



Annual Information Form

For the year ended December 31, 2018

Dated May 31, 2019

DionyMed Brands Inc. (the “Company”) is an entity that derives all of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal Law. The Company is directly involved in the cannabis industry through the production, cultivation, distribution and sale of medical and adult-use cannabis in the States of California (through Herban CA, as defined below, and the management services agreement with Hometown, as defined below) and Oregon (through Herban OR, as defined below), and indirectly involved in the States of Nevada (as a result of the strategic partnership with Acres, as defined below), Colorado (as a result of the term sheet with Virginia’s Kitchen, LLC dba Blue Kudu) and Massachusetts (as a result of the Company’s membership interest purchase agreement with Pioneer Valley Extracts, LLC) all of which have regulated such activity.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the “Controlled Substances Act”), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States marijuana is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under U.S. federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

Any person connected to the marijuana industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss. Since federal law criminalizing the use of marijuana is not preempted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company’s business, prospects, results of operation, and financial condition. Due to the federal illegality of cannabis and the charged political climate surrounding the cannabis industries of various states, political risks are inherent in the cannabis industry. It remains to be seen whether policy changes at the federal level will have a chilling effect on the cannabis industry.

On January 4, 2018, U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memo (as defined below). With the Cole Memo rescinded, U.S. federal prosecutors were given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. On November 7, 2018, Jeff Sessions resigned from his position as Attorney General, and his Chief of Staff, Matthew Whitaker, a former U.S. Attorney for the Southern District of Iowa, was appointed Acting Attorney General. In December 2018, President Donald Trump announced that he would nominate William P. Barr to be Attorney General. Mr. Barr said in testimony to the Senate, on January 15, 2019, that cannabis companies operating legally according to state laws where the cultivation and sale of the drug is allowed will not face action by the Justice Department. Mr. Barr was confirmed as Attorney General on February 14, 2019. However, there can be no assurance that the federal government will not seek to prosecute

cases involving cannabis businesses that are otherwise compliant with state law. Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The number of federal prosecutions of state-legal cannabis operations is unknown; nonetheless, the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. If the Department of Justice policy under William P. Barr were to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the Controlled Substances Act for aiding and abetting and conspiring to violate the Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis are currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. See section entitled "Risk Factors" and "General Business of the Company".

Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC.

In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States and Canada. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, and the business of the Company or one or more of the Company's subsidiaries may be deemed to be producing, cultivating, extracting or dispensing cannabis in violation of federal law in the United States.

For these reasons, the Company's involvement in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of significant risks associated with the business of the Company. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this

heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate in the U.S. or any other jurisdiction. See section entitled "Risk Factors" and "General Business of the Company".

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memo discussed above, on February 8, 2018 the Canadian Securities Administrators published Staff Notice 51-352 ("CSA Staff Notice") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. The CSA Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The CSA Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

The following table is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in the CSA Staff Notice.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>Regulatory Overview – Issuers with U.S. Marijuana-Related Assets - Nature of Involvement (p. 34)</i> <i>Description of the Business – General Business of the Company (p. 20)</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>Cover Page (disclosure in bold typeface)</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	<i>Regulatory Overview – United States Regulatory Environment (pp. 35 – 38)</i> <i>Risk Factors – Marijuana remains illegal under U.S. federal law (p. 55)</i> <i>Risk Factors – Federal regulation of marijuana in the United States (pp. 56 – 57)</i>
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory	<i>Regulatory Overview – United States Regulatory Environment (pp. 35 – 38)</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
	bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	<p><i>Risk Factors – Risks associated with travelling across borders (pp. 57 – 58)</i></p> <p>– <i>U.S. state regulatory uncertainty (p. 58)</i></p> <p>– <i>Risks associated with young industries (pp. 58 – 59)</i></p> <p>– <i>The legality of cannabis could be reversed in one or more states of operation (p. 59)</i></p> <p>– <i>Heightened scrutiny by Canadian regulatory authorities (pp. 59 – 60)</i></p> <p>– <i>Restricted access to banking (p. 60)</i></p> <p>– <i>Regulatory scrutiny of the Company's interests in the United States (p. 61)</i></p> <p>– <i>Constraints on marketing products (p. 61)</i></p> <p>– <i>Risk of civil asset forfeiture (p. 62)</i></p> <p>– <i>Risk of RICO prosecution or civil liability (p. 62)</i></p> <p>– <i>Proceeds of crime statutes (p. 62)</i></p> <p>– <i>Limited trademark protection (p. 64)</i></p> <p>– <i>Lack of access to U.S. bankruptcy protections (p. 65)</i></p> <p>– <i>Potential FDA regulation (p. 65)</i></p> <p>– <i>Legality of contracts (pp. 65 – 66)</i></p> <p>– <i>Newly established legal regime</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
		(p. 61)
	<p>Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available to support continuing operations.</p>	<p><i>Description of the Business – Ability to Access Public and Private Capital (pp. 32 – 33)</i></p> <p><i>Regulatory Overview – United States Regulatory Environment (pp. 35 – 38)</i></p> <p><i>Risk Factors – Heightened scrutiny by Canadian regulatory authorities (pp. 59 – 60)</i></p> <p>– <i>Restricted access to banking (p. 60)</i></p> <p>– <i>The Company's management team or other owners could be disqualified from ownership in the Company (p. 61)</i></p> <p>– <i>Newly established legal regime (p. 61)</i></p>
	<p>Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p><i>Regulatory Overview – Issuers with U.S. Marijuana-Related Assets – Financial Exposure to U.S. Cannabis-Related Activities (p. 35)</i></p> <p>Note: at the time of this AIF, the major operations of the Company are only in the United States</p>
	<p>Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.</p>	<p>Legal advice has been obtained. While the Company has not requested a formal legal opinion, the Company's internal and external compliance counsel provides legal advice on an ongoing basis.</p>
<p>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</p>	<p>Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.</p>	<p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States (pp. 38 – 55)</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	<p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States (pp. 38 – 55)</i></p> <p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States – Compliance Program (pp. 53 – 55)</i></p> <p><i>Risk Factors – U.S. state regulatory uncertainty (p. 58)</i></p>
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	<p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States (pp. 38 – 55)</i></p> <p><i>Risk Factors – U.S. state regulatory uncertainty (p. 58)</i></p>
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	<p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States (pp. 38 – 55)</i></p> <p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States – Compliance Program (pp. 53 – 55)</i></p>
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States (pp. 38 – 55)</i></p> <p><i>Regulatory Overview – Compliance with Applicable State Laws in the United States – Compliance Program (pp. 53 – 55)</i></p>

