the senior secured convertible credit facility with Gotham Green Partners ("GGP"). Refer to "*Note 13 – Senior Secured Convertible Credit Facility*" for further information. In addition, certain covenants and terms were added or amended, and the minimum liquidity covenant was waived until December 31, 2020. The amendment to the Facility was not deemed to be a substantial modification under ASC 470-50, *"Modifications and Extinguishments"*.

On September 16, 2020, the Company closed on an incremental term loan of $3,000,000 under the amended Facility. As consideration for the amendment, the Company issued approximately 20,227,863 warrants exercisable at $0.34 per share until September 16, 2025. The Company also cancelled 20,227,863 existing warrants held by the lenders exercisable at $0.60 per share until December 31, 2022. In connection with the incremental term loan of $3,000,000, the Company issued 30,000,000 warrants with an exercise price of $0.20 per share until December 31, 2025. The warrants may be exercised at the election of their holders on a cashless basis and are classified as equity instruments. The change in fair value of the warrants was recorded as a debt discount in connection with the Facility. Accordingly, the Company recorded an additional debt discount of $1,579,152 related to the change in terms of the warrants and the incremental term loan. See *"Note 15 – Share-Based Compensation"* for further information.

On September 16, 2020, the down round feature on the warrants issued in connection with the incremental term loan of $3,000,000 on September 16, 2020 was triggered wherein the exercise price was adjusted to $0.17 per share. The value of the effect of the down round feature was determined to be $259,736 and recognized as an increase in additional paid-in capital.

***Unsecured Convertible Facility***

On September 16, 2020, the Company entered into an unsecured convertible debenture facility for total available proceeds of $10,000,000 wherein the convertible debentures shall have a conversion price equal to the closing price on the trading day immediately prior to the closing date, a maturity date of 24 months from the date of issuance and will bear interest at a rate of 7.5% per annum payable semi-annually in cash. The unsecured facility is callable in additional tranches in the amount of $1,000,000 each, up to a maximum of $10,000,000 under all tranches. The timing of additional tranches can be accelerated based on certain conditions. The Company has the right to prepay, in whole or in part, the outstanding principal amount and accrued interest prior to maturity, upon payment of 7.5% of the principal amount being repaid, less the amount of interest paid during the year of prepayment. The debentures provide for the automatic conversion into Subordinate Voting Shares in the event that the VWAP is greater than $0.25 on the CSE for 45 consecutive trading days, at a conversion price per Subordinate Voting Share equal to $0.17.

On September 16, 2020, the Company closed on an initial $1,000,000 of the facility with a conversion price of $0.17 per Subordinate Voting Share. In connection with the initial tranche, the Company issued 3,293,413 warrants with an exercise price of $0.21 per share. Under ASC 815, the conversion option and warrants were recorded as an equity instrument. As of September 26, 2020, the relative fair value of the warrants with a value of $172,153 has been recorded to equity.

***Financing Liability***

In connection with the Company's failed sale and leaseback transactions described in *"Note 11 – Leases"*, a financing liability was recognized equal to the cash proceeds received upon inception. The cash payments made on the lease less the portion considered to be interest expense, will decrease the financing liability. The financing liability was modified due to an amended lease agreement during the three months ended September 26, 2020 in which the new terms of the amended agreement do not qualify as a substantial modification under ASC 470-50, "*Modifications and Extinguishments*".

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 13. SENIOR SECURED CONVERTIBLE CREDIT FACILITY

As of September 26, 2020 and June 27, 2020, senior secured convertible credit facility consists of the following:

| | Tranche | September 26, 2020 | June 27, 2020 |
|---|---|---|---|
| Senior secured convertible notes dated April 23, 2019, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | 1A | $ 22,613,719 | $ 21,660,583 |
| Senior secured convertible notes dated May 22, 2019, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | 1B | 89,839,938 | 86,053,316 |
| Senior secured convertible notes dated July 12, 2019, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | 2 | 27,740,154 | 26,570,948 |
| Senior secured convertible notes dated November 27, 2019, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | 3 | 10,741,556 | 10,288,815 |
| Senior secured convertible notes dated March 27, 2020, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | 4 | 13,050,118 | 12,500,000 |
| Amendment fee converted to senior secured convertible notes dated October 29, 2019, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | - | 20,278,293 | 19,423,593 |
| Senior secured convertible notes dated April 24, 2020, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | IA-1 | 2,835,875 | 2,734,282 |
| Senior secured convertible notes dated September 14, 2020, issued to accredited investors, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | IA-2 | 5,484,058 | - |
| Restatement fee issued in senior secured convertible notes dated March 27, 2020, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | - | 8,560,735 | 8,199,863 |
| Second restatement fee issued in senior secured convertible notes dated July 2, 2020, which mature on April 23, 2022 and bear interest at LIBOR plus 6.0% per annum. | - | 2,040,906 | - |
| Total Drawn on Senior Secured Convertible Credit Facility | | 203,185,352 | 187,431,400 |
| Less Unamortized Debt Discount | | (33,810,741) | (21,062,937) |
| **Senior Secured Convertible Credit Facility, Net** | | **$ 169,374,611** | **$ 166,368,463** |

A reconciliation of the beginning and ending balances of senior secured convertible credit facility for the three months ended September 26, 2020 and June 27, 2020 is as follows:

| | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 | Amendment Fee Notes | Restatement Fee Notes | 2nd Restatement Fee Notes | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **Balance as of June 27, 2020** | **$102,833,447** | **$25,352,687** | **$9,680,433** | **$2,455,231** | **$18,964,600** | **$ 7,082,065** | **$ -** | **$166,368,463** |
| Cash Additions | - | - | - | 4,825,000 | - | - | - | 4,825,000 |
| Fees Capitalized to Debt Related to Debt Modifications | - | - | - | 468,568 | - | - | 2,000,000 | 2,468,568 |
| Paid-In-Kind Interest Capitalized | 4,739,758 | 1,169,206 | 452,741 | 667,205 | 854,700 | 360,872 | 40,906 | 8,285,388 |
| Net Effect on Equity Component of New and Amended Debt | (5,440,833) | (1,492,268) | (586,606) | (2,618,335) | (1,193,896) | (2,444,153) | - | (13,776,091) |
| Cash Paid for Debt Issuance Costs | - | - | - | 175,000 | - | - | - | 175,000 |
| Amortization of Debt Discounts | 261,193 | 73,947 | 31,097 | 585,518 | 28,685 | 47,843 | - | 1,028,283 |
| **Balance as of** | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **September 26, 2020** | **$102,393,565** | **$25,103,572** | **$9,577,665** | **$6,558,187** | **$18,654,089** | **$ 5,046,627** | **$ 2,040,906** | **$169,374,611** |

