

FORM 62-103F1

EARLY WARNING REPORT

**Item 1 - Security and Reporting Issuer**

**1.1** *State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

This report relates to the common shares (the "**Bluma Shares**") of Bluma Wellness Inc. ("**Bluma**"). The head office of Bluma is located at 1112 N. Flagler Drive, Fort Lauderdale, Florida, 33304.

**1.2** *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

Not applicable. The Bluma Shares were acquired pursuant to the Arrangement (as defined below).

**Item 2 - Identity of the Acquiror**

**2.1** *State the name and address of the acquiror.*

Cresco Labs Inc. ("**Cresco**")  
400 W. Erie Street, Suite 110  
Chicago, IL  
60654

**2.2** *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

On April 13, 2021, Bluma completed a statutory plan of arrangement under the provisions of Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) (the "**Arrangement**"), pursuant to which, among other things, Cresco acquired all of the issued and outstanding Bluma Shares in exchange for 0.0859 of a subordinate voting share of Cresco (each whole share, a "**Cresco Share**") for each Bluma Share held immediately prior to the effective time of the Arrangement. The completion of the Arrangement is further detailed in the press release of Cresco dated April 14, 2021.

**2.3** *State the names of any joint actors.*

Not applicable.

**Item 3 - Interest in Securities of the Reporting Issuer**

**3.1** *State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.*

Cresco did not own or control, directly or indirectly, any Bluma Shares, or any securities convertible into Bluma Shares, prior to the completion of the Arrangement. Immediately following the completion of the Arrangement, Cresco beneficially owns or controls 184,814,281 Bluma Shares, representing 100% of the issued and outstanding Bluma Shares.

- 3.2 ***State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.***

See Item 3.1 above.

- 3.3 ***If the transaction involved a securities lending arrangement, state that fact.***

Not applicable.

- 3.4 ***State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.***

See Item 3.1 above.

- 3.5 ***State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which***

- (a) ***the acquiror, either alone or together with any joint actors, has ownership and control,***

See Item 3.1 above.

- (b) ***the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and***

Not applicable.

- (c) ***the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.***

Not applicable.

- 3.6 ***If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.***

Not applicable.

- 3.7 ***If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.***

Not applicable.

- 3.8 ***If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.***

Not applicable.

#### **Item 4 - Consideration Paid**

**4.1** *State the value, in Canadian dollars, of any consideration paid or received per security and in total.*

Pursuant to the Arrangement, holders of Bluma Shares received 0.0859 of a Cresco Share in exchange for each Bluma Share held immediately prior to the effective time of the Arrangement, being an aggregate of 15,875,449 Cresco Shares. The exchange ratio implies a price per Bluma Share of approximately \$1.42, for total aggregate consideration of approximately \$262,879,833.

**4.2** *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

See item 4.1 above.

**4.3** *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

The Bluma Shares were acquired by Cresco pursuant to the Arrangement. See items 2.2 and 4.1 above.

#### **Item 5 - Purpose of the Transaction**

*State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following: (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer; (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries; (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries; (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board; (e) a material change in the present capitalization or dividend policy of the reporting issuer; (f) a material change in the reporting issuer's business or corporate structure; (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company; (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace; (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada; (j) a solicitation of proxies from securityholders; (k) an action similar to any of those enumerated above.*

The purpose of the Arrangement was to enable Cresco to acquire 100% of the issued and outstanding Bluma Shares. Following completion of the Arrangement, Bluma became a wholly-owned subsidiary of Cresco. The Bluma Shares have been delisted from the Canadian Securities Exchange (the "CSE") and the securities of Bluma are no longer available for trading on the CSE as of the close of business on April 16, 2021 or the OTC Markets as of April 19, 2021. Bluma expects to submit an application to the applicable securities regulators to cease to be a reporting issuer and to terminate its public reporting obligations.

**Item 6 - Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

*Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.*

In connection with the Arrangement, Cresco and Bluma entered into an arrangement agreement dated January 13, 2021 (the "**Arrangement Agreement**"). The material terms of the Arrangement Agreement governing the Arrangement are set forth in the management information circular of Bluma dated February 12, 2021 (the "**Circular**").

Also, in connection with the Arrangement, Cresco entered into voting support agreements (the "**Voting Support Agreements**") and lock-up agreements (the "**Lock-Up Agreements**") with certain shareholders of Bluma, pursuant to which each agreed to vote in favour of the Arrangement, subject to the terms and conditions of their respective Voting Support Agreements, and also agreed for their resulting Cresco Shares to be deposited into escrow and released pursuant to the release schedules contained in their respective Lock-Up Agreements.

Electronic copies of the Arrangement Agreement and the Circular are available on SEDAR ([www.sedar.com](http://www.sedar.com)) under Bluma's issuer profile.

**Item 7 - Change in material fact**

*If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.*

Not applicable.

**Item 8 - Exemption**

*If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.*

Not applicable.

**Item 9 - Certification**

I, as the Chief Executive Officer of Cresco, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated as of the 19 day of April, 2021

**CRESCO LABS INC.**

Per: *"Signed: Charles Bachtell"*

Charles Bachtell  
Chief Executive Officer