PART I — FINANCIAL INFORMATION

MEDMEN ENTERPRISES INC.
Index to Consolidated Financial Statements

MEDMEN ENTERPRISES INC.
Unaudited Interim Condensed Consolidated Balance Sheets
As of September 25, 2021 and June 26, 2021
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	September 25, 2021 *(unaudited)*	June 26, 2021 *(audited)*
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 78,223,257	$ 11,873,256
Restricted Cash	-	730
Accounts Receivable and Prepaid Expenses	6,790,371	7,790,805
Inventory	19,400,145	20,093,018
Current Assets Held for Sale	53,504,810	49,050,887
Other Current Assets	7,587,744	7,869,974
Total Current Assets	165,506,327	96,678,670
Operating Lease Right-of-Use Assets	74,916,779	77,422,356
Property and Equipment, Net	135,027,586	137,830,268
Intangible Assets, Net	111,405,548	115,379,528
Goodwill	32,900,457	32,900,457
Other Assets	12,135,823	12,252,411
TOTAL ASSETS	**$ 531,892,520**	**$ 472,463,690**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 57,960,914	$ 57,138,783
Income Taxes Payable	80,433,269	61,462,662
Other Current Liabilities	11,163,166	15,678,281
Derivative Liabilities	35,330,105	6,935,520
Current Portion of Operating Lease Liabilities	9,549,972	9,235,822
Current Portion of Finance Lease Liabilities	204,770	205,595
Current Portion of Notes Payable	110,632,461	103,496,394
Current Liabilities Held for Sale	38,488,170	32,977,602
Due to Related Party	1,476,921	1,476,921
Total Current Liabilities	345,239,748	288,607,580
Operating Lease Liabilities, Net of Current Portion	98,009,051	99,975,742
Finance Lease Liabilities, Net of Current Portion	29,424,850	29,047,099
Other Non-Current Liabilities	3,507,247	3,648,904
Deferred Tax Liabilities	57,675,600	46,377,657
Senior Secured Convertible Credit Facility, Net of Current Portion	113,503,266	170,821,393
Notes Payable, Net of Current Portion	85,573,489	87,618,934
TOTAL LIABILITIES	**732,933,251**	**726,097,309**
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, 1,196,938,241 and 726,866,374 shares issued and outstanding as of September 25, 2021 and June 26, 2021, respectively)	-	-
Additional Paid-In Capital	1,023,317,046	908,992,686
Accumulated Deficit	(772,188,033)	(717,232,706)
Total Equity Attributable to Shareholders of MedMen Enterprises Inc.	251,129,013	191,759,980
Non-Controlling Interest	(452,169,744)	(445,393,599)
TOTAL SHAREHOLDERS' EQUITY	**(201,040,731)**	**(253,633,619)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 531,892,520**	**$ 472,463,690**

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 25, 2021 and September 26, 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Three Months Ended	
	September 25, 2021	**September 26, 2020**
Revenue	$ 39,805,810	$ 35,109,139
Cost of Goods Sold	22,335,124	18,650,774
Gross Profit	17,470,686	16,458,365
Expenses:		
General and Administrative	36,490,319	30,239,471
Sales and Marketing	691,027	193,371
Depreciation and Amortization	7,029,149	8,029,429
Realized and Unrealized Changes in Fair Value of Contingent Consideration	-	302,834
Impairment Expense	435,241	789,709
Other Operating Expense (Income)	1,846,607	(29,076,284)
Total Expenses	46,492,343	10,478,530
(Loss) Income from Operations	(29,021,657)	5,979,835
Other Expense (Income):		
Interest Expense	9,966,950	8,785,392
Interest Income	(23,008)	(1,210)
Amortization of Debt Discount and Loan Origination Fees	7,844,299	1,687,055
Change in Fair Value of Derivatives	(2,105,415)	(305,379)
(Gain) Loss on Extinguishment of Debt	(10,233,610)	10,129,655
Total Other Expense	5,449,216	20,295,513
Loss from Continuing Operations Before Provision for Income Taxes	(34,470,873)	(14,315,678)
Provision for Income Tax Expense	(19,691,908)	(12,282,665)
Net Loss from Continuing Operations	(54,162,781)	(26,598,343)
Net Loss from Discontinued Operations, Net of Taxes	(6,447,250)	(6,249,060)
Net Loss	(60,610,031)	(32,847,403)
Net Loss Attributable to Non-Controlling Interest	(5,280,003)	(10,927,541)
Net Loss Attributable to Shareholders of MedMen Enterprises Inc.	**$ (55,330,028)**	**$ (21,919,862)**
Loss Per Share - Basic and Diluted:		
From Continuing Operations Attributable to Shareholders of MedMen Enterprises Inc.	**$ (0.05)**	**$ (0.05)**
From Discontinued Operations Attributable to Shareholders of MedMen Enterprises Inc.	**$ (0.01)**	**$ (0.01)**
Weighted-Average Shares Outstanding - Basic and Diluted	**942,696,052**	**423,187,218**

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 25, 2021 and September 26, 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Mezzanine Equity								
	Units	**$ Amount**	***Units***	**$ Amount**					
	Super Voting Shares	**Super Voting Shares**	***Subordinate Voting Shares***	**Subordinate Voting Shares**	**Additional Paid-In Capital**	**Accumulated Deficit**	**TOTAL EQUITY ATTRIBUTABLE 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)**
BALANCE AS OF JUNE 27, 2021	**-**	**$ -**	***726,866,374***	**$ -**	**$ 908,992,686**	**$ (717,232,706)**	**$ 191,759,980**	**$ (445,393,599)**	**$ (253,633,619)**
Net Loss	-	-	-	-	-	(55,330,028)	(55,330,028)	(5,280,003)	(60,610,031)
Controlling Interest Equity Transactions									
Shares Issued for Cash, Net of Fees	-	-	*406,249,973*	-	73,393,745	-	73,393,745	-	73,393,745
Shares Issued to Settle Debt and Accrued Interest	-	-	*20,833,333*	-	4,030,000	-	4,030,000	-	4,030,000
Shares Issued to Settle Accounts Payable and Liabilities	-	-	*4,182,730*	-	700,000	-	700,000	-	700,000
Equity Component of Debt - New and Amended	-	-	-	-	41,388,048	-	41,388,048	-	41,388,048
Redemption of MedMen Corp Redeemable Shares	-	-	*4,054,278*	-	1,121,441	374,701	1,496,142	(1,496,142)	-
Shares Issued for Vested Restricted Stock Units and Cashless Exercise of Options	-	-	*8,473,868*	-	-	-	-	-	-
Shares Issued for Exercise of Warrants	-	-	*8,807,605*	-	1,273,679	-	1,273,679	-	1,273,679
Shares Issued for Conversion of Debt	-	-	*16,014,665*	-	2,371,100	-	2,371,100	-	2,371,100
Stock Grants for Compensation	-	-	*1,455,415*	-	1,421,400	-	1,421,400	-	1,421,400
Deferred Tax Impact On Conversion Feature	-	-	-	-	(13,057,730)	-	(13,057,730)	-	(13,057,730)
Share-Based Compensation	-	-	-	-	1,682,677	-	1,682,677	-	1,682,677
BALANCE AS OF SEPTEMBER 25, 2021	**-**	**$ -**	***1,196,938,241***	**$ -**	**$ 1,023,317,046**	**$ (772,188,033)**	**$ 251,129,013**	**$ (452,169,744)**	**$ (201,040,731)**