**13. SENIOR SECURED CONVERTIBLE CREDIT FACILITY** *(Continued)*

On July 2, 2020, the Company amended and restated the securities purchase agreement with Gotham Green Partners ("GGP") under the senior secured convertible credit facility (the "Convertible Facility") (the "Fourth Amendment") wherein the minimum liquidity covenant was waived until September 30, 2020 and resetting at $5,000,000 thereafter with incremental increases on March 31, 2021 and December 31, 2021. The payment-in-kind feature on the Convertible Facility was also extended, such that 100% of the cash interest due prior to June 2021 will be paid-in-kind and 50% of the cash interest due thereafter will be paid-in-kind. The Fourth Amendment released certain assets from its collateral to allow greater flexibility to generate proceeds through the sale of non-core assets. The Fourth Amendment allows for immediate prepayment of amounts under the Convertible Facility with a 5% prepayment penalty until 2nd anniversary of the Fourth Amendment and 3% prepayment penalty thereafter. As part of the Fourth Amendment, holders of notes under the Convertible Facility were provided down-round protection where issuances of equity interests (including securities that are convertible or exchangeable for equity interests) by the Company at less than the higher of (i) lowest conversion price under the amended and restated notes of the Convertible Facility amendment dated March 27, 2020 and (ii) the highest conversion price determined for any incremental advances, will automatically adjust the conversion/exercise price of the previous tranches and incremental tranche 4 warrants and the related replacement warrants to the price of the newly issued equity interests. Certain issuances of equity interests are exempted such as issuances to existing lenders, equity interests in contemplation at the time of Fourth Amendment and equity interests issued to employees, consultants, directors, advisors or other third parties, in exchange for goods and services or compensation. Pursuant to ASU 2017-11, the down-round protection was not considered a derivative and will be recognized when the down-round protection adjustments are triggered.

As consideration for the amendment, the conversion price for 52% of the tranches 1 through 3 and the first amendment fee notes outstanding under the Convertible Facility were amended to $0.34 per share. An amendment fee of $2,000,000 was also paid through the issuance of additional notes at a conversion price of $0.28 per share. The Fourth Amendment to the Convertible Facility was deemed to be a substantial modification under ASC 470-50, *"Modifications and Extinguishments,"* and a loss on extinguishment of $10,129,655 was recognized.

On September 14, 2020, the Company closed on an incremental advance in the amount of $5,000,000 under its existing Convertible Facility with GGP at a conversion price of $0.20 per share. In connection with the incremental advance, the Company issued 25,000,000 warrants with an exercise price of $0.20 per share. In addition, 1,080,255 Existing warrants were cancelled and replaced with 16,875,001 warrants with an exercise price of $0.20 per share. Pursuant to the terms of the GGP Facility, the conversion price for 5.0% of the existing Notes outstanding prior to Tranche 4 and Incremental Advance (including paid-in-kind interest accrued on such Notes), being 5.0% of an aggregate principal amount of $170,729,923, was amended to $0.20 per share. As consideration for the additional advance, the Company issued convertible notes as consideration for a $468,564 fee with a conversion price of $0.20 per share.

On September 16, 2020, the down round feature on the convertible notes and warrants issued in connection with Tranche 4, Incremental Advances and certain amendment fees was triggered wherein the exercise price was adjusted to $0.17 per share. The value of the effect of the down round feature on convertible notes and warrants was determined to be $21,672,272 and $4,883,467, respectively. The effect related to convertible notes was recognized as additional debt discount and an increase in additional paid-in-capital. The effect related to warrants was recognized as a deemed distribution and an increase in additional paid-in capital.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 14. SHAREHOLDERS' EQUITY

**Issued and Outstanding**

A reconciliation of the beginning and ending issued and outstanding shares is as follows:

| | Subordinate Voting Shares | Super Voting Shares | MM CAN USA Class B Redeemable Units | MM Enterprises USA Common Units |
|---|---|---|---|---|
| **Balance as of June 27, 2020** | **403,907,218** | **815,295** | **236,123,851** | **725,016** |
| Shares Issued to Settle Accounts Payable and Liabilities | 3,608,690 | - | - | - |
| Redemption of MedMen Corp Redeemable Shares | 29,947,959 | - | (29,947,959) | - |
| Shares Issued for Vested Restricted Stock Units | 614,207 | - | - | - |
| Stock Grants for Compensation | 1,318,865 | - | - | - |
| **Balance as of September 26, 2020** | **439,396,939** | **815,295** | **206,175,892** | **725,016** |

***Non-Controlling Interests***

Non-controlling interest represents the net assets of the subsidiaries that the holders of the Subordinate Voting Shares do not directly own. The net assets of the non-controlling interest are represented by the holders of MM CAN USA Redeemable Shares and the holders of MM Enterprises USA Common Units. Non-controlling interest also represents the net assets of the entities the Company does not directly own but controls through a management agreement. As of September 26, 2020 and June 27, 2020, the holders of the MM CAN USA Redeemable Shares represent approximately 31.94% and 36.89%, respectively, of the Company and holders of the MM Enterprises USA Common Units represent approximately 0.11% and 0.11%, respectively, of the Company.

***Variable Interest Entities***

The below information are entities the Company has concluded to be variable interest entities ("VIEs") as the Company possesses the power to direct activities through management services agreements ("MSAs"). Through these MSAs, the Company can significantly impact the VIEs and thus holds a controlling financial interest.