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GENERAL

Reference is made in this annual information form (the “**AIF**”) to the audited consolidated financial statements (the “**Financial Statements**”) and management’s discussion and analysis (the “**MD&A**”) for DionyMed Brands Inc. (the “**Company**”) for the financial period ended December 31, 2018, together with the auditors’ report thereon.

The Financial Statements and MD&A are available for review on SEDAR located at www.sedar.com and on the Company’s website at www.dionymed.com.

Unless otherwise noted herein, information in this AIF applies to the business activities and operations of the Company for the financial period ended December 31, 2018, as updated to May 31, 2019. Unless otherwise indicated, the information in this AIF is given as of May 31, 2019 and references to “\$” are to United States dollars.

All references in this AIF to the Company also include references to all subsidiaries of the Company as applicable, unless the context requires otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This AIF includes “forward-looking information” and “forward-looking statements” within the meaning of Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this AIF that address activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, information regarding: the Company’s ability to obtain licenses; statements relating to the business and future activities of, and developments related to, the Company after the date of this AIF, including such things as future business strategy, strategic framework, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by the Company, roll out of new dispensaries, the implementation by the Company of direct-to-consumer delivery services and in-store pickup, the introduction of new delivery formats, the implementation of marketing and promotional initiatives, the introduction of new, differentiated products, the implementation of a research and development division, the application for additional licenses and the grant of licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion of retail distribution, the expansion into additional states and international markets, any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the United States and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; the timing of the introduction of new products; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made, including: that the Company’s supply chain is operating; that new product and brands have sufficient consumer appeal to be stocked by third party retailers; that the Company’s manufacturing and packaging operations do not face any input constraints and that products can be produced in an efficient and scalable manner; the ability to complete the transaction with Pioneer Valley Extracts, LLC, on favorable terms or at all; the ability to leverage the strategic partnership with Acres Cannabis in order to access the Nevada market; the ability to draw or secure future commitments under the Inventory Finance Facility (as defined below); the ability to make repayments under the Inventory Finance Facility and Early Draw Facility, the ability to complete the transaction with MMAC (as defined below) on favorable terms or at all, the ability to exercise the option to acquire Waterside (as defined below) on favorable terms or at all, the ability to acquire Blue Kudu (as

defined below) on favorable terms or at all, the market for home delivery maintaining the same level of growth in California; the Company being able to obtain profits from Hometown (as defined below) under the MSA (as defined below); the revenue from Hometown continuing on its current trajectory; Hometown maintaining its market share in the cannabis industry in California; the Company maintaining its market share in the cannabis industry in which it operates; the Company's expectations for initiatives in U.S. markets outside of those already within the Company's platform; the Company's expectations with respect to raising additional capital.

Forward-looking information and statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Such factors include, among others: the inability to complete the transaction with Pioneer Valley Extracts, LLC, on favorable terms or at all; the inability to leverage the strategic partnership with Acres Cannabis in order to access the Nevada market; the inability to draw or secure future commitments under the Inventory Finance Facility; the inability to make repayments under the Inventory Finance Facility and Early Draw Facility, the inability to complete the transaction with MMAC on favorable terms or at all, the inability to exercise the option to acquire Waterside on favorable terms or at all, the inability to acquire Blue Kudu on favorable terms or at all, material changes in the market for home delivery in California; the Company not being able to obtain profits from Hometown under the management services agreement; the revenue from Hometown deviating materially from its current trajectory; Hometown losing significant market share in the cannabis industry in California; and the Company losing significant market share in the cannabis industry in which it operates; the Company not being able to raise additional capital; and the risk factors discussed in the "Risk Factors" section of this AIF below. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. Forward-looking information and statements are provided and made as of the date of this AIF and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company is a reporting issuer in British Columbia, Alberta, and Ontario. The Company's subordinate voting shares (the "**Subordinate Voting Shares**") have been listed for trading on the Canadian Securities Exchange ("**CSE**") under the trading symbol "DYME" since November 29, 2018. The head office of the Company is located at 885 W Georgia Street, Suite #2200, Vancouver, British Columbia, and the registered office of the Company is located at 885 W Georgia Street, Suite #2200, Vancouver, British Columbia.

The Company was incorporated under the *Canada Business Corporations Act* (the "**CBCA**") as "Chrysalis Capital IV Corporation" on October 12, 2006. On February 29, 2008, the Company changed its name to "Homeland Energy Group Ltd.", and on March 22, 2017, the Company was continued into British Columbia under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") and changed its name to "Sixonine Ventures Corp." ("**Sixonine**"). On November 27, 2018, the Company completed a reverse take-over of Sixonine by DionyMed Holdings Inc. ("**DHI**") (the "**Reverse Take-Over**").