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

MEDMEN ENTERPRISES INC.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
Three Months Ended September 25, 2021 and September 26, 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Three Months Ended	
	September 25, 2021	**September 26, 2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss from Continuing Operations	$ (54,162,781)	$ (26,598,343)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Deferred Tax Recovery	(4,497,141)	(8,749,513)
Depreciation and Amortization	7,599,774	8,071,192
Non-Cash Operating Lease Costs	6,595,652	6,740,984
Accretion of Debt Discount and Loan Origination Fees	7,844,299	1,687,055
Gain on Lease Terminations	-	(15,919,946)
Accretion of Deferred Gain on Sale of Property	(141,657)	(141,659)
Impairment of Assets	435,241	789,709
Gain on Disposal of Assets Held for Sale	-	(12,415,479)
Realized and Unrealized Changes in Fair Value of Contingent Consideration	-	302,834
Change in Fair Value of Derivative Liabilities	(2,105,415)	-
(Gain) Loss on Extinguishment of Debt	(10,233,610)	10,129,646
Share-Based Compensation	3,104,077	1,347,604
Interest Capitalized to Senior Secured Convertible Debt and Notes Payable	7,837,693	-
Interest Capitalized to Finance Lease Liabilities	377,885	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable and Prepaid Expenses	664,697	(1,533,090)
Inventory	(697,367)	1,568,281
Other Current Assets	282,230	1,991,837
Other Assets	-	443,507
Accounts Payable and Accrued Liabilities	4,390,486	(763,459)
Interest Payments on Finance Leases	(1,784,541)	(1,523,821)
Cash Payments - Operating Lease Liabilities	(5,742,616)	(8,411,146)
Income Taxes Payable	21,707,961	20,935,889
Other Current Liabilities	(2,410,643)	8,189,938
Due to Related Party	-	(3,100)
NET CASH USED IN CONTINUED OPERATING ACTIVITIES	**(20,935,776)**	**(13,861,080)**
Net Cash Used in Discontinued Operating Activities	(2,057,818)	(4,297,641)
NET CASH USED IN OPERATING ACTIVITIES	**(22,993,594)**	**(18,158,721)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(3,156,147)	(280,586)
Additions to Intangible Assets	(461,456)	(55,505)
Proceeds from Sale of Assets Held for Sale and Other Assets	-	10,000,000
Restricted Cash	730	-
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	**(3,616,873)**	**9,663,909**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Subordinate Voting Shares for Cash	95,000,000	-
Payment of Stock Issuance Costs Relating to Private Placement	(5,352,505)	
Exercise of Warrants for Cash	1,273,679	-
Payment of Loan Amendment Fee	-	-
Payment of Debt Issuance Costs Relating to Senior Secured Convertible Credit Facility	(2,608,964)	4,825,000
Proceeds from Issuance of Notes Payable	5,000,000	4,125,000
Principal Repayments of Notes Payable	(75,605)	(284,330)
Principal Repayments of Finance Lease Liability	(959)	(39,879)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**93,235,646**	**8,625,791**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**66,625,179**	**130,979**
Cash Included in Assets Held for Sale	(275,178)	-
Cash and Cash Equivalents, Beginning of Period	11,873,256	9,598,736
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 78,223,257**	**$ 9,729,715**

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

MEDMEN ENTERPRISES INC.
Unaudited Interim Condensed Consolidated Statements of Cash Flows
Three Months Ended September 25, 2021 and September 26, 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Three Months Ended	
	September 25, 2021	**September 26, 2020**
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	$ 2,577,039	$ 1,295,556
Non-Cash Investing and Financing Activities:		
Net Assets Transferred to Held for Sale	$ 4,476,993	$ 6,614,987
Receivable Recorded on Asset Held for Sale	$ -	$ 9,407,879
Lease Terminations and Amendments	$ -	$ 34,250,918
Redemption of MedMen Corp Redeemable Shares	$ 1,496,142	$ 14,370,838
Derivative Liability Incurred on Convertible Facility and Equity Financing	$ 30,500,000	$ -
Conversion of Convertible Debentures	$ 2,371,100	$ -
Shares Issued to Settle Debt and Lender Fees	$ 4,030,000	$ -
Shares Issued to Settle Accounts Payable and Liabilities	$ 700,000	$ 516,618
Equity Component of Debt - New and Amended	$ 41,388,047	$ 2,883,786
Release of Investments for Liabilities	$ -	$ 750,000
Deferred Tax Impact on Conversion Feature	$ 13,057,730	$ 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 wholly-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 25, 2021, year ended June 26, 2021 and three months ended September 26, 2020, the consolidated results of operations and cash flows for the three months ended September 25, 2021 and September 26, 2020 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 the Company's Annual Report on Form 10-K for the year ended June 26, 2021, dated September 24, 2021, as filed with the Securities and Exchange Commission (the "2021 Form 10-K").

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

COVID-19

The COVID-19 pandemic promoted various recommendations and safety measures from governmental authorities to try and limit the pandemic. The response of governmental authorities is having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. During the current reporting period, aspects of the Company's business continue to be affected by the COVID-19 pandemic, with the Company's offices and retail stores operating within local rules and regulations. 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 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.

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 the Company's 2021 Form 10-K.

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 25, 2021 and June 26, 2021, restricted cash was nil and $730, 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.

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, restricted stock units, warrants and stock options issued.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

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

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *"Simplifying the Accounting for Income Taxes*" ("ASU 2019-12"), 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 adopted ASU 2019-12 on June 27, 2021. The adoption of the standard did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

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)"* ("ASU 2020-01"), 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. ASU 2020-01 is effective for the Company for fiscal years beginning after December 15, 2020, and interim periods therein. The Company adopted ASU 2020-01 on June 27, 2021. The adoption of the standard did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

Recently Issued Accounting Standards

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"* ("ASU 2020-06"), 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 25, 2021 and June 26, 2021, inventory consists of the following:

	September 25, 2021	June 26, 2021
Raw Materials	$ 776,265	$ 669,861
Work-in-Process	2,910,664	5,174,359
Finished Goods	15,713,216	14,248,798
Total Inventory	**$ 19,400,145**	**$ 20,093,018**

During the three months ended September 25, 2021, the Company recognized an impairment of approximately $864,314 to write down inventory to its net realizable value.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

4. ASSETS HELD FOR SALE

A reconciliation of the beginning and ending balances of assets held for sale for the three months ended September 25, 2021 is as follows:

	PharmaCann Assets (1)	Available for Sale Subsidiaries (2)	Discontinued Operations (3)	TOTAL
Balance as of June 26, 2021	**$ 151,789**	**$ -**	**$ 48,899,098**	**$ 49,050,887**
Transferred In	-	4,477,723	-	4,477,723
Ongoing Activity from Discontinued Operations	-	-	36,569	36,569
Other	(60,369)	-	-	(60,369)
Balance as of September 25, 2021	**$ 91,420**	**$ 4,477,723**	**$ 48,935,667**	**$ 53,504,810**

(1) As of September 25, 2021, 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 land and license were classified as assets held for sale in accordance with ASC 360, "Long-Lived Assets Classified as Held for Sale" ("ASC 360") and are measured at the lower of its carrying amount or fair value less costs to sell ("FVLCTS") which was determined as $91,420 and nil, respectively, as of September 25, 2021.

(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 consolidated financial statements in accordance with ASC Subtopic 360-10, "Impairment and Disposal of Long-Lived Assets" ("ASC Subtopic 360-10").

(3) See "Note 21 – Discontinued Operations" for further information.