The following table represents the summarized financial information about the Company's consolidated VIEs. VIEs include the balances of LAX Fund II Group, LLC, Natures Cure, Inc. and Venice Caregiver Foundation, Inc. This information represents amounts before intercompany eliminations.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**14. SHAREHOLDERS' EQUITY** *(Continued)*

As of and for the three months ended September 26, 2020, the balances of the VIEs consists of the following:

| | Venice Caregivers Foundation, Inc. | LAX Fund II Group, LLC | Natures Cure, Inc. | TOTAL |
|---|---|---|---|---|
| Current Assets | $ 912,450 | $ (4,268,671) | $ 5,913,332 | $ 2,557,111 |
| Non-Current Assets | 13,890,323 | 3,188,194 | 5,011,523 | 22,090,040 |
| **Total Assets** | **14,802,773** | **(1,080,477)** | **10,924,855** | **24,647,151** |
| Current Liabilities | $ 12,471,726 | $ 3,142,212 | $ 1,895,769 | $ 17,509,707 |
| Non-Current Liabilities | 9,142,143 | 2,611,035 | 1,146,331 | 12,899,509 |
| **Total Liabilities** | **21,613,869** | **5,753,247** | **3,042,100** | **30,409,216** |
| **Non-Controlling Interest** | **$ (6,811,096)** | **$ (6,833,724)** | **$ 7,882,755** | **$ (5,762,065)** |
| **Revenues** | **$ 2,245,915** | **$ (570)** | **$ 3,438,820** | **$ 5,684,165** |
| **Net (Loss) Income Attributable to Non-Controlling Interest** | **$ (885,911)** | **$ (763,397)** | **$ 1,103,128** | **$ (546,180)** |

As of and for the year ended June 27, 2020, the balances of the VIEs consists of the following:

| | Venice Caregivers Foundation, Inc. | LAX Fund II Group, LLC | Natures Cure, Inc. | TOTAL |
|---|---|---|---|---|
| Current Assets | $ 1,233,188 | $ 811,025 | $ 6,639,231 | $ 8,683,444 |
| Non-Current Assets | 16,867,824 | 3,259,563 | 5,032,428 | 25,159,815 |
| **Total Assets** | **18,101,012** | **4,070,588** | **11,671,659** | **33,843,259** |
| Current Liabilities | $ 12,831,161 | $ 7,481,953 | $ 3,745,710 | $ 24,058,824 |
| Non-Current Liabilities | 11,196,585 | 2,662,078 | 1,146,322 | 15,004,985 |
| **Total Liabilities** | **24,027,746** | **10,144,031** | **4,892,032** | **39,063,809** |
| **Non-Controlling Interest** | **$ (5,926,734)** | **$ (6,073,443)** | **$ 6,779,627** | **$ (5,220,550)** |
| **Revenues** | **$ 10,949,458** | **$ -** | **$ 13,976,810** | **$ 24,926,268** |
| **Net (Loss) Income Attributable to Non-Controlling Interest** | **$ (6,132,528)** | **$ (3,777,079)** | **$ 3,143,437** | **$ (6,766,170)** |

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**14. SHAREHOLDERS' EQUITY** *(Continued)*

The net change in the consolidated VIEs and other non-controlling interest are as follows for the three months ended September 26, 2020:

| | Venice Caregivers Foundation, Inc. | LAX Fund II Group, LLC | Natures Cure, Inc. | Other Non-Controlling Interests | TOTAL |
|---|---|---|---|---|---|
| Balance as of June 27, 2020 | $ (5,925,185) | $ (6,070,327) | $ 6,779,627 | $ (331,561,812) | $ (336,777,697) |
| Net Income (Loss) | (885,911) | (763,397) | 1,103,128 | (10,381,361) | (10,927,541) |
| Equity Component on Debt and Debt Modification | - | - | - | 2,485,588 | 2,485,588 |
| Redemption of MedMen Corp Redeemable Shares | - | - | - | (14,370,838) | (14,370,838) |
| **Balance as of September 26, 2020** | **$ (6,811,096)** | **$ (6,833,724)** | **$ 7,882,755** | **$(353,828,423)** | **$(359,590,488)** |

Le Cirque Rouge, LP (the Operating Partnership," or the "OP") is a Delaware limited partnership that holds substantially all of the real estate assets owned by the REIT, conducts the REIT's operations, and is financed by the REIT. Under ASC 810, *"Consolidation"*, the OP was determined to be a variable interest entity in which the Company has a variable interest. The Company was determined to have an implicit variable interest in the OP based on the leasing relationship and arrangement with the REIT. The Company was not determined to be the primary beneficiary of the VIE as the Company does not have the power to direct the activities of the VIE that most significantly affect its economic performance. As of September 26, 2020, the Company continues to have a variable interest in the OP. During the three months ended September 26, 2020, the Company did not provide any financial or other support to the REIT other than the REIT being a lessor on various leases as described in *"Note 11 – Leases"*. Accordingly, Le Cirque Rouge, LP is not consolidated as a variable interest entity within the unaudited interim Condensed Consolidated Financial Statements.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 15. SHARE-BASED COMPENSATION

The Company has a stock and equity incentive plan (the "Incentive Plan") under which the Company may issue various types of equity instruments to any employee, officer, consultant, advisor or director. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, stock grants, deferred stock units, restricted stock grants, LTIP, P units and warrants (together, "Awards"). Stock based compensation expenses are recorded as a component of general and administrative To the extent that the Company has not appointed a Compensation Committee, all rights and obligations under the Incentive Plan shall be those of the full Board of Directors. The maximum number of Awards that may be issued under the Incentive Plan shall be determined by the Compensation Committee or the Board of Directors in the absence of a Compensation Committee. Any shares subject to an Award under the Incentive Plan that are forfeited, canceled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations, shall again be available for Awards under the Incentive Plan. Vesting of Awards will be determined by the Compensation Committee or Board of Directors in absence of one. The exercise price for Awards (if applicable) will generally not be less than the fair market value of the Award at the time of grant and will generally expire after 10 years.