Intercorporate Relationships

The Company currently owns 100%, directly and/or indirectly, of the issued and outstanding shares or membership interests, as applicable, of six active and operating subsidiaries: (i) DionyMed Inc.; (ii)

Herban Industries, Inc. ("**Herban**"); (iii) Herban Industries CA LLC dba Rise Logistics ("**Herban CA**"); (iv) Herban Industries OR LLC dba Winberry Farms ("**Herban OR**"); (v) Herban Industries NJ LLC ("**Herban NJ**"); (vi) Herban Industries NV LLC ("**Herban NV**"). The Company, Herban and the sole shareholder of Hometown Heart ("**Hometown**") have entered into an A&O Agreement (as defined below) and an MSA (as defined below) through which Herban manages Hometown.

DionyMed Inc. was formed by articles of incorporation under the laws of Canada and extra-provincially registered in Ontario on October 19, 2017. DionyMed Inc. has its head and registered office at 40 King Street West, Suite 2100, Toronto, Ontario, M5H 3C2. DionyMed Inc. is an active corporation but does not currently have any operations.

Herban was formed by a certificate of incorporation as a stock corporation under the laws of the State of Delaware on February 28, 2016, with its head office located at 1999 S Bascom Ave, Campbell, CA, 95008, and its registered office located at 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE, 19808. Herban is a wholly-owned subsidiary of the Company.

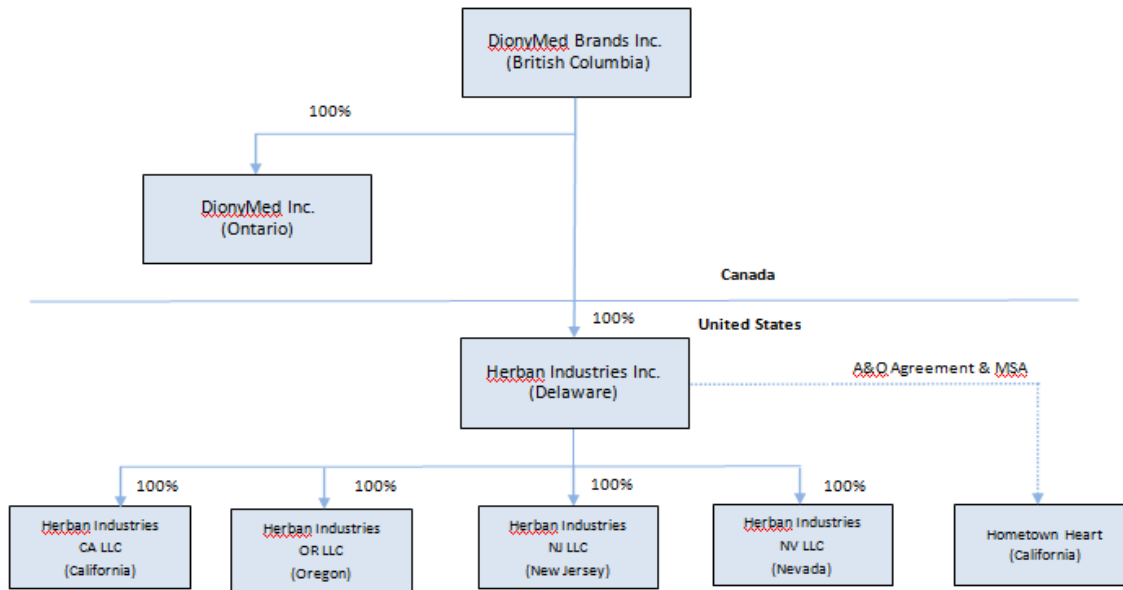
Herban CA was formed by articles of organization as a limited liability company under the laws of the State of California on October 10, 2017, with its registered office located at 360 Grand Ave. #396, Oakland, CA 94610. Herban CA is a wholly-owned subsidiary of Herban.

Herban OR was formed by articles of organization as a domestic limited liability company under the laws of the State of Oregon on October 31, 2017, with its registered office located at 280 SW Moonridge PL, Portland, OR 97225. Herban OR is a wholly-owned subsidiary of Herban.

Herban NJ was formed by articles of organization as a domestic limited liability company under the laws of the State of New Jersey on July 24, 2018, with its registered office located at 1100 Valley Brook Ave, Lyndhurst, NJ, 07071. Herban NJ is a wholly-owned subsidiary of Herban.

Herban NV was formed by articles of organization as a domestic limited liability company under the laws of the State of Nevada on January 17, 2019, with its registered office located at 950 E. Anvil Road, Amargosa Valley, NV 89010. Herban NJ is a wholly-owned subsidiary of Herban.

Hometown was formed as a nonprofit mutual benefit corporation under the laws of the State of California. Effective January 1, 2018, it converted to a corporation under the laws of the State of California. Hometown's registered office is located at 414 Lesser Street, Oakland CA 94601. Effective as of December 5, 2018, the Company entered into the A&O Agreement. In connection with the A&O Agreement, Herban and Hometown entered into the MSA through which Herban manages Hometown. See "*General Development of the Business – Acquisitions, Partnerships and Investments – Hometown*".



GENERAL DEVELOPMENT OF THE BUSINESS

General Development

DHI was incorporated on January 11, 2018 under the CBCA, and continued into the Province of British Columbia immediately before closing of the Reverse Take-Over. DHI is a multi-state, vertically integrated operating platform that designed, developed, marketed and sold a portfolio of branded cannabis products. DHI also provides distribution, logistics and value-added manufacturing services on behalf of cannabis cultivators, distributors, processors and retailers. DHI's operations were located in California, Oregon and Nevada.