As of September 25, 2021, the Company was in negotiations to sublease (the "Sublease") and enter into a management agreement (the "Management Agreement") with the proposed sublessee to operate its cultivation facilities in California and Nevada (the "Cultivation Facilities"). The Sublease and Management Agreement is subject to the approval of the Cultivation Facilities' landlord. On September 30, 2021, the landlord approved the Sublease which effectuated the Management Agreement. Payments under the Sublease agreement are for 52% of the Company's lease obligations for the Cultivation Facilities increasing 2% annually until March 2024 and then 3% annually until March 2027 where it will remain at 65% of the lease obligations until the end of the Sublease term in January 2039. The Management Agreement provides the sublessee rights to make substantially all management decisions, and the rights to the income and obligation to fund operations of the Cultivation Facilities. The Management Agreement also provides the sublessee and an option to acquire all the assets used in the Cultivation Facilities, including the cannabis licenses and equipment, for an insignificant amount. The fee for the services under the Management Agreement is 100% and 30% of the California and Nevada Cultivation Facilities net revenue, respectively. The Company determined that as of the effective date of the Management Agreement, the Company would no longer have a controlling financial interest in the Cultivation Facilities under ASC 810, "*Consolidations*" and that as of September 25, 2021, the activities of the Cultivation Facilities met the criteria of assets held for sale. As the Company has not been relieved of the primary obligations under the leases, all of the assets and liabilities related to the Cultivation Facilities, except for the right of use assets and related lease liabilities were classified as held for sale on the unaudited interim Condensed Consolidated Balance Sheet as of September 25, 2021.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

4. ASSETS HELD FOR SALE *(Continued)*

Subsidiaries classified as assets held for sale that do not qualify as discontinued operations as of September 25, 2021 consists of the following:

	September 25, 2021
Carrying Amounts of the Assets Included in Assets Held for Sale:	
Cash and Cash Equivalents	$ 275,178
Restricted Cash	730
Accounts Receivable and Prepaid Expenses	335,737
Inventory	1,390,240
TOTAL CURRENT ASSETS (1)	
Property and Equipment, Net	2,228,243
Intangible Assets, Net	131,007
Other Assets	116,588
TOTAL NON-CURRENT ASSETS (1)	
TOTAL ASSETS OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE	**$ 4,477,723**
Carrying Amounts of the Liabilities Included in Assets Held for Sale:	
Accounts Payable and Accrued Liabilities	$ 1,083,814
Other Current Liabilities	2,104,472
TOTAL CURRENT LIABILITIES (1)	
TOTAL LIABILITIES OF SUBSIDIARIES CLASSIFIED AS HELD FOR SALE	**$ 3,188,286**

(1) The assets and liabilities of subsidiaries classified as held for sale are classified as current on the Condensed Consolidated Balance Sheet as of September 25, 2021 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)

5. PROPERTY AND EQUIPMENT

As of September 25, 2021 and June 26, 2021, property and equipment consists of the following:

	September 25, 2021	June 26, 2021
Land and Buildings	$ 36,189,824	$ 37,400,379
Finance Lease Right-of-Use Assets	7,553,620	9,154,137
Furniture and Fixtures	12,456,783	12,525,180
Leasehold Improvements	66,710,520	68,437,877
Equipment and Software	24,802,362	26,832,414
Construction in Progress	30,567,131	27,144,696
Total Property and Equipment	178,280,240	181,494,683
Less Accumulated Depreciation	(43,252,654)	(43,664,415)
Property and Equipment, Net	**$ 135,027,586**	**$ 137,830,268**

Depreciation expense related to continuing operations of $3,730,586 and $5,099,415 was recorded for the three months ended September 25, 2021 and September 26, 2020, respectively, of which $570,625 and $62,447, 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 25, 2021 and September 26, 2020 was $283,406 and $314,143, respectively, see *"Note 9 – Leases"* for further information.

During the three months ended September 25, 2021 and September 26, 2020, borrowing costs totaling $375,241 and nil, respectively, were capitalized using an average capitalization rate of 11.95% and nil, respectively. In addition, during the three months ended September 25, 2021 and September 26, 2020, total labor related costs of $102,831 and $60,620, respectively, were capitalized to Construction in Progress, of which $57,472 and $8,154, respectively, was share-based compensation.

6. INTANGIBLE ASSETS

As of September 25, 2021 and June 26, 2021, intangible assets consist of the following:

	September 25, 2021	June 26, 2021
Dispensary Licenses	$ 121,291,616	$ 121,291,616
Customer Relationships	17,747,600	17,747,600
Management Agreement	7,594,937	7,594,937
Capitalized Software	10,158,363	9,696,903
Intellectual Property	5,534,360	6,276,959
Total Intangible Assets	162,326,876	162,608,015
Dispensary Licenses	(23,525,174)	(22,125,635)
Customer Relationships	(17,871,635)	(16,463,017)
Management Agreement	(814,511)	(765,136)
Capitalized Software	(5,262,713)	(4,667,235)
Intellectual Property	(3,447,295)	(3,207,464)
Less Accumulated Amortization	(50,921,328)	(47,228,487)
Intangible Assets, Net	**$ 111,405,548**	**$ 115,379,528**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

6. INTANGIBLE ASSETS *(Continued)*

The Company recorded amortization expense related to continuing operations of $3,869,188 and $2,992,461 for the three months ended September 25, 2021 and September 26, 2020, respectively. During the three months ended September 25, 2021, the Company recognized an impairment on an intellectual property asset in the amount of $435,240. During the three months ended September 25, 2021 and September 26, 2020, $26,375 and $24,819, respectively, of share-based compensation was capitalized to capitalized software.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILTIES

As of September 25, 2021 and June 26, 2021, accounts payable and accrued liabilities consist of the following:

	September 25, 2021	June 26, 2021
Accounts Payable	$ 32,190,817	$ 35,064,380
Accrued Liabilities	15,268,115	11,470,700
Other Accrued Liabilities	10,501,982	10,603,703
Total Accounts Payable and Accrued Liabilities	**$ 57,960,914**	**$ 57,138,783**

8. 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 25, 2021 is as follows:

	September 25, 2021
Balance at Beginning of Period	$ 6,935,520
Initial Recognition of Derivative Liabilities	30,500,000
Change in Fair Value of Derivative Liabilities	(2,105,415)
Balance at End of Period	**$ 35,330,105**

On August 17, 2021, in connection with the amended and restated senior secured convertible credit facility, the Company provided the note holders top-up and preemptive rights which were bifurcated from the related notes and classified as a derivative due to the variability of the number and price of shares issuable under these rights. See *"Note 11 – Senior Secured Convertible Credit Facility"* for further information.

On August 17, 2021, the Company completed an equity investment through a private placement of 416,666,640 units at a price of $0.24 per unit. Each unit consisted of one Subordinate Voting Share and one-quarter of one share purchase warrant of the Company. Certain investors also received a portion of the Short-Term Warrant with an exercise price of $30,000,000 and an expiration date of December 31, 2021. At the option of the holder, the Short-Term Warrant may be exercisable into equity or convertible promissory notes under the Convertible Facility, in which net cash settlement is outside of the Company's control. See "*Note 12 – Shareholders' Equity*" for further information. Accordingly, the Short-Term Warrant was accounted for as a derivative liability and measured at fair value, in the amount of $19,400,000 on August 17, 2021, with changes in fair value recognized in the Condensed Consolidated Statements of Operations.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. DERIVATIVE LIABILITIES *(Continued)*

The fair value of the top-up provision in connection with Sixth Amendment of the Convertible Facility and the Short-Term Warrant in connection with the Private Placement was determined using the Monte Carlo simulation model based on Level 3 inputs on the fair value hierarchy. The following assumptions were used at the date of issuance:

	Top-Up Provision	Short-Term Warrant
Average Stock Price	$ 0.27	$ 0.27
Weighted-Average Probability	58.33%	nil
Term (in Years)	5.00	0.37
Expected Stock Price Volatility	120.00%	120.00%

The following are the warrants issued related to the equity financing transactions that were accounted for as derivative liabilities:

	Number of Warrants
September 2018 Bought Deal Equity Financing	7,840,909
December 2018 Bought Deal Equity Financing	13,640,000
March 2021 Private Placement	50,000,000
	71,480,909

The fair value of the September 2018 and December 2018 bought deal warrants 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 at the time of grant to estimate fair value of the derivative liability. The fair value of the March 2021 private placement warrants was measured based on Level 3 inputs on the fair value hierarchy using the Black-Scholes Option pricing model using the following variables:

Expected Stock Price Volatility	74.87%
Risk-Free Annual Interest Rate	0.05%
Expected Life (in Years)	0.48
Share Price	$ 0.30
Exercise Price	$ 0.40

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

9. LEASES

In accordance with ASU 2016-02, *"Leases (Topic 842)"* ("ASC 842") 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 ASC 842.

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.