A summary of share-based compensation expense for the three months ended September 26, 2020 and September 28, 2019 is as follows:

| | Three Months Ended | |
|---|---|---|
| | September 26, 2020 | September 28, 2019 |
| Stock Options | $ 1,008,538 | $ 1,687,273 |
| LTIP Units | - | 833,531 |
| Stock Grants for Services | 181,589 | 364,948 |
| Restricted Stock Grants | 157,477 | 1,680,625 |
| **Total Share-Based Compensation** | **$ 1,347,604** | **$ 4,566,377** |

***Stock Options***

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

| | Number of Stock Options | Weighted-Average Exercise Price | Number of Stock Options Exercisable | Weighted-Average Exercise Price |
|---|---|---|---|---|
| **Balance as of June 27, 2020** | **8,618,204** | **$ 2.78** | **4,248,393** | **$ 2.78** |
| Granted | - | $ - | 896,857 | $ 3.48 |
| Forfeited | (717,794) | $ (3.26) | - | $ - |
| **Balance as of September 26, 2020** | **7,900,410** | **$ 2.74** | **5,145,250** | **$ 3.24** |

The aggregate intrinsic value of options outstanding was nil at both September 26, 2020 and June 27, 2020.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**15. SHARE-BASED COMPENSATION** *(Continued)*

***LTIP Units and LLC Redeemable Units***

A reconciliation of the beginning and ending balances of the LTIP Units and LLC Redeemable Units issued for compensation outstanding is as follows:

| | LTIP Units Issued and Outstanding | LLC Redeemable Units | Weighted Average Grant Date Fair Value |
|---|---|---|---|
| **Balance as of June 27, 2020 and September 26, 2020** | **19,323,878** | **725,016** | **$ 0.52** |

***Deferred Stock Units***

Effective December 10, 2019, the Company's board of directors approved a Deferred Share Unit ("DSU") award under the Company's Incentive Plan. The DSU award was for units to the Company's non-management directors. Each director will be provided the Company's Subordinate Voting Shares based on the duration of their term as a director up to $250,000 for a year of service ending August 2020. At September 26, 2020 and June 27, 2020, there was 1,283,567 units issued and outstanding. For the three months ended September 26, 2020 and September 28, 2019, compensation expense related to the DSU award was nil, was included in accounts payable and stock based compensation expense on the Company's Condensed Consolidated Balance Sheets. As of September 26, 2020, the corresponding Subordinate Voting Share have not yet been issued to the directors. A reconciliation of the beginning and ending balance of DSUs outstanding is as follows:

| | Issued and Outstanding | Weighted-Average Fair Value |
|---|---|---|
| **Balance as of June 27, 2020** | **1,283,567** | **$ 0.38** |
| Granted | - | $ - |
| **Balance as of September 26, 2020** | **1,283,567** | **$ 0.38** |

***Restricted Stock Grants***

During the three months ended September 26, 2020 and September 28, 2019, the Company granted an entitlement to 614,207 and 178,190, respectively, of restricted Subordinate Voting Shares to certain officers and directors. A reconciliation of the beginning and ending balance of restricted stock grants outstanding is as follows:

| | Issued and Outstanding | Vested | Weighted-Average Fair Value |
|---|---|---|---|
| **Balance as of June 27, 2020** | **7,159,164** | **192,459** | **$ 0.68** |
| Granted | 614,207 | - | $ 0.29 |
| Redemption of Vested Stock | (614,207) | (614,207) | $ 0.29 |
| Vesting of Restricted Stock | - | 628,873 | $ 0.35 |
| **Balance as of September 26, 2020** | **7,159,164** | **207,125** | **$ 0.68** |

Certain restricted stock granted has vesting which is based on market conditions. For restricted stock that have no market condition vesting, the fair value was determined using the trading value of the Subordinate Voting Shares on the date of grant. For the restricted stock that have market condition vesting, these shares were valued using a Monte Carlo simulation model taking into account the trading value of the Company's Subordinate Voting Shares on the date of grant and into the future encompassing a wide range of possible future market conditions.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**15. SHARE-BASED COMPENSATION** *(Continued)*

***Warrants***

A reconciliation of the beginning and ending balance of warrants outstanding is as follows:

| | Number of Warrants Outstanding | | | |
|---|---|---|---|---|
| | Subordinate Voting Shares | MedMen Corp Redeemable Shares | Total | Weighted-Average Exercise Price |
| **Balance as of June 27, 2020** | **114,998,915** | **40,455,731** | **155,454,646** | **$ 0.59** |
| Issued | 110,757,575 | 70,455,726 | 181,213,301 | $ 0.17 |
| Cancelled | (1,080,226) | (40,455,731) | (41,535,957) | $ (0.50) |
| **Balance as of September 26, 2020** | **224,676,264** | **70,455,726** | **295,131,990** | **$ 0.34** |

During the three months ended September 26, 2020, 40,455,726 and 30,000,000 warrants were issued for MedMen Corp Redeemable Shares with an exercise price of $0.34 and $0.20, respectively, and expire through September 16, 2025. Additionally, 41,875,000, 3,293,413 and 3,500,000 warrants were issued for Subordinate Voting Shares with an exercise price of $0.20, $0.21 and $0.34, respectively, and expire through July 2, 2025.

The fair value of warrants exercisable for MedMen Corp Redeemable Shares was determined using the Black-Scholes option-pricing model with the following assumptions on the date of issuance:

| | September 26, 2020 | June 27 2020 |
|---|---|---|
| Weighted-Average Risk-Free Annual Interest Rate | 0.12% | 2.82% |
| Weighted-Average Expected Annual Dividend Yield | 0% | 0% |
| Weighted-Average Expected Stock Price Volatility | 91.38% | 82.93% |
| Weighted-Average Expected Life of Warrants | 1 year | 1 year |

The fair value of warrants exercisable for the Company's Subordinate Voting Shares was determined using the Black-Scholes option-pricing model with the following assumptions on the latest modification of September 16, 2020:

| | |
|---|---|
| Weighted-Average Risk-Free Annual Interest Rate | 0.08% |
| Weighted-Average Expected Annual Dividend Yield | 0% |
| Weighted-Average Expected Stock Price Volatility | 52.84% |
| Weighted-Average Expected Life of Warrants | 0.6 year |

Stock price volatility was estimated by using the historical volatility of the Company's Subordinate Voting Shares and the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on U.S. Treasury bills with a remaining term equal to the expected life of the warrants. 80,838,323 of warrants are cancelable if the Company meets certain cash flow metrics for two consecutive quarters. The effects of contingent cancellation feature were included in determining the fair value of the related warrants.