DHI's focus is on building and supporting a global, diversified portfolio of branded cannabis consumer products sold online, delivered direct-to-consumer and via retail dispensaries.

DHI generates revenue from:

- the sale of wholly-owned branded products online and through retail dispensaries;
- manufacturing and processing branded cannabis products for delivery to retail dispensaries and direct-to-consumers; and
- wholesale distribution and logistics management on behalf of cultivators, manufacturers and third-party brands.

DHI's operating platform provides accounting, capital markets, compliance, human resources, licensing, marketing, technology and regulatory support for its operating entities.

Acquisitions, Partnerships and Investments

Acquisition of DionyMed Inc., Herban and Subsidiaries

On February 28, 2018, DHI completed the acquisition of all issued and outstanding equity interests of entities under common control: DionyMed Inc. and Herban (and its subsidiaries) through a share exchange and contribution arrangement.

Acquisition of Certain Assets of Rise Brands, Inc. dba Rise Logistics

On June 14, 2018, DHI, through Herban CA, acquired certain assets from Rise Brands, Inc. dba Rise Logistics ("**Rise Logistics**") to contribute to the growth of the DHI's logistics management and technological infrastructure for distributing cannabis products. The transaction was completed for a total purchase price of \$8,000,000 plus a \$4,000,000 earn-out, which will be paid subject to the Rise Logistics assets achieving certain performance metrics. To date, the initial \$5,625,000 and one earnout payment of \$666,666 have been paid by way of cash and 1,486,418 Subordinate Voting Shares to the principals of Rise Logistics for the acquisition.

Acquisition of Certain Assets of JDK Holdings, LLC dba Winberry Farms

On August 31, 2018, DHI, through Herban OR, acquired certain assets from JDK Holdings, LLC dba Winberry Farms ("**Winberry**" or "**Winberry Farms**"), a cannabis concentrate and vape cartridge brand that holds licenses in the State of Oregon for the cultivation, distribution and manufacturing of medicinal and adult-use cannabis. The transaction was completed for a total purchase price of \$7,500,000 plus a \$4,000,000 earn-out, which will be paid subject to the Winberry Farms assets achieving certain performance metrics. To date, \$5,250,000 of the initial amount and two earnout payments totaling \$1,000,000 in cash have been paid to JDK Holdings for the acquisition.

Cascade Distribution

On September 27, 2018, DHI through Herban OR acquired certain assets of Cascade Cannabis Distribution, Inc. ("**Cascade**"). Cascade holds a recreational wholesale license in the State of Oregon for the distribution of adult-use cannabis and provides product processing, packaging and distribution services in Oregon. The State of Oregon approved the transfer of the recreational wholesale license to Herban OR in February 2019.

The transaction closed on March 1, 2019, for a total purchase price of \$150,000, paid in cash, plus an earnout of \$100,000 based on certain performance targets. The Company is now distributing third party products and its brands through Cascade.

HomeTown

On October 1, 2018, DionyMed invested \$2,000,000 in unsecured convertible notes of Hometown, a California corporation that engages in the business of direct-to-consumer cannabis sales and delivery, that included the right, but not the obligation, to purchase the outstanding shares of Hometown for \$6,000,000 plus a \$12,000,000 earn-out, which would be paid subject to Hometown achieving certain performance metrics.

On December 5, 2018, the Company exercised its option to purchase the outstanding shares of Hometown (the "**Hometown Shares**"). The transaction closed on December 13, 2018. Effective December 5, 2018, the Company transferred all of the Hometown Shares to a single individual who was a former owner of shares of Hometown in consideration for the grant of an irrevocable option (the "**A&O Agreement**") to re-acquire the Hometown Shares for a nominal amount following the receipt of all required regulatory approvals. In connection with the foregoing, the Company's subsidiary Herban and Hometown entered into a Master Services Agreement (the "**MSA**") pursuant to which Herban exercises control over Hometown and provides Hometown with management, labor administration, marketing, branding, professional, banking, record-keeping, intellectual property, governance, and other support services. The Company has consolidated the accounts of Hometown in its consolidated financial accounts since December 13, 2018 as a result of the MSA and the A&O Agreement.

Acres Cannabis

On January 10, 2019, the Company signed a strategic partnership agreement with Acres Cannabis ("**Acres**"), a vertically integrated cannabis retailer based in Las Vegas, Nevada. The partnership grants the Company's brands and services immediate access to the highly coveted Nevada market, which services more than 39 million tourists each year, and represents another significant step in the Company's national expansion plans.

Acres operates one of the largest cannabis cultivation and manufacturing sites in the state of Nevada, as well as a 20,000 square foot dispensary in the heart of Las Vegas. As part of the partnership agreement, the Company's infused products and edible brands, including its award-winning Winberry Farms, will be manufactured in Acres' facilities and sold state-wide, providing the Company with a scalable platform to penetrate the Nevada market.

Financing Activities

DionyMed Inc. Notes

Between November 2017, and January 2018, DionyMed Inc. completed a non-brokered financing of DionyMed Inc. Notes for aggregate gross proceeds of CAD\$4,107,011. The DionyMed Inc. Notes were issued at a price of CAD\$1,000 per note, were convertible into DionyMed Inc. common shares (for non-US purchasers) or DionyMed Inc. series A preferred shares at a conversion price of CAD\$1.00 per

DionyMed Inc. common share and CAD\$100 per DionyMed Inc. series A preferred share, as applicable, bore interest at a rate of 1.75% per annum, and were to mature three years following the issuance date.