The below are the details of the lease cost and other disclosures regarding the Company's leases as of September 25, 2021 and September 26, 2020:

	September 25, 2021	September 26, 2020
Finance Lease Cost:		
Amortization of Finance Lease Right-of-Use Assets	$ 283,406	$ 314,143
Interest on Lease Liabilities	1,784,541	1,523,821
Operating Lease Cost	6,595,652	6,740,984
Total Lease Expenses	**$ 8,663,599**	**$ 8,578,948**

	2021	2020
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Financing Cash Flows from Finance Leases	$ 959	$ 39,879
Operating Cash Flows from Operating Leases	$ 5,742,616	$ 8,411,146

	2021	2020
Weighted-Average Remaining Lease Term (Years) - Finance Leases	47	38
Weighted-Average Remaining Lease Term (Years) - Operating Leases	7	8
Weighted-Average Discount Rate - Finance Leases	17.86%	16.22%
Weighted-Average Discount Rate - Operating Leases	13.14%	13.50%

Future lease payments under non-cancellable operating leases and finance leases as of September 25, 2021 are as follows:

Fiscal Year Ending	Operating Leases	Finance Leases
June 25, 2022 (remaining)	$ 17,910,606	$ 4,002,169
June 24, 2023	24,054,763	5,484,327
June 29, 2024	28,079,476	9,860,306
June 28, 2025	21,942,722	6,517,465
June 27, 2026	22,359,868	6,712,989
Thereafter	97,850,346	1,069,366,620
Total Lease Payments	212,197,781	1,101,943,876
Less Interest	(104,638,758)	(1,072,314,256)
Present Value of Lease Liability	**$ 107,559,023**	**$ 29,629,620**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

10. NOTES PAYABLE

As of September 25, 2021 and June 26, 2021, notes payable consist of the following:

	September 25, 2021	June 26, 2021
Financing liability incurred on various dates between January 2019 through September 2019 with implied interest rates ranging from 0.7% to 17.0% per annum.	$ 83,400,000	$ 83,400,000
Non-revolving, senior secured term notes dated between October 1, 2018 and October 30, 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.	113,333,005	109,318,116
Convertible debentures dated between September 16, 2020 through January 29, 2021, issued to accredited investors and qualified institutional buyers, which mature two years from issuance, and bear interest at a rate of 7.5% per annum.	-	2,500,000
Promissory notes dated between January 15, 2019 through March 29, 2019, issued for deferred payments on acquisitions, which mature on varying dates from July 31, 2021 to April 1, 2022 and bear interest at rates ranging from 8.0% to 9.0% per annum.	2,148,226	2,204,476
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.	2,158,072	2,195,896
Other	15,418	15,418
Total Notes Payable	201,054,721	199,633,906
Less Unamortized Debt Issuance Costs and Loan Origination Fees	(4,848,771)	(8,518,578)
Net Amount	$ 196,205,950	$ 191,115,328
Less Current Portion of Notes Payable	(110,632,461)	(103,496,394)
Notes Payable, Net of Current Portion	**$ 85,573,489**	**$ 87,618,934**

A reconciliation of the beginning and ending balances of notes payable for the three months ended September 25, 2021 is as follows:

	September 25, 2021
Balance at Beginning of Year	$ 191,115,328
Cash Additions	5,000,000
Paid-In-Kind Interest Capitalized	4,014,889
Cash Payments	(75,605)
Conversion of Convertible Debentures	(2,371,100)
Derivative Liability Incurred on Settlement of Debt	(3,146,251)
Shares Issued to Settle Debt	(4,030,000)
Non-Cash Loss on Extinguishment of Debt	2,176,251
Accretion of Debt Discount	1,478,358
Accretion of Debt Discount Included in Discontinued Operations	2,044,080
Balance at End of Year	**196,205,950**
Less Current Portion of Notes Payable	(110,632,461)
Notes Payable, Net of Current Portion	**$ 85,573,489**

Unsecured Convertible Facility

On June 28, 2021, the remaining principal amount of the unsecured convertible debenture facility of $2,500,000 was automatically converted into 16,014,664 Class B Subordinate Voting Shares in the amount of $2,007,620. In addition, 8,807,605 of the outstanding warrants under the unsecured convertible facility were exercised at varying prices for a net exercise price of $1,622,377.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

10. NOTES PAYABLE *(Continued)*

Unsecured Promissory Note

On July 29, 2021, the Company entered into a short-term unsecured promissory note in the amount of $5,000,000 with various investors led by Serruya Private Equity Inc. ("SPE") wherein the note bears interest at a rate of 6.0% per annum payable quarterly in arrears with a maturity date of August 18, 2021.

In connection with the equity investment on August 17, 2021, the Company settled the promissory note by the issuance of 20,833,333 units, consisting of 20,833,333 Subordinate Voting Shares and 5,208,333 warrants, based on an issue price of $0.24 and the relative portion of the Short-Term Warrant. Refer to "*Note 12 – Shareholders' Equity*" for further information on the equity investment through private placement. The fair value of the equity instruments allocated to the settlement of debt was $4,030,000 and the fair value of the derivative liability allocated was $3,146,251. Accordingly, the Company recorded a loss on extinguishment of debt of $2,176,251 for the three months ended September 25, 2021.

Financing Liability

In connection with the Company's failed sale and leaseback transactions described in *"Note 9 – 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.

11. SENIOR SECURED CONVERTIBLE CREDIT FACILITY

As of September 25, 2021 and June 26, 2021, senior secured convertible credit facility consists of the following:

	Tranche	September 25, 2021	June 26, 2021
Senior secured convertible notes dated April 23, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	1A	$ 21,502,530	$ 21,112,530
Senior secured convertible notes dated May 22, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	1B	92,410,860	91,185,378
Senior secured convertible notes dated July 12, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	2	30,114,083	29,580,445
Senior secured convertible notes dated November 27, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	3	11,660,790	11,454,144
Senior secured convertible notes dated March 27, 2020, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	4	13,715,973	13,496,906
Amendment fee converted to senior secured convertible notes dated October 29, 2019, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	22,013,655	21,623,561
Senior secured convertible notes dated April 24, 2020, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	IA-1	3,078,500	3,027,003
Senior secured convertible notes dated September 14, 2020, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	IA-2	5,953,444	5,847,933
Restatement fee issued in senior secured convertible notes dated March 27, 2020, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	9,293,339	9,104,665
Second restatement fee issued in senior secured convertible notes dated July 2, 2020, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	2,058,460	2,021,984
Third restatement advance issued in senior secured convertible notes dated January 11, 2021, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	11,578,147	11,372,828
Total Drawn on Senior Secured Convertible Credit Facility		223,379,781	219,827,377
Less Unamortized Debt Discount		(109,876,515)	(49,005,984)
Senior Secured Convertible Credit Facility, Net		**$ 113,503,266**	**$ 170,821,393**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

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

A reconciliation of the beginning and ending balances of senior secured convertible credit facility for the three months ended September 25, 2021 is as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Incremental Advance - 1	Incremental Advance - 2	3rd Advance	Amendment Fee Notes	Restatement Fee Notes	2nd Restatement Fee Notes	TOTAL
Balance as of June 26, 2021	**$ 97,900,493**	**$25,266,134**	**$ 9,716,459**	**$ 2,406,966**	**$ 1,392,158**	**$ 3,195,414**	**$ 4,081,198**	**$ 18,973,030**	**$ 5,866,301**	**$ 2,023,240**	**$170,821,393**
Paid-In-Kind Interest Capitalized	1,882,881	533,638	206,645	219,067	54,498	105,510	205,319	390,095	188,674	36,477	3,822,804
Net Effect on Debt from Extinguishment	730,188	1,036,340	463,655	(6,023,142)	(1,634,070)	(1,528,691)	(3,386,103)	175,528	(2,243,726)	160	(12,409,861)
Equity Component Debt - New and Amended	(25,909,107)	(6,956,945)	(2,693,872)	3,709,995	218,454	(1,684,086)	(805,481)	(5,085,586)	(2,181,419)	-	(41,388,047)
Net Effect on Debt of Derivative	(5,665,272)	(1,495,087)	(578,928)	(680,963)	(152,843)	(295,573)	(574,825)	(1,092,922)	(461,390)	(102,197)	(11,100,000)
Cash Paid for Debt Issuance Costs	(1,331,576)	(351,408)	(136,072)	(160,055)	(35,924)	(69,472)	(135,108)	(256,882)	(108,446)	(24,021)	(2,608,964)
Amortization of Debt Discounts	2,656,531	563,748	224,657	684,871	192,678	343,773	744,785	493,869	459,646	1,383	6,365,941
Balance as of September 25, 2021	**$ 70,264,138**	**$18,596,420**	**$ 7,202,544**	**$ 156,739**	**$ 34,951**	**$ 66,875**	**$ 129,785**	**$ 13,597,132**	**$ 1,519,640**	**$ 1,935,042**	**$113,503,266**