As of September 26, 2020 and June 27, 2020, warrants outstanding have a weighted-average remaining contractual life of 53.8 and 46.2 months, respectively.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 16. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share for the three months ended September 26, 2020 and September 28, 2019:

| | Three Months Ended | |
|---|---|---|
| | **September 26, 2020** | **September 28, 2019** |
| Net Loss from Continuing Operations Attributable to Shareholders of MedMen Enterprises, Inc. | $ (19,237,687) | $ (21,142,349) |
| Less: Deemed Dividend - Down Round Feature of Warrants | (4,883,467) | - |
| Net Loss from Continuing Operations Available to Shareholders of MedMen Enterprises, Inc. | $ (24,121,154) | $ (21,142,349) |
| Net Loss from Discontinued Operations | (2,682,175) | (3,080,420) |
| Weighted-Average Number of Shares Outstanding | 423,187,218 | 191,711,038 |
| **Earnings (Loss) Per Share - Basic and Diluted:** | | |
| **From Continuing Operations Attributable to Shareholders of MedMen Enterprises, Inc.** | **$ (0.06)** | **$ (0.11)** |
| **From Discontinued Operations** | **$ (0.01)** | **$ (0.02)** |

Diluted loss per share is the same as basic loss per share as the issuance of shares on the exercise of convertible debentures, LTIP share units, warrants and share options is anti-dilutive.

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

During the three months ended September 26, 2020 and September 28, 2019, general and administrative expenses consisted of the following:

| | **September 26, 2020** | **September 28, 2019** |
|---|---|---|
| Salaries and Benefits | $ 10,040,704 | $ 20,901,335 |
| Professional Fees | 3,599,335 | 5,285,269 |
| Rent | 8,607,733 | 7,134,515 |
| Licenses, Fees and Taxes | 3,250,878 | 2,321,899 |
| Other General and Administrative | 6,184,954 | 18,451,931 |
| **Total General and Administrative Expenses** | **$ 31,683,604** | **$ 54,094,949** |

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 18. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended September 26, 2020 and September 28, 2019:

| | Three Months Ended | |
|---|---|---|
| | September 26, 2020 | September 28, 2019 |
| Loss from Continuing Operations Before Provision for Income Taxes | $ (19,826,666) | $ (77,379,010) |
| Income Tax (Expense) Benefit | (10,338,562) | 17,660,731 |
| Effective Tax Rate | (52.04)% | (22.82)% |

Historically, the Company has computed its provision for income taxes under the discrete method which treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit on that basis. For the three months ended September 26, 2020, the Company has calculated its provision for income taxes during its interim reporting periods by applying an estimate of the annual effective tax rate for the full year "ordinary" income or loss for the respective reporting period. Historically, the discrete method was applied due to the reliability of the estimate the annual effective tax rate. The Company believes that, at this time, the use of the estimated annual tax rate is more appropriate under FASB Interpretation No. 18 an interpretation of APB Opinion No. 28 than the discrete method given the Company's utilization of its forecast.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E for U.S. federal, Illinois state, Florida state and New York state income tax purposes 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. 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.

Since IRC Section 280E was not applied in the California Franchise Tax returns, the Company has approximately $76,700,000 of gross California net operating losses which begin expiring in 2038 as of June 27, 2020. The Company has evaluated the realization of its California net operating loss tax attribute and has determined under the more likely than not standard that $2,500,000 will not be realized.

The effective tax rate for the three months ended September 26, 2020 varies widely from the three months ended September 28, 2019, respectively, primarily due to the Company reporting increased expenses subject to IRC Section 280E relative to pre-tax book loss. The Company incurred a large amount of expenses that were not deductible due to IRC Section 280E limitations which resulted in income tax expense being incurred while there were pre-tax losses for the three months ended September 26, 2020.

The federal statute of limitation remains open for the 2017 tax year to the present. The state income tax returns generally remain open for the 2016 tax year through the present. Net operating losses arising prior to these years are also open to examination if and when utilized.

## 19. COMMITMENTS AND CONTINGENCIES

***Contingencies***

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of September 26, 2020 and June 27, 2020, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

***Claims and Litigation***

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of September 26, 2020, there were no pending or threatening lawsuits that could be reasonably assessed to have resulted in a probable loss to the Company in an amount that can be reasonably estimated. As such, no accrual has been made in the Consolidated Financial Statements relating to claims and litigations. As of September 26, 2020, there are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party to the Company or has a material interest adverse to the Company's interest.

In July 2018, a legal claim was filed against the Company related to alleged misrepresentations in respect of a financing transaction completed in May 2018. The claimant is seeking damages of approximately $2,200,000. The Company believes the likelihood of a loss contingency is remote. As a result, no amount has been set up for potential damages in these financial statements.

In late January 2019, the Company's former Chief Financial Officer ("CFO") filed a complaint against MM Enterprises in the Superior Court of California, County of Los Angeles, seeking damages for claims relating to his employment. The Company is currently defending against this lawsuit, which seeks damages for wrongful termination, breach of contract, and breach of implied covenant of good faith. The former CFO's employment agreement provided for the payment of severance in the event of termination without cause. The Company disputes the claims set forth in this lawsuit and believes that the outcome is neither probable nor estimable; therefore, no amounts have been accrued in relation to the claim.

In March 2020, litigation was filed against the Company related to a purchase agreement for a previous acquisition. The Company is currently defending against this lawsuit, which seeks damages for fraudulent inducement and breach of contract. The Company believes the likelihood of a loss contingency is neither probable nor remote and the amount cannot be estimated reliably. As such, no amount has been accrued in these financial statements.

In May 2020, litigation was filed against the Company related to a purchase agreement and secured promissory note for a previous acquisition. The Company is currently defending against this lawsuit, which claims for breach of contract, breach of implied covenant of good faith and fair dealing, common law fraud and securities fraud. The plaintiffs are seeking damages for such claims in which the amount is currently not reasonably estimable. Therefore, pursuant to ASC 450, "*Contingencies*", a liability has not been recorded in these Condensed Consolidated Financial Statements. As a result of the pending claims, access to records have been withheld by the plaintiffs. See "*Note 22 – Discontinued Operations*" for further discussion.

In September 2020, a legal dispute was filed against the Company related to the separation of a former officer in which the severance issued is currently being disputed. The Company believes the likelihood of loss is remote. As a result, no amount has been set up for potential damages in these financial statements.

A legal dispute has been filed against the Company and is currently in arbitration. The dispute is at an early stage and the Company believes that a loss contingency as a result of the settlement is reasonably possible; however the amount is not estimable. Accordingly, no amount has been accrued in relation to the dispute.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 20. RELATED PARTY TRANSACTIONS

All related party balances due from or due to the Company as of September 26, 2020 and June 27, 2020 did not have any formal contractual agreements regarding payment terms or interest.