On February 28, 2018, DHI entered into a share contribution and exchange agreement with each of the shareholders of DionyMed Inc. and each of the shareholders of Herban, whereby each share in the capital stock of DionyMed Inc. and each share in the capital stock of Herban was exchanged for shares of DHI. In connection with the share contribution and exchange agreement, DionyMed Inc. assigned all its rights and obligations under the DionyMed Inc. Notes to DHI pursuant to an agreement for the assignment and assumption of notes. See “– *Acquisitions, Partnerships and Investments – Acquisition of DionyMed Inc., Herban and Subsidiaries*”.

DHI Common Share Placement

On March 2, 2018, DHI completed a private placement financing of common shares of DHI (“**DHI Common Shares**”) to non-US investors, and Series A Preferred Shares of DHI (“**DHI Series A Preferred Shares**”) to United States investors, at an issue price of CAD\$1.00 per DHI Common Shares or CAD\$100 per DHI Series A Preferred Shares, for gross proceeds of CAD\$1,897,498. Upon the completion of the March 2, 2018, private placement, the DionyMed, Inc. Notes automatically converted into DHI Common Shares and DHI Series A Preferred Shares, as applicable.

DHI Convertible Debenture Private Placement

Between June 14, 2018 and August 28, 2018, DHI completed a non-brokered private placement by issuing an aggregate of 13,240 common share convertible debentures (the “**DHI Common Share Convertible Debentures**”) and an aggregate of 4,940 series A convertible debentures (the “**DHI Series A Convertible Debentures**”), together with the DHI Common Share Convertible Debentures, the “**DHI Convertible Debentures**”) at a price of CAD\$1,000 per convertible debenture for gross proceeds of CAD\$18,180,000 (\$13,925,699). The DHI Common Share Convertible Debentures, which (following the Reverse Take-Over) convert into Subordinate Voting Shares of the Company at CAD\$2.06 per Subordinate Voting Share and the DHI Series A Convertible Debentures, which (following the Reverse Take-Over) convert at CAD\$206 per series A multiple/subordinate voting share of the Company (the “**Series A Multiple/Subordinate Voting Shares**”), bear interest at 14% per annum and have a maturity date of June 30, 2020. At December 31, 2018, CAD\$4,950,000 of the DHI Convertible Debentures (which are now convertible debentures of DionyMed Brands Inc.) had been converted.

DHI Term Loan

On September 24, 2018, DHI entered into a term loan agreement with certain lenders in the aggregate principal amount of \$4,000,000 (the “**Term Loan**”). The Term Loan matured on the first to occur of: (i) an event of default which has not been cured or waived, (ii) thirty (30) business days after the Company is publicly listed and tradable on a recognized securities exchange and (iii) September 24, 2019, when the principal amount of the Term Loan, the unpaid interest thereon, and all other obligations relating to the Term Loan and the loan documents was immediately due and payable.

The Term Loan included a repayment premium equal to \$2,000,000 payable in the Company’s Subordinate Voting Shares with the number of Subordinate Voting Shares calculated as \$2,000,000 divided by the price per share at the listing event. The Term Loan was fully repaid during the first quarter of 2019 and the Company issued 611,765 Subordinate Voting Shares in consideration of the repayment premium.

Early Draw Facility and Mandate Letter

On November 12, 2018, DHI entered into a mandate letter (the “**Mandate Letter**”) with a lender (the “**Arranger**”) to arrange a hybrid asset-based loan facility of up to \$40,000,000 to provide working capital funding for the Company, including a \$3,000,000 early draw facility (the “**Early Draw Facility**”).

The Early Draw Facility is secured by a general security agreement over the assets of DHI in favor of certain credit funds managed by the Arranger, bears interest at a rate of LIBOR plus 8% per annum, plus an anniversary fee of 2.5% in the first year and 3.75% in the second year, and matures on February 12, 2020. Under the Early Draw Facility, DHI made one drawdown on November 13, 2018 for gross proceeds of \$3,000,000. Fees of \$877,650 were withheld from the gross proceeds for various fees, including a mandate fee, due diligence fee and legal fees, resulting in net proceeds of \$2,147,350. Neither the Company nor its subsidiaries may dispose of any asset, incur any indebtedness or create or permit any security over its assets other than as permitted by the Early Draw Facility.

On November 27, 2018, as part of the consideration to the lenders, the Company issued 27,795 Subordinate Voting Shares at a price of CAD\$4.25 and 744,000 warrants with an exercise price of CAD\$5.31 expiring three years from the date of issue.

DHI Subscription Receipt Private Placement

On November 1, 2018, the Company completed a private placement of 8,115,297 subscription receipts (the “**Subscription Receipts**”) at a price of CAD\$4.25 (the “**SR Offering Price**”) per Subscription Receipt for aggregate gross proceeds of approximately CAD\$34,490,012. Each Subscription Receipt automatically converted into one DHI Common Share (the “**SR Shares**”) and one DHI Common Share purchase warrant (the “**SR Warrants**”) immediately prior to and in connection with the completion of the Reverse Take-Over, without payment of additional consideration or further action on the part of the holder. The SR Warrants were exercisable at a price of CAD\$6.37 per DHI Common Share for a period of 24 months from the date certain escrow release conditions, including the completion of the Reverse Take-Over, were satisfied.

As part of the Reverse Take-Over, each SR Share was exchanged for a Subordinate Voting Share of the Company and each SR Warrant was exchanged for a Subordinate Voting Share purchase warrant of the Company. The Subordinate Voting Share purchase warrants had the same terms as the SR Warrants, except that they are exercisable for the Company’s Subordinate Voting Shares.