On August 17, 2021, the Company announced that Tilray, Inc. ("Tilray") acquired a majority of the outstanding senior secured convertible notes (the "Notes") under the senior secured convertible credit facility (the "Convertible Facility") with Gotham Green Partners ("GGP"). Under the terms of the transaction, a newly formed limited partnership (the "SPV") established by Tilray and other strategic investors acquired an aggregate principal amount of approximately $165,800,000 of the Notes and warrants issued in connection with the Convertible Facility, representing 75% of the outstanding Notes and 65% of the outstanding warrants under the Convertible Facility. Specifically, Tilray's interest in the SPV represents rights to 68% of the Notes and related warrants held by the SPV, which are convertible into, and exercisable for, approximately 21% of the outstanding Subordinate Voting Shares of MedMen upon closing of the transaction. Tilray also has the right to appoint two non-voting observers of the Company's Board of Directors.

In connection with the sale of the Notes, the Company amended and restated the securities purchase agreement with GGP ("A&R 4", or the "Sixth Amendment") to, among other things, extend the maturity date to August 17, 2028, eliminate any cash interest obligations and instead provide for payment-in-kind ("PIK") interest, eliminate certain repricing/down-round provisions, and eliminate and revise certain restrictive covenants. All or a portion of the Notes and unpaid accrued interest are convertible into Subordinate Voting Shares at the option of the Note holder prior to the Notes repayment. The conversion price of the Notes and unpaid and accrued PIK interest prior to A&R 4 ranges from $0.1529 to $0.3400. Accrued payment-in-kind interest on the Notes incurred after A&R 4 will be convertible at price equal to the higher of 1) the trailing 30-day volume weighted average price of the Subordinate Voting Shares, and 2) lowest discounted price available pursuant to the pricing policies of the Canadian Securities Exchange (the "CSE"). A&R 4 PIK was classified as a liability in accordance with ASC 480, "*Distinguishing Liabilities from Equity".* The Notes may not be prepaid until the federal legalization of cannabis. Under A&R 4, the Company is subject to certain financial covenants including minimum liquidity and maintenance of the annual budget, and certain negative covenants, including restrictions on incurring liens, debt and contingent obligations, sale of assets, conducting mergers, investments and affiliate transactions, making certain payments, organizational changes, and sale-leaseback transactions. The Company was in compliance with its covenants as of September 25, 2021. The Sixth Amendment was deemed to be a substantial modification under ASC Subtopic 470-50, "*Modifications and Extinguishments*" and the Company recorded a gain on extinguishment of debt in the amount of $12,409,861 for the three months ended September 25, 2021.

The Notes will also provide the holders with a top-up ("Top-up") right to acquire additional Subordinate Voting Shares and a preemptive ("Preemptive") right with respect to future financings of the Company, subject to certain exceptions, upon the issuance by MedMen of certain Subordinate Voting Shares or Subordinate Voting Share-linked securities. Top-up rights provides the Note holders warrants for the number of Subordinate Voting Shares that maintains the Note holders their as-if converted ownership percentage of Subordinate Voting Shares (the "Top-up Warrants"). The Top-up Warrants exercise price is equal to the issue or conversion price of the Subordinate Voting Shares that triggered the Top-up Warrants. The Top-up Warrants expire at the earlier of five years or the date cannabis possession is federally legal. Preemptive rights allow the Note holders a first right to acquire its pro rata portion of certain future Subordinate Voting Share issuances at the price proposed by the Company. The Top-up and Preemptive rights were bifurcated from the Notes and classified as derivatives due to the variability in the number of shares and price in accordance with ASC 815, "*Derivatives and Hedging*". See *"Note 8 - Derivative Liabilities"* for further discussion.

In connection with A&R 4, GGP has the ability to nominate an individual to serve on the Company's Board of Directors for so long as GGP's diluted ownership percentage is at least 10%.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. 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 26, 2021	**726,866,374**	**-**	**95,212,601**	**725,016**
Shares Issued for Cash, Net of Fees	406,249,973	-	-	-
Shares Issued to Settle Debt and Accrued Interest	20,833,333	-	-	-
Shares Issued to Settle Accounts Payable and Liabilities	4,182,730	-	-	-
Redemption of MedMen Corp Redeemable Shares	4,054,278	-	(4,054,278)	-
Shares Issued for Vested Restricted Stock Units and Cashless Exercise of Options	8,473,868	-	-	-
Shares Issued for Exercise of Warrants	8,807,605	-	-	-
Shares Issued for Conversion of Debt	16,014,665	-	-	-
Stock Grants for Compensation	1,455,415	-	-	-
Balance as of September 25, 2021	**1,196,938,241**	**-**	**91,158,323**	**725,016**

Equity Investment Through Private Placement

On August 17, 2021, the Company entered into subscription agreements with various investors led by Serruya Private Equity Inc. ("SPE") to purchase $100,000,000 of units (each, a "Unit") of the Company at a purchase price of $0.24 per Unit (the "Private Placement") wherein each Unit consisted of one Class B Subordinate Voting Share and one-quarter share purchase warrant. Each warrant permits the holder to purchase one additional Subordinate Voting Share at an exercise price of $0.288 per share for a period of five years from the date of issuance. The warrants were classified within shareholders' equity as additional paid-in capital in accordance with ASC 815-10, "*Derivatives and Hedging*" ("ASC 815-10") and recorded at fair value. The Company issued a total of 416,666,640 Subordinate Voting Shares and 104,166,660 warrants for gross proceeds of $100,000,000 including the settlement of the unsecured promissory note of $5,000,000. The Company incurred stock issuance costs totaling $7,852,679, including the Backstop Commitment fee noted below, which were recorded as reductions in additional paid-in capital. Accordingly, the Company received proceeds totaling $92,147,321 net of fees. Refer to "*Note 10 – Notes Payable*" for further information.

Each Unit issued to certain funds associated with SPE consisted of one Class B Subordinate Voting Share and one-quarter of one share purchase warrant, plus a proportionate interest in a short-term warrant (the "Short-Term Warrant") which expires on December 31, 2021. At the option of the holders and upon payment of $30,000,000, the Short-Term Warrant entitles the holders to acquire (i) an aggregate of 125,000,000 Units at an exercise price of $0.24 per Unit, or (ii) $30,000,000 principal amount of notes at par, convertible into 125,000,000 Subordinate Voting Shares at a conversion price of $0.24 per share under the terms of the Convertible Facility. The proceeds from the exercise of the Short-Term Warrant, less fees and expenses, must be used to repay the senior secured term loan with Hankey Capital if any indebtedness is then outstanding. The Short-Term Warrant was classified as a liability in accordance with ASC 815-10 and recorded at fair value in the amount of $19,400,000. See "*Note 8 – Derivative Liabilities*" for further information.