As of September 26, 2020 and June 27, 2020, amounts due from related parties were as follows:

| Name and Relationship to Company | Transaction | September 26, 2020 | June 27, 2020 |
|---|---|---|---|
| MMOF GP II, LLC ("Fund LP II"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.3% indirect voting interest. The shareholders each hold 27.1% of indirect equity interest in Fund LP II, the General Partner of Fund II, which both hold equity interests in a subsidiary of the Company. *(1)* | Management Fees | $ 1,820,204 | $ 1,820,204 |
| MedMen Opportunity Fund GP, LLC ("Fund LP"), an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.3% indirect voting interest. The shareholders each hold 24.2% of indirect equity interest in Fund LP, the General Partner of Fund I, which both hold equity interests in a subsidiary of the Company. *(1)* | Management Fees | 1,289,514 | 1,289,513 |
| **Total Amounts Due from Related Parties** | | **$ 3,109,718** | **$ 3,109,717** |

______________________
*(1) As of February 2020 and May 2020, Mr. Adam Bierman and Mr. Andrew Modlin, respectively, no longer held board or management positions and therefore as of September 26, 2020 are not related parties, however they were during the fiscal year ended June 27, 2020. As of September 26, 2020, Chris Ganan is a member of the Company's board of directors and thus considered a related party under ASC 850, "Related Party Disclosures".*

As of September 26, 2020 and June 27, 2020, amounts due to related parties were as follows:

| Name and Relationship to Company | Transaction | September 26, 2020 | June 27, 2020 |
|---|---|---|---|
| Fund LP II, an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.3% indirect voting interest. The shareholders each hold 27.1% of indirect equity interest in Fund LP II, the General Partner of Fund II, which both hold equity interests in a subsidiary of the Company. *(1)* | Working Capital, Construction and Tenant Improvements, Lease Deposits and Cash Used for Acquisitions | $ (1,093,896) | $ (1,093,896) |
| Fund LP, an entity which Mr. Adam Bierman, Mr. Andrew Modlin and Mr. Christopher Ganan each holds 33.3% indirect voting interest. The shareholders each hold 24.2% of indirect equity interest in Fund LP, the General Partner of Fund I, which both hold equity interests in a subsidiary of the Company. *(1)* | Working Capital, Management Fees and Cash Used for Acquisitions | (1,986,697) | (1,986,697) |
| Other | | (1,473,122) | (1,476,221) |
| **Total Amounts Due to Related Parties** | | **$ (4,553,715)** | **$ (4,556,814)** |

______________________
*(1) As of February 2020 and May 2020, Mr. Adam Bierman and Mr. Andrew Modlin, respectively, no longer held board or management positions and therefore as of September 26, 2020 are not related parties, however they were during the fiscal year ended June 27, 2020. As of September 26, 2020, Chris Ganan is a member of the Company's board of directors and thus considered a related party under ASC 850, "Related Party Disclosures".*

**20. RELATED PARTY TRANSACTIONS** *(Continued)*

On December 11, 2019, the Company announced that Benjamin Rose, the Executive Chairman of the Board, was granted a limited proxy of 815,295 Class A Super Voting Shares, which represents 50% of the total Class A Super Voting Shares, for a period of one year. As a result of the proxy, Mr. Rose has joint control of the Company. Under ASC 850, *"Related Party Disclosures"*, Mr. Rose is a member of the key management personnel of Wicklow Capital, Inc. and accordingly, Wicklow Capital is a related party of the Company. In August 2020, the Company granted 102,519 deferred stock units to Mr. Rose. As of September 26, 2020, the corresponding Subordinate Voting Shares have not yet been issued to Mr. Rose.

As of September 26, 2020, the Company determined GGP to be a related party as a result of GGP having significant influence over the Company. See *"Note 13 – Senior Secured Convertible Credit Facility"* for a full disclosure of transactions and balances related to GGP.

In March 2020, the Company entered into restructuring plan and retained interim management and advisory firm, Sierra Constellation Partners ("SCP"). As part of the engagement, Tom Lynch was appointed as Interim Chief Executive Officer and Chief Restructuring Officer, and Tim Bossidy was appointed as Interim Chief Operating Officer. Mr. Lynch is a Partner and Senior Managing Director at SCP. Mr. Bossidy is a Director at SCP. As of September 26, 2020, the Company had paid $699,322 in fees to SCP for interim management and restructuring support.

**21. SEGMENTED INFORMATION**

The Company currently operates in one segment, the production and sale of cannabis products, which is how the Company's Chief Operating Decision Maker managers the business and makes operating decisions. The Company's cultivation operations are not considered significant to the overall operations of the Company. Intercompany sales and transactions are eliminated in consolidation.

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

## 22. DISCONTINUED OPERATIONS

During the fiscal second quarter of 2020, the Company contemplated the divesture of non-core assets and management entered into a plan to sell its operations in the state of Arizona. During the fiscal year ended June 27, 2020, the Company entered into binding and non-binding term sheets and began separate negotiations to sell its operations in the state of Arizona, including the related management entities, for total gross proceeds of approximately $25,500,000. As of September 26, 2020, the contemplated transactions are subject to customary closing conditions and is expected to close within the next twelve months. After the close of the transaction, there will be no continued involvement with the sellers.

Consequently, assets and liabilities allocable to the operations within the state of Arizona were classified as a disposal group. The assets associated with the Arizona disposal group have been measured at the lower of its carrying amount or FVLCTS. Revenue and expenses, gains or losses relating to the discontinuation of Arizona operations have been eliminated from profit or loss from the Company's continuing operations and are shown as a single line item in the Consolidated Statements of Operations. For the fiscal first quarter of 2021, net loss from discontinued operations does not include revenue and expenses and gains or losses from Kannaboost Technology Inc. and CSI Solutions LLC (collectively referred to as "Level Up"), which include retail locations in Scottsdale and Tempe and cultivation and production facilities in Tempe and Phoenix. Refer to "*Note 19 - Commitments and Contingencies*" for information regarding the pending litigation.