Inventory Finance Facility

On January 17, 2019, the Company signed a definitive agreement (the “**Credit Agreement**”) for a two-year, up to \$40 million senior secured credit facility from a syndicate of investors (the “**Inventory Finance Facility**”). The Inventory Finance Facility consists of a \$15 million term loan facility and a \$25 million asset-backed loan facility. On January 30, 2019 the Company drew approximately \$13 million of the Inventory Finance Facility following the completion of certain conditions to the satisfaction of the investors. Net proceeds in the amount of \$9,614,795 were received by the Company, net of the repayment of a \$3,000,000 early draw facility and \$385,205 in capitalized transaction costs. \$27 million of the Inventory Finance Facility remains undrawn. Currently, the syndicate of investors have committed to provide \$13 million of the Inventory Finance Facility. Future commitments from existing or future lenders are expected for the full amount.

The Inventory Finance Facility will be used for acquisitions, capital expenditures, refinancing existing debt, working capital and general corporate purposes. The Inventory Finance Facility provides the Company an efficient capital structure as it continues to expand its U.S. operational footprint and product portfolio, through both inorganic and organic growth opportunities. The Inventory Finance Facility includes up to an aggregate of 7.1 million warrants with warrants issued to investors based on the amount drawn on the Inventory Finance Facility proportionate to the maximum Inventory Finance Facility size of \$40 million. Each warrant provides the investor the right to purchase one Subordinate Voting Share and the warrants expire after 36 months. If the Inventory Finance Facility is fully drawn, the warrants would have a weighted average exercise price of CAD\$5.16 per share.

Bought Deal Private Placement of Units

On May 7, 2019, the Company closed a bought deal private placement financing with a syndicate of agents co-led by Canaccord Genuity Corp. and Cormark Securities Inc. (the “**Underwriters**”), for 3,822,055 units of the Company at a price of CAD\$2.75 per unit for aggregate gross proceeds to the Company of CAD\$10,510,651.

Each unit was comprised of one Subordinate Voting Share and one Subordinate Voting Share purchase warrant exercisable into one Subordinate Voting Share at price of CAD\$3.80 per share for a period of 36 months following the closing of the offering. The net proceeds from the offering will be used primarily towards the Company's strategic growth initiatives and for general working capital purposes.

Other Subsequent Events

On February 14, 2019, the Company signed a membership interest purchase agreement, subject to satisfaction of certain customary conditions, to acquire Pioneer Valley Extracts, LLC, a manufacturer and emerging cannabis brand in Massachusetts. At close, the total purchase price will be \$550,000, consisting of \$150,000 in cash and \$400,000 in Subordinate Voting Shares priced at the 15 day volume-weighted average price at closing of the transaction. Currently, the Company owns and sells its award-winning brand family, including the Winberry Farms concentrates and vape cartridges through California, Nevada and Oregon. The acquisition of Pioneer Valley Extracts, LLC expands the Company's national footprint in Massachusetts, the fastest growing and first recreational cannabis market on the East Coast. As of the date of this AIF, this transaction has not yet closed.

On March 18, 2019, the Company announced that its Subordinate Voting Shares were approved to be quoted on the OTCQB Venture Market, and now trade under the symbol “DYMEF”. The OTCQB trading provides early direct access for U.S. investors to participate in the exciting growth of the Company as it continues to expand into new U.S. markets from the primary markets in California and Oregon.

On March 20, 2019, the Company signed a binding term sheet, subject to satisfaction of due diligence performed by the Company and other customary conditions to close, with MM Esperanza 2 LLC, doing business as “**MMAC**”, to acquire select MMAC assets, including the 1.83 acre Los Angeles cannabis campus that includes a dispensary storefront, distribution facility, manufacturing hub and direct-to-consumer fulfillment center. The acquisition includes all property, leaseholds, equipment and licenses for a purchase price of \$19,000,000 and, if completed, would enhance the Company's brands distribution and direct-to-consumer footprint in southern California. Completion of this arms-length acquisition is subject to several conditions, including, but not limited to, the execution and delivery of definitive documentation mutually agreeable to the parties, completion of due diligence on MMAC to the Company's sole satisfaction and receipt of all necessary board, shareholder, regulatory and third-party approvals for the acquisition. As of the date of this AIF, this transaction has not yet closed.

On March 29, 2019, Hometown, a licensed California delivery service managed by the Company, terminated its relationship with customer acquisition provider Eaze Technologies, Inc., formerly Eaze Solutions, Inc. (“**Eaze**”). Following a review of certain of Eaze's business practices, the Company was unable to confirm that Eaze's credit card payment processing methodology met regulatory compliance requirements. The Company now utilizes the Company's Chill platform to acquire and service customers and is expected to achieve higher margins on product sales generated through the platform, as it includes house brands. The Company is focusing its efforts on scaling its online delivery platform, Chill, through aggressive marketing and customer acquisition. Since the Company began to actively market Chill in early April 2019, Chill has increased to a \$10.6 million annual run-rate, based on the week ending May 26, 2019 results with a substantially improved contribution margin relative to revenue earned under the Eaze relationship.

The Company announced an exclusive licensing and distribution agreement with Défoncé Chocolatier (“**Défoncé**”). Created and distributed exclusively in California, fine chocolate maker Défoncé is expanding

its popular line of premium cannabis-infused chocolate products. In addition to the brand's acclaimed selection of full-size chocolate bars, new single-serving squares and low-dose bites are now available. All new offerings are gluten free (gf), with vegan (v) options available as well.

The Company announced the expansion of its wholly-owned, award-winning brand, Winberry Farms, to offer consumers an even more comprehensive, diversified product portfolio with 12 new CBD-focused products. With these new additions, the Winberry Farms product line will encompass 75 high-quality distillate and full-spectrum THC and CBD concentrates, currently available in 300 retail locations in Oregon and 50 locations in California. One of the first recreational cannabis farms to be licensed by the state of Oregon, Winberry Farms specializes in expertly-cultivated, naturally sun-grown product. The launch of the new Winberry Farms CBD line in California includes 16 SKUs, which will be available in multiple flavors and configurations, offering both 3:1 and 1:1 CBD to THC ratios.