Certain investors associated with SPE agreed to backstop the Private Placement (the "Backstop Commitment"). In consideration for providing the Backstop Commitment, the Company paid a fee of $2,500,000 in the form of 10,416,666 Class B Subordinate Voting Shares at a price of $0.24 per share.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. SHAREHOLDERS' EQUITY *(Continued)*

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 25, 2021 and June 26, 2021, the holders of the MM CAN USA Redeemable Shares represent approximately 7.08% and 36.89%, respectively, of the Company and holders of the MM Enterprises USA Common Units represent approximately 0.06% 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 Venice Caregiver Foundation, Inc., LAX Fund II Group, LLC, and Natures Cure, Inc. This information represents amounts before intercompany eliminations.

As of and for the three months ended September 25, 2021, the balances of the VIEs consists of the following:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	TOTAL
Current Assets	$ 1,209,576	$ 419,415	$ 15,102,072	$ 16,731,063
Non-Current Assets	12,244,054	2,960,842	4,961,913	20,166,809
Total Assets	**$ 13,453,630**	**$ 3,380,257**	**$ 20,063,985**	**$ 36,897,872**
Current Liabilities	$ 8,558,602	$ 11,212,934	$ 2,924,859	$ 22,696,395
Non-Current Liabilities	9,416,063	2,378,653	1,146,318	12,941,034
Total Liabilities	**$ 17,974,665**	**$ 13,591,587**	**$ 4,071,177**	**$ 35,637,429**
Non-Controlling Interest	**$ (4,521,035)**	**$ (10,211,330)**	**$ 15,992,808**	**$ 1,260,443**
Revenues	**$ 2,533,056**	**$ -**	**$ 4,544,535**	**$ 7,077,591**
Net (Loss) Income Attributable to Non-Controlling Interest	**$ (372,527)**	**$ (832,208)**	**$ 1,699,080**	**$ 494,345**

As of the year ended June 26, 2021, the balances of the VIEs consists of the following:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	TOTAL
Current Assets	$ 1,365,867	$ 500,648	$ 13,260,675	$ 15,127,190
Non-Current Assets	12,596,223	2,864,806	4,957,685	20,418,714
Total Assets	**$ 13,962,090**	**$ 3,365,454**	**$ 18,218,360**	**$ 35,545,904**
Current Liabilities	$ 8,760,561	$ 10,302,246	$ 2,778,312	$ 21,841,119
Non-Current Liabilities	9,350,037	2,442,330	1,146,320	12,938,687
Total Liabilities	**$ 18,110,598**	**$ 12,744,576**	**$ 3,924,632**	**$ 34,779,806**
Non-Controlling Interest	**$ (4,148,508)**	**$ (9,379,122)**	**$ 14,293,728**	**$ 766,098**
Revenues	**$ 2,245,915**	**$ -**	**$ 3,438,820**	**$ 5,684,735**
Net (Loss) Income Attributable to Non-Controlling Interest	**$ (885,911)**	**$ (763,967)**	**$ 1,103,128**	**$ (546,750)**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. SHAREHOLDERS' EQUITY *(Continued)*

The net change in the consolidated VIEs and other non-controlling interest are as follows for the three months ended September 25, 2021:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	Other Non-Controlling Interests	TOTAL
Balance as of June 26, 2021	$ (4,148,508)	$ (9,379,122)	$ 14,293,728	$ (446,159,697)	$ (445,393,599)
Net Income (Loss)	(372,527)	(832,208)	1,699,080	(5,774,348)	(5,280,003)
Redemption of MedMen Corp Redeemable Shares	-	-	-	(1,496,142)	(1,496,142)
Balance as of September 25, 2021	**$ (4,521,035)**	**$ (10,211,330)**	**$ 15,992,808**	**$ (453,430,187)**	**$ (452,169,744)**

Le Cirque Rouge, LP 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 25, 2021, the Company continues to have a variable interest in the OP. During the three months ended September 25, 2021, the Company did not provide any financial or other support to the REIT other than the completion of the sale and leaseback transactions and the REIT being a lessor on various leases as described in *"Note 9 – Leases"*. Accordingly, Le Cirque Rouge, LP is not consolidated as a variable interest entity within the unaudited interim Condensed Consolidated Financial Statements.

13. 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, restricted stock units (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 25, 2021 and September 26, 2020 is as follows:

	Three Months Ended	
	September 25, 2021	September 26, 2020
Stock Options	$ 1,216,447	$ 1,008,538
Stock Grants for Compensation	333,333	181,589
Restricted Stock Grants	1,554,297	157,477
Total Share-Based Compensation	**$ 3,104,077**	**$ 1,347,604**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

13. SHARE-BASED COMPENSATION *(Continued)*

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
Balance as of June 26, 2021	**14,752,960**	**$ 1.40**
Granted	4,084,005	$ 0.28
Exercised	(867,923)	$ (0.17)
Forfeited	(1,201,072)	$ (0.60)
Balance as of September 25, 2021	**16,767,970**	**$ 1.26**
Stock Options Exercisable as of September 25, 2021	**15,103,675**	**$ 1.14**

For the three months ended September 25, 2021, the fair value of stock options granted with a fixed exercise price was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	September 25, 2021
Weighted-Average Risk-Free Annual Interest Rate	0.97%
Weighted-Average Expected Annual Dividend Yield	0.0%
Weighted-Average Expected Stock Price Volatility	131.70%
Weighted-Average Expected Life in Years	5.00
Weighted-Average Estimated Forfeiture Rate	0.0%

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 26, 2021 and September 25, 2021	**19,323,878**	**725,016**	**$ 0.52**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

13. SHARE-BASED COMPENSATION *(Continued)*

Restricted Stock Units

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

	Issued and Outstanding	Vested *(1)*		Weighted-Average Fair Value
Balance as of June 26, 2021	**20,888,394**	**897,294**	**$**	**0.24**
Granted	19,288,397	-	$	0.32
Forfeiture of Restricted Stock (2)	(265,223)	-	$	(1.07)
Redemption of Vested Stock	(7,605,945)	(7,605,945)	$	(0.34)
Vesting of Restricted Stock	-	8,574,615	$	0.30
Balance as of September 25, 2021	**32,305,623**	**1,865,964**	**$**	**0.25**

(1) Restricted stock units were issued on September 24, 2021 and vests 37.5% on the first annivesary, 12.5% on the second anniversary, 37.5% on the third anniversary, and 12.5% on the fourth anniversary of the grant date.
(2) Restricted stock units were forfeited upon resignation of certain employees prior to their vesting for the three months ended September 25, 2021.

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 26, 2021	**259,462,609**	**97,430,456**	**356,893,065**	**$**	**0.33**
Issued	135,716,660	-	135,716,660	$	0.29
Exercised	(8,807,605)	-	(8,807,605)	$	(0.18)
Balance as of September 25, 2021	**386,371,664**	**97,430,456**	**483,802,120**	**$**	**0.32**

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:

Weighted-Average Risk-Free Annual Interest Rate	0.13%
Weighted-Average Expected Annual Dividend Yield	0%
Weighted-Average Expected Stock Price Volatility	92.06%
Weighted-Average Expected Life of Warrants	1 year

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

13. SHARE-BASED COMPENSATION *(Continued)*

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 August 17, 2021:

Weighted-Average Risk-Free Annual Interest Rate	0.06%
Weighted-Average Expected Annual Dividend Yield	0%
Weighted-Average Expected Stock Price Volatility	175.50%
Weighted-Average Expected Life of Warrants	1 year

Stock price volatility was estimated by using the historical volatility of the Company's Subordinate Voting Shares. 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.

14. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share for the three months ended September 25, 2021 and September 26, 2020:

	Three Months Ended	
	September 25, 2021	**September 26, 2020**
Net Loss from Continuing Operations Attributable to Shareholders of MedMen Enterprises, Inc.	$ (48,882,778)	$ (15,670,802)
Less Deemed Dividend - Down Round Feature of Warrants	-	(4,883,467)
Net Loss from Continuing Operations Available to Shareholders of MedMen Enterprises, Inc.	(48,882,778)	(20,554,269)
Net Loss from Discontinued Operations	(6,447,250)	(6,249,060)
Total Net Loss	$ (55,330,028)	$ (26,803,329)
Weighted-Average Shares Outstanding - Basic and Diluted	**942,696,052**	**423,187,218**
Loss Per Share - Basic and Diluted:		
From Continuing Operations Attributable to Shareholders of MedMen Enterprises Inc.	**$ (0.05)**	**$ (0.05)**
From Discontinued Operations Attributable to Shareholders of MedMen Enterprises Inc.	**$ (0.01)**	**$ (0.01)**

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.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. GENERAL AND ADMINISTRATIVE EXPENSES

During the three months ended September 25, 2021 and September 26, 2020, general and administrative expenses consisted of the following:

	Three Months Ended	
	September 25, 2021	September 26, 2020
Salaries and Benefits	$ 10,659,505	$ 10,474,547
Professional Fees	7,557,205	3,606,461
Rent	6,969,488	9,655,444
Licenses, Fees and Taxes	2,827,651	3,402,522
Deal Cost	1,657,587	223,818
Other General and Administrative	6,818,883	2,876,679
Total General and Administrative Expenses	**$ 36,490,319**	**$ 30,239,471**

16. OTHER OPERATING EXPENSE

During the three months ended September 25, 2021 and September 26, 2020, other operating expense consisted of the following:

	Three Months Ended	
	September 25, 2021	September 26, 2020
Loss (Gain) on Disposals of Assets	$ 15,146	$ (143,367)
Restructuring and Reorganization Expense	2,378,675	588,922
Gain on Settlement of Accounts Payable	(530,411)	(160,645)
Gain on Lease Terminations	-	(16,629,284)
Gain on Disposal of Assets Held For Sale	-	(12,415,479)
Other Income	(16,803)	(316,431)
Total Other Operating Expense (Income)	**$ 1,846,607**	**$ (29,076,284)**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

17. 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 25, 2021 and September 26, 2020:

	Three Months Ended	
	September 25, 2021	September 26, 2020
Loss from Continuing Operations Before Provision for Income Taxes	$ (34,470,873)	$ (14,315,678)
Income Tax Expense	(19,691,908)	(12,282,665)
Effective Tax Rate	(57%)	(86%)

For the three months ended September 25, 2021, the Company 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.

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.

The Company has approximately gross $8,500,000 (tax effected $2,300,000) of Canadian non-capital losses and $6,915,000 (tax effected $1,833,000) of share issuance cost 20(1)(e) balance. The loss tax attribute has been determined to be more likely than not that the tax attribute would not yield any tax benefit. As such, the Company has recorded a full valuation allowance against the benefit. Since IRC Section 280E was not applied in the California Franchise Tax Returns, the Company has approximately $195,000,000 of gross California net operating losses which begin expiring in 2033 as of June 26, 2021. 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 $192,400,000 will not be realized.

The effective tax rate for the three months ended September 25, 2021 is different compared with the three months ended September 26, 2020, respectively, primarily due to the Company's forecasted income and related 280E expenditures and reclassification of the Company's Arizona operations from discontinued operations to continued operations. The Company's non-deductible expenses related to IRC Section 280E limitations have remained relatively consistent.

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and in Canada. The Company is generally subject to audit by taxing authorities in various U.S., state, and in foreign jurisdictions for fiscal years 2013 through the current fiscal year. As of September 25, 2021, the Company had $16,500,000 of unrecognized tax benefits, all of which would reduce income tax expense and the effective tax rate if recognized. During the three months ended September 25, 2021, the Company recognized a net discrete tax expense of $261,000 primarily related on interest of past liabilities. During the next twelve months, the Company does not estimate any material reduction in its unrecognized tax benefits.

18. 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 25, 2021 and June 26, 2021, 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 25, 2021, 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 unaudited interim Condensed Consolidated Financial Statements relating to claims and litigations. As of September 25, 2021, 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. During the year ended September 25, 2021, the claim was settled for a total of C$575,000 of which C$250,000 shall be paid in Class B Subordinate Voting Shares. The settlement liability has been accrued in the Consolidated Balance Sheet.

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. As of September 25, 2021, $584,000 has been accrued in the Consolidated Balance Sheet.

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 estimable. As such, no amount has been accrued in these financial statements.

In April 2020, a complaint was filed against the Company related to a contemplated acquisition in which the plaintiffs are seeking damages for alleged breach of contract and breach of implied covenant of good faith and fair dealing. While no amounts have been identified in the claim, the Company estimated this to be approximately $5,200,000. The Company believes the likelihood of a loss contingency is neither probable nor remote. As such, no amount has been accrued in the 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*" ("ASC 450"), a liability has not been recorded in these audited Consolidated Financial Statements. In response, the Company filed a counterclaim and is seeking entitlement to proceeds of the sale, net of amounts owed under the secured promissory note which is in dispute. The plaintiffs filed an appeal to the ruling on the entitlement of proceeds in excess of the secured promissory note. In accordance with ASC 450, any loss recoveries related to the Company's counterclaim have not been recorded. In addition, net proceeds resulting from the sale was not recognized as a receivable as the amount is not reasonably estimable.

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.

18. COMMITMENTS AND CONTINGENCIES *(Continued)*

In February 2020, a legal dispute was filed against the Company and settled in December 2020 for approximately $2,400,000. As of September 25, 2021, the remaining amount of $400,000 has been accrued in the Consolidated Balance Sheet.

In December 2020, a lawsuit was filed against the Company related to a previous acquisition alleging that the plaintiffs were owed additional compensation. In the complaint, the plaintiffs allege breach of contract, breach of implied covenant of good faith and fair delaying, fraud and unjust enrichment, among other causes of actions. The plaintiffs are seeking the issuance of 51,716,141 shares, which has been accrued in the Consolidated Balance Sheet as of September 25, 2021, and other monetary damages. The litigation is at an early stage and the likelihood of a loss contingency is remote. The amount of other monetary damages is not reasonably estimable and thus, no amount has been accrued in these financial statements. During the three months ended September 25, 2021, the parties entered into a partial settlement in the amount of $1,050,000 of which $475,000 is remaining as of September 25, 2021 and has been accrued in the Consolidated Balance Sheet.

In January 2021, a cross-complaint was filed against the Company related a lien foreclosure alleging breach of contract, quantum merit and implied indemnity. The Company is actively defending the legal matter which the claimant is seeking damages of approximately $11,000,000. The litigation is at an early stage and thus the likelihood of a loss contingency is remote. As such, no amount has been accrued in these financial statements.

19. RELATED PARTY TRANSACTIONS

All related party balances due to the Company as of September 25, 2021 and June 26, 2021 did not have any formal contractual agreements regarding payment terms or interest. As of September 25, 2021 and June 26, 2021, other amounts due to related parties was $1,476,921 and $1,476,921, respectively, were recorded in the unaudited interim Condensed Consolidated Balance Sheets.

Pursuant to the Side Letter executed on July 2, 2020 in conjunction with the Fourth Amendment of the Convertible Facility with GGP, Wicklow Capital and GGP had the right to approve director nominees submitted by the Company. The ability to approve the nominees to the Company's Board of Directors met the definition of control under ASC 850 and accordingly, Wicklow Capital is a related party of the Company.

On August 17, 2021, Tilray acquired the majority of the outstanding senior secured convertible notes and warrants held by GGP and GGP no longer held significant influence over the Company and therefore as of September 25, 2021, was not considered a related party under ASC 850, *"Related Party Disclosures"* ("ASC 850"), however GGP was during the fiscal year ended June 26, 2021. As of August 17, 2021, the Company determined Tilray to be a related party as a result of Tilray having significant influence over the Company. See *"Note 11 – Senior Secured Convertible Credit Facility"* for a full disclosure of the SPV and A&R 4.

On August 17, 2021, the Company entered an equity investment through private placement led by SPE. In connection with the private placement, the Company appointed Michael Serruya, SPE's Managing Director, as a member of its board of directors. As of August 17, 2021, the Company determined SPE to be a related party as a result of the private placement and involvement with the Board. See *"Note 12 – Shareholders' Equity"* for discussion on the private placement transaction.