The Company will continue to operate the Arizona operations until the ultimate sale of the disposal group. Net operating loss of the discontinued operations and the gain or loss from re-measurement of assets and liabilities classified as held for sale are summarized as follows:

| | September 26, 2020 | September 28, 2019 |
|---|---|---|
| Revenue | $ 1,599,990 | $ 4,304,749 |
| Cost of Goods Sold | 1,268,752 | 3,880,606 |
| Gross Profit | 331,238 | 424,143 |
| Expenses: | | |
| General and Administrative | 976,611 | 1,823,752 |
| Sales and Marketing | 6,501 | 948 |
| Depreciation and Amortization | 49,142 | 499,328 |
| Total Expenses | 1,032,254 | 2,324,028 |
| Income (Loss) from Operations | (701,016) | (1,899,885) |
| Other Expense (Income): | | |
| Other Expense | 37,056 | 5,385 |
| Total Other Expense | 37,056 | 5,385 |
| Loss on Discontinued Operations Before Provision for Income Taxes | (738,072) | (1,905,270) |
| Provision for Income Tax (Expense) Benefit | (1,944,103) | (1,175,150) |
| **Loss on Discontinued Operations** | **$ (2,682,175)** | **$ (3,080,420)** |

*(Amounts Expressed in United States Dollars Unless Otherwise Stated)*

**22. DISCONTINUED OPERATIONS** *(Continued)*

The carrying amounts of assets and liabilities in the disposal group are summarized as follows:

| | September 26, 2020 | June 27, 2020 |
|---|---|---|
| Carrying Amounts of the Assets Included in Discontinued Operations: | | |
| Cash and Cash Equivalents | $ 319,834 | $ 522,966 |
| Accounts Receivable | 239,702 | 274,886 |
| Prepaid Expenses | 59,921 | 74,622 |
| Inventory | 3,241,697 | 3,323,978 |
| Other Current Assets | 65,851 | 64,600 |
| **TOTAL CURRENT ASSETS** (1) | | |
| Property and Equipment, Net | 4,224,082 | 4,288,808 |
| Operating Lease Right-of-Use Assets | 5,136,228 | 5,257,327 |
| Intangible Assets, Net | 7,298,804 | 7,260,288 |
| Other Assets | 117,275 | 113,576 |
| **TOTAL NON-CURRENT ASSETS** (1) | | |
| **TOTAL ASSETS OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE** | **$ 20,703,394** | **$ 21,181,051** |
| Carrying Amounts of the Liabilities Included in Discontinued Operations: | | |
| Accounts Payable and Accrued Liabilities | $ 1,732,280 | $ 2,126,162 |
| Income Taxes Payable | 2,818,170 | 946,679 |
| Other Current Liabilities | 22,462 | 22,747 |
| Current Portion of Operating Lease Liabilities | 379,529 | 385,699 |
| **TOTAL CURRENT LIABILITIES** (1) | | |
| Operating Lease Liabilities, Net of Current Portion | 5,199,132 | 5,300,936 |
| Deferred Tax Liabilities | 6,278,078 | 6,278,079 |
| **TOTAL NON-CURRENT LIABILITIES** (1) | | |
| **TOTAL LIABILITIES OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE** | **$ 16,429,651** | **$ 15,060,302** |

*(1) The assets and liabilities of the disposal group classified as held for sale are classified as current on the Condensed Consolidated Balance Sheets as of September 26, 2020 because it is probable that the sale will occur and proceeds will be collected within one year.*

## 23. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 7, 2020, which is the date these unaudited interim Condensed Consolidated Financial Statements were issued, and has concluded that the following subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the notes to the Consolidated Financial Statements.

***Senior Secured Term Loan Facility***

On October 30, 2020, the Company closed on incremental term loans totaling approximately $7,700,000 under its existing Facility with Hankey Capital at an interest rate of 18.0% per annum of which 12.0% shall be paid in cash monthly in arrears; and 6.0% shall accrue monthly to the outstanding principal as payment-in-kind. In connection with the funding, the Company issued 77,052,790 warrants each exercisable at $0.20 per share for a period of five years.

***Unsecured Convertible Facility***

On September 28, 2020, the Company closed on a second tranche of $1,000,000 under its existing unsecured convertible facility with a conversion price of $0.17 per Subordinate Voting Share. In connection with the second tranche, the Company issued 3,777,475 warrants with an exercise price of $0.21 per Subordinate Voting Share. On November 20, 2020, the Company closed on a third tranche of $1,000,000 under the facility with a conversion price of $0.17 per Subordinate Voting Share. In connection with the third tranche, the Company issued 3,592,326 warrants with an exercise price of $0.21 per share.

***Sale of Assets***

Subsequent to September 26, 2020, Level Up was sold at auction for a sales price of approximately $25,000,000.

## 24. RECLASSIFICATIONS

Certain comparative amounts have been reclassified to conform with current period presentation.

## 25. CORRECTION OF ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Subsequent to the issuance of the unaudited interim Condensed Consolidated Financial Statements as of and for the three months ended September 26, 2020 and September 28, 2019 on December 7, 2020, the Company identified an error in the presentation of income taxes related to the allocation of the provision among interim periods prepared under US GAAP for the comparative period ended September 28, 2019. Accordingly, the amount previously presented for the three months ended September 28, 2019 was deemed to be an error. Following the identification of the error, the Company recorded an adjustment to recognize income taxes in the proper comparative interim period. The adjustment was deemed to be an error in previously issued financial statements under ASC 250, "*Accounting Changes and Error Corrections*". Management reviewed the interim periods for the fiscal year ended June 27, 2020 and recorded adjustments to recognize income taxes under US GAAP within the prior periods. The change in income taxes does not impact Loss from Continuing Operations Before Provision for Income Taxes for the three months ended September 28, 2019. Management noted no adjustment was required for the three months ended September 26, 2020.

The following tables present the impacts of the adjustment on our previously issued financial statements as of and for the three months ended September 26, 2020 and September 28, 2019:

| | Three Months Ended September 28, 2019 | | |
|---|---|---|---|
| | Previously Reported | Adjustment | As Corrected |
| | *(unaudited)* | | *(unaudited)* |
| Revenue | $ 39,669,996 | $ - | $ 39,669,996 |
| Cost of Goods Sold | 20,277,820 | - | 20,277,820 |
| Gross Profit | 19,392,176 | - | 19,392,176 |
| Expenses: | | | |
| General and Administrative | 54,094,949 | - | 54,094,949 |
| Sales and Marketing | 5,782,780 | - | 5,782,780 |
| Depreciation and Amortization | 9,484,181 | - | 9,484,181 |
| Realized and Unrealized Loss on Changes in Fair Value of Contingent Consideration | 2,284,054 | - | 2,284,054 |
| Impairment Expense | - | - | - |
| Gain On Disposals of Assets, Restructuring Fees and Other Expenses | (697,962) | - | (697,962) |
| Total Expenses | 70,948,002 | - | 70,948,002 |
| Loss from Operations | (51,555,826) | - | (51,555,826) |
| Other Expense (Income): | | | |
| Interest Expense | 8,163,617 | - | 8,163,617 |
| Interest Income | (369,342) | - | (369,342) |
| Amortization of Debt Discount and Loan Origination Fees | 3,067,535 | - | 3,067,535 |
| Change in Fair Value of Derivatives | (5,128,420) | - | (5,128,420) |
| Realized and Unrealized Gain on Investments, Assets Held For Sale and Other Assets | (11,480,322) | - | (11,480,322) |
| Loss on Extinguishment of Debt | 31,570,116 | - | 31,570,116 |
| Total Other Expense | 25,823,184 | - | 25,823,184 |
| Loss from Continuing Operations Before Provision for Income Taxes | (77,379,010) | - | (77,379,010) |
| Provision for Income Tax (Expense) Benefit | (6,020,522) | 23,681,253 | 17,660,731 |
| Net Loss from Continuing Operations | (83,399,532) | 23,681,253 | (59,718,279) |
| Net Loss from Discontinued Operations, Net of Taxes | (3,855,053) | 774,633 | (3,080,420) |
| Net Loss | (87,254,585) | 24,455,886 | (62,798,699) |
| Net Loss Attributable to Non-Controlling Interest | (54,161,820) | 15,585,890 | (38,575,930) |
| **Net Loss Attributable to Shareholders of MedMen Enterprises Inc.** | **$ (33,092,765)** | **$ 8,869,996** | **$ (24,222,769)** |
| **Loss Per Share - Basic and Diluted:** | | | |
| From Continuing Operations Attributable to Shareholders of MedMen Enterprises Inc. | $ (0.15) | $ 0.04 | $ (0.11) |
| From Discontinued Operations Attributable to Shareholders of MedMen Enterprises Inc. | $ (0.02) | $ 0.00 | $ (0.02) |
| Weighted-Average Shares Outstanding - Basic and Diluted | 191,711,038 | - | 191,711,038 |

| | Three Months Ended September 28, 2019 | | | | |
|---|---|---|---|---|---|
| | Additional Paid-In Capital | Accumulated Deficit | TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF MEDMEN | Non-Controlling Interest | TOTAL SHAREHOLDERS' EQUITY |
| **Previously Reported:** | | | | | |
| **BALANCE AS OF JUNE 30, 2019** | **$ 613,356,006** | **$ (370,382,824)** | **$ 243,138,181** | **$ (31,867,405)** | **$ 211,270,776** |
| Net Loss | - | (33,092,765) | (33,092,765) | (54,161,820) | (87,254,585) |
| Controlling Interest Equity Transactions | 78,636,466 | (19,986,022) | 58,650,444 | (210,120) | 58,440,324 |
| Non-Controlling Interest Equity Transactions | - | - | - | (921,778) | (921,778) |
| **BALANCE AS OF SEPTEMBER 28, 2019** | **$ 691,992,472** | **$ (423,461,611)** | **$ 268,695,860** | **$ (87,161,123)** | **$ 181,534,737** |
| **Adjustment Impacts:** | | | | | |
| **BALANCE AS OF JUNE 30, 2019** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| Net Loss | - | 8,869,996 | 8,869,996 | 15,585,890 | 24,455,886 |
| Controlling Interest Equity Transactions | - | - | - | - | - |
| Non-Controlling Interest Equity Transactions | - | - | - | - | - |
| **BALANCE AS OF SEPTEMBER 28, 2019** | **$ -** | **$ 8,869,996** | **$ 8,869,996** | **$ 15,585,890** | **$ 24,455,886** |
| **As Corrected:** | | | | | |
| **BALANCE AS OF JUNE 30, 2019** | **$ 613,356,006** | **$ (370,382,824)** | **$ 243,138,181** | **$ (31,867,405)** | **$ 211,270,776** |
| Net Loss | - | (24,222,769) | (24,222,769) | (38,575,930) | (62,798,699) |
| Controlling Interest Equity Transactions | 78,636,466 | (19,986,022) | 58,650,444 | (210,120) | 58,440,324 |
| Non-Controlling Interest Equity Transactions | - | - | - | (921,778) | (921,778) |
| **BALANCE AS OF SEPTEMBER 28, 2019** | **$ 691,992,472** | **$ (414,591,615)** | **$ 277,565,856** | **$ (71,575,233)** | **$ 205,990,623** |

| | Three Months Ended September 28, 2019 | | |
|---|---|---|---|
| | Previously Reported | Adjustment | As Corrected |
| Net Loss from Continuing Operations | $ (83,399,532) | $ 23,681,253 | $ (59,718,279) |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: | 43,348,526 | - | 43,348,526 |
| Changes in Operating Assets and Liabilities: | | | |
| Income Taxes Receivable | (2,994,072) | 2,994,072 | - |
| Income Taxes Payable | 11,242,233 | (27,449,958) | (16,207,725) |
| Operating Assets and Liabilities | (12,469,810) | - | (12,469,810) |
| **NET CASH USED IN CONTINUED OPERATING ACTIVITIES** | **(44,272,655)** | **(774,633)** | **(45,047,288)** |
| Net Cash Provided by Discontinued Operating Activities | 2,206,319 | 774,633 | 2,980,952 |
| **NET CASH USED IN OPERATING ACTIVITIES** | **(42,066,336)** | **-** | **(42,066,336)** |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(13,149,929)** | **-** | **(13,149,929)** |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | **63,698,694** | **-** | **63,698,694** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **8,482,429** | **-** | **8,482,429** |
| Cash and Cash Equivalents, Beginning of Period | 33,753,747 | - | 33,753,747 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | **$ 42,236,176** | **$ -** | **$ 42,236,176** |

There was no effect on retained earnings or net assets in the unaudited interim Condensed Consolidated Balance Sheet as of September 26, 2020 as the provision for income taxes and retained earnings was properly recorded as of June 27, 2020. The impacts of the correction of error have been reflected throughout the financial statements, including the applicable footnotes, as appropriate.