In addition to Winberry Farms, the Company's wholly-owned brand portfolio includes Gardener's and Afterglow, and the Company has established relationships with premier cannabis brands to offer its direct-to-consumer and retail distribution capabilities and further enhance and build upon the Company's position as a "house of brands." These brands include F/ELD, CBDAlive, Défoncé, Lemon Tree, Fire King, Higher Veda Medicinals, Lifestyle Delivery Systems, Lola Lola, and Zkittlez, amongst others.

On April 2, 2019, the Company signed a definitive agreement with an irrevocable option to acquire Waterside Warehousing ("**Waterside**"), a premium manufacturer and indoor craft cultivator located in Oakland, California. The Company agreed to provide \$1,000,000 in cash by way of a secured preferred note carrying a 6% interest rate per annum, paid quarterly, \$600,000 of the loan has been advanced to date and the balance is to be paid during the second quarter of 2019. The agreement provides the Company with an option to acquire Waterside for an additional \$5 million payment. The Company has not exercised this option.

On April 5, 2019, the Company signed a term sheet to acquire Virginia's Kitchen, LLC d/b/a Blue Kudu ("**Blue Kudu**"), an award-winning edibles brand and wholesale platform based in Denver, Colorado. The total consideration for the deal is expected to be \$5,500,000, consisting of \$5,000,000 at close comprised of \$4,000,000 in cash and \$1,000,000 in Subordinate Voting Shares and the remaining \$500,000 payable post closing upon achieving certain performance conditions. Closing of the transaction is subject to satisfaction of certain customary conditions, including the entrance into of definitive agreements with respect to the transaction. Blue Kudu's products include award-winning chocolate bars, cookies and gummies. Under the term sheet, the Company will manufacture and distribute Blue Kudu products to its customer network of more than 850 dispensaries across California, Oregon, Nevada and Massachusetts. In addition, Blue Kudu products will be available on the Company's Chill direct-to-consumer delivery platform. Further, Blue Kudu will license and distribute the Company's brands to its more than 200 dispensary customers, including the award-winning Winberry Farms vape cartridges. Completion of the distribution and licensing agreements are subject to several conditions, including, but not limited to, execution and delivery of definitive documentation mutually agreeable to the parties, and the Company's completion of due diligence on Blue Kudu.

The Company announced an exclusive distribution agreement with CBDAlive to expand the Company's award-winning cannabis brand portfolio with one of California's highest-quality, premium CBD product lines. Grown exclusively in natural sunlight, using sustainable farming practices in California, CBDAlive products are all based on full-spectrum oil and are available in varying ratios that appeal to multiple consumer segments for a variety of uses. The product line, with over 40 products, is available in drops, capsules, topicals and raw oil.

The Company has restated its previously reported consolidated financial statements as of February 28, 2018 and for the period from January 11, 2018 to February 28, 2018, and all related disclosures. In addition, the financial statements of DHI for July 31, 2018 (as included in the Company's listing statement and for the quarters ended May 31, 2018, August 31, 2018 and November 30, 2018 financial statements are also being restated. The restatement of the Company's consolidated financial statements followed a

review of the Company's consolidated financial statements and accounting records that was undertaken as part of the audit of the consolidated financial statements for the period ended December 31, 2018. That review identified that an incorrect application of fair value methodology was used in the valuation of the DionyMed, Inc. and Herban Industries, Inc. common control business combinations. A pooling of interest was deemed more appropriate under the circumstances. The effects of the restatement are reflected in the Company's Financial Statements and accompanying notes. The corrections relate to removing the previously-recognized fair value adjustments, consisting of the associated intangible assets and goodwill recognized upon acquisition. The total cumulative impact of the restatement decreases shareholders' equity as at February 28, 2018 by \$29,825,489. This total cumulative impact on shareholders' equity as at February 28, 2018 comprises a decrease in share capital in the amount of \$25,846,410 and a decrease in other reserves against equity in the amount of \$3,979,079.

Reverse Take-Over

On November 27, 2018, DHI closed the Reverse Take-Over with Sixonine, a public company that traded on the NEX Board of the TSX Venture Exchange. In connection with the Reverse Take-Over, Sixonine changed its name to "DionyMed Brands Inc." and consolidated its common shares on an 8.43295184 old to 1 new basis.

To effect the Reverse Take-Over, DHI amalgamated with 1180820 B.C. Ltd., a wholly-owned subsidiary of Sixonine, which was formed solely for the purpose of facilitating the Reverse Take-Over. Pursuant to this amalgamation, the shareholders of DHI received one Subordinate Voting Share, one Series A Multiple/Subordinate Voting Share, or one series F multiple voting share (the "**Series F Multiple Voting Shares**"), as applicable, of the Company for each DHI Common Share, DHI Series A Preferred Shares or DHI Series F Share registered in the name of such shareholders. Holders of DHI's options and warrants (including all holders of units) outstanding at the time of closing of the Reverse Take-Over also received equivalent instruments of the Company exercisable for, or convertible into, the Company's Subordinate Voting Shares. As part of the Reverse Take-Over, the corporation resulting from the amalgamation of DHI and 1180820 B.C. Ltd. was amalgamated with DionyMed Brands Inc.

Following closing of the Reverse Take-Over, the Company had 12,932,388 Subordinate Voting Shares, 31,353 Series A Multiple/Subordinate Voting Shares, and 6,598 Series F Multiple Voting Shares issued and outstanding. The Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares are "compressed". The 31,353 Series A Multiple/Subordinate Voting Shares can be converted into 100 Subordinate Voting Shares per Series A Multiple/Subordinate Voting Shares, equating to 3,135,300 Subordinate Voting Share equivalents. The Series F Multiple Voting Shares can be converted into 5,000 Subordinate Voting Shares per Series F Multiple Voting Share, equating to 32,990,000 Subordinate Voting Share equivalents. The Company also had convertible debentures convertible into 8,825,242 Subordinate Voting Share equivalents and 8,825,242 warrants exercisable for 8,825,242 Subordinate Voting Share equivalents at a conversion price of CAD\$2.06. In addition, an aggregate 20,766,130 Subordinate Voting Share equivalents of the Company were reserved for issuance upon exercise of outstanding options, warrants, broker warrants, and upon conversion of outstanding convertible debentures. Therefore, as of November 30, 2018, on a fully diluted basis there were 84,928,588 Subordinate Voting Share equivalents issued and outstanding.

The Subordinate Voting Shares commenced trading on the CSE on November 29, 2018 under the symbol "DYME".

Effective upon the closing of the Reverse Take-Over, to align the financial years of DHI to that of the Company, the financial year of the Company has been changed from February 28 of each year to December 31 of each year.

Upon the completion of the Reverse Take-Over in accordance with the terms of Definitive Agreement, the Company began carrying on the business of DHI as described herein.

DESCRIPTION OF THE BUSINESS

General Business of the Company

Prior to the Reverse Take-Over, Sixonine had no active business operations aside from seeking business opportunities. Upon affecting the Reverse Take-Over, the business of Sixonine became the business of the Company.

The Company, through its subsidiaries, operates a distribution, manufacturing services and online retail platform for cannabis cultivators, distributors and processors with current operations in California and Oregon. The Company generates returns from the revenue sources below:

- the sale of wholly-owned branded products online and through retail dispensaries;
- manufacturing and processing branded cannabis products for delivery direct-to-consumers and to retail dispensaries; and
- wholesale distribution and logistics management on behalf of cultivators, manufacturers and third-party brands.

Strategic Framework

The Company's mission is to build safe, trusted cannabis brands for medical and recreational consumers worldwide.

The Company plans to build and sustain recognizable cannabis brands that play a positive role in society. In each market, the Company serves its primary customer sets, consisting of consumers, cultivators, manufacturers, and dispensaries.

We seek to make access to cannabis safe, convenient and easy for both recreational and medical use customers. We deliver products directly through our own e-commerce sites and partner sites, as well as through dispensary retail partners. In addition, we support other brands and retailers by providing distribution, logistics, manufacturing and technology services. We strive to offer our customers products at price points that meets their needs, ranging from value priced offerings to luxury products, together with fast and reliable fulfilment and timely customer service.

The Company uses state and local operating teams determining how to best apply our guiding strategic principles. This model provides greater ability to meet the diverse needs of our consumers and customers, while allowing for the speed of execution required in the dynamic cannabis market.

The Company aims to drive the sharing of best practices and enhance efficiency. Our standards for governance, compliance and ethics are set company-wide.

As a vertically-integrated provider and with a focus on data and technology, we can identify and act on consumer trends to support growth. Local market expertise is used to identify and deliver against the most valuable growth opportunities.

We use consumer insights and marketing to drive product development and innovation at scale and develop relationships with our customers through distribution and sales. Our supply capabilities enable us to manufacture and distribute our brands efficiently and effectively.



The Company's standards for governance, compliance and ethics are set company-wide. We are committed to using business as a force for good, a catalyst for innovation and to support the communities we serve. The Company weighs business decisions with consideration for how its efforts affect its


employees, customers, the environment, and the communities where its employees live and where it does business, while strengthening its brands.

We focus on supporting communities and non-profits that can utilize the wellness aspects of our products (i.e. military veterans, medical foundations, university research, etc.). We believe this will ultimately have a positive impact on our customers, employees and shareholders.

History and Key Milestones

Set out below are the key events and milestones which have influenced the general development of the Company's business:

Activity	Company	Date(s)	Company Entity	Description
Acquisition	DIONYMED	February 28, 2018	DHI	Acquires DionyMed Inc. and Herban and its subsidiaries, providing DHI with licenses to distribute and manufacture in the State of California, as well as several brands and key operating personnel.
Financing		November, 2017 to March, 2018	DHI	Completes financings for aggregate gross proceeds of CAD\$6,004,509 in DionyMed Inc. and DHI. ⁽¹⁾
Acquisition		June 14, 2018	Herban CA	Acquires the licenses, customer lists, personnel and technology of Rise Logistics to provide wholesale distribution, manufacturing and processing services to cultivators, manufacturers, retail dispensaries and delivery services.
Financing		June, 2018 to August, 2018	DHI	Completes CAD\$18,180,000 DHI Convertible Debenture raise.
Acquisition		August 31, 2018	Herban OR	Acquires the brand, customer lists, intellectual property and personnel of Winberry Farms providing DHI with a license to cultivate and distribute in the State of Oregon. Winberry Farms self-distributes to more than 350 dispensaries in Oregon.
Product Launch	CHILL	August 31, 2018	Herban CA	Launches CaliChill.com e-commerce and mobile site to sell wholly-owned and third-party products.
Financing		September 24,	DHI	Closes \$4,000,000 Term Loan.

Activity	Company	Date(s)	Company Entity	Description
		2018		
Acquisition		March 1, 2019	Herban OR	Acquires the wholesale license and facility lease of Cascade to provide processing, packaging and distribution services in Oregon.
Financing		