In March 2020, the Company entered into a restructuring plan and retained interim management and advisory firm, Sierra Constellation Partners LLC ("SCP"). As part of the engagement, Tom Lynch, a Partner and Senior Managing Director at SCP, was appointed as Interim Chief Executive Officer and Chief Restructuring Officer, and Tim Bossidy, a Director at SCP, was appointed as Interim Chief Operating Officer. In December 2020, Mr. Lynch was elected as Chairman of the Board and in July 2021, Mr. Lynch was permanently appointed as Chief Executive Officer. Also in December 2020, Reece Fulgham, a Managing Director at SCP, was appointed as Interim Chief Financial Officer. During the three months ended September 25, 2021, the Company had paid $1,255,473 in fees to SCP for interim management and restructuring support. During the three months ended September 25, 2021, Mr. Lynch and Mr. Bossidy each received 214,030 stock options. To date, as of September 25, 2021, the Company has granted 4,696,435 restricted stock units to its executive officers who are directors at SCP.

The Company's Board of Directors each receive quarterly fees of $200,000 of which one-third is paid in cash and two-thirds is paid in Class B Subordinate Voting Shares. The Class B Subordinate Voting Shares is recorded as a restricted stock unit until settled.

20. 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 manages 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.

21. DISCONTINUED OPERATIONS

During the fiscal year ended June 26, 2021, the Company had a change in plan of sale for the remaining Arizona disposal group. As a result, the assets no longer meet the held for sale criteria and are required to be reclassified as held and used at the lower of adjusted carrying value or the fair value at the date of the subsequent decision not to sell. During the three months ended September 25, 2021, revenues, net loss, net depreciation and amortization, in the amounts of $3,992,362, $1,241,888 and $202,136, respectively, is included in continuing operations in the unaudited interim Condensed Consolidated Statements of Operations. During the three months ended September 26, 2020, revenues, net loss, net depreciation and amortization, in the amounts of $1,819,230, $2,398,485 and $12,700, respectively, were reclassified to continuing operations and is included in the unaudited interim Condensed Consolidated Statements of Operations.

On January 29, 2018, the Company acquired all membership interests and assets in Project Compassion NY, LLC ("Project Compassion") as a part of the formation of MM Enterprises USA through a joint venture. Through Project Compassion, the Company has one cultivation and production facility in Utica, New York, and operates four dispensaries in the state of New York that are located in Buffalo, Lake Success, Salina and Manhattan (collectively, "MedMen NY, Inc."). During the year ended June 26, 2021, the Company contemplated the divesture of non-core assets and management entered into a plan to sell MedMen NY, Inc. On February 25, 2021, the Company entered into a definitive investment agreement to sell a controlling interest in MedMen NY, Inc. equity of approximately 86.7% with the option to purchase the remaining equity of approximately 13.3% that the Company will retain in MedMen NY, Inc. following the sale for a total sales price of up to $73,000,000. In conjunction with the investment agreement, MedMen NY, Inc. will engage the services of the purchaser pursuant to a management agreement until regulatory approval has been obtained. The aggregate sales price consists of a cash purchase price of $35,000,000, subject to adjustments and a senior secured promissory note of $28,000,000 which shall be assigned to Hankey Capital in partial satisfaction of the outstanding debt, and within five business days after the first sale by MedMen NY, Inc. of adult-use cannabis products at one or more of its retail store locations, additional shares of MedMen NY, Inc. will be purchased for $10,000,000 in cash. The proceeds in cash will be used to repay a portion of the Hankey Capital notes payable due by the Company. Accordingly, the total amount of interest expense and amortization of debt discounts and loan origination fees related to the Senior Secured Term Loan Facility allocated to discontinued operations was $4,847,302 and $3,855,293 for the three months ended September 25, 2021 and September 26, 2020, respectively. As of September 25, 2021, the initial closing of the investment has not occurred and is expected to close within the next twelve months.

Consequently, assets and liabilities allocable to the operations within the state of New York were classified as a discontinued operation and presented as held for sale for all periods presented. Revenue and expenses, gains or losses relating to the discontinuation of New York operations have been eliminated from profit or loss from the Company's continuing operations and are shown as a single line item in the unaudited interim Condensed Consolidated Statements of Operations. The assets associated with the New York component have been measured at the lower of the carrying amount or FVLCTS. The Company will continue to operate the New York operations until the ultimate sale of the disposal group.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

21. DISCONTINUED OPERATIONS *(Continued)*

The operating results of the discontinued operations are summarized as follows:

	Three Months Ended	
	September 25, 2021	September 26, 2020
Revenue	$ 4,270,193	$ 2,116,819
Cost of Goods Sold	2,242,419	1,419,888
Gross Profit	2,027,774	696,931
Expenses:		
General and Administrative	1,776,510	2,420,786
Sales and Marketing	6,000	6,472
Depreciation and Amortization	16,227	645,419
Other Income	(245,170)	-
Total Expenses	1,553,567	3,072,677
Loss from Operations	474,207	(2,375,746)
Other Expense:		
Interest Expense	2,821,643	2,357,475
Amortization of Debt Discount and Loan Origination Fees	2,044,080	1,515,839
Total Other Expense	4,865,723	3,873,314
Loss from Discontinued Operations Before Provision for Income Taxes	(4,391,516)	(6,249,060)
Provision for Income Tax Expense	(2,055,734)	-
Net Loss from Discontinued Operations	**$ (6,447,250)**	**$ (6,249,060)**

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

	September 25, 2021	June 26, 2021
Carrying Amounts of the Assets Included in Discontinued Operations:		
Cash and Cash Equivalents	$ 760,923	$ 901,886
Restricted Cash	5,280	5,280
Accounts Receivable and Prepaid Expenses	201,035	233,860
Inventory	5,323,054	4,899,281
Property and Equipment, Net	12,835,207	12,682,787
Operating Lease Right-of-Use Assets	18,770,664	19,136,500
Intangible Assets, Net	10,582,559	10,582,559
Other Assets	456,945	456,945
TOTAL ASSETS OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	**$ 48,935,667**	**$ 48,899,098**
Carrying Amounts of the Liabilities Included in Discontinued Operations:		
Accounts Payable and Accrued Liabilities	$ 2,937,647	$ 3,082,031
Income Taxes Payable	4,154,556	1,535,627
Other Current Liabilities	92,445	124,663
Current Portion of Operating Lease Liabilities	2,606,946	2,326,002
Current Portion of Finance Lease Liabilities	827	825
Operating Lease Liabilities, Net of Current Portion	19,858,873	20,272,057
Finance Lease Liabilities, Net of Current Portion	349,371	349,244
Deferred Tax Liabilities	5,456,681	5,457,753
TOTAL LIABILITIES OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	**$ 35,457,346**	**$ 33,148,202**

22. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 9, 2021, 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 Condensed Consolidated Financial Statements or disclosure in the notes to the Condensed Consolidated Financial Statements.

Partnership with Foundry Works, Inc.

On October 1, 2021, the Company announced that LitHouse Farms, a subsidiary of Foundry Works, Inc. (“Foundry”), will manage its cultivation and manufacturing operations at its facilities in Desert Hot Springs, California (“DHS”) and Sparks, Nevada (“Sparks”). Licensed operations at the facilities will be carried on under management agreements which include purchase options for nominal consideration, subject to regulatory approval. Concurrent with the transaction, Foundry entered into a sublease agreement for DHS worth approximately $3,200,000 per year beginning in its first year, increasing to approximately $4,600,000 per year in its sixth year, subject to 3% annual escalators thereafter through March 2039. Foundry also entered into a sublease agreement for Sparks worth approximately $2,400,000 per year beginning in its first year, increasing to approximately $3,400,000 per year in its sixth year, subject to 3% annual escalators thereafter through January 2039. Refer to “*Note 4 – Assets Held for Sale*” for further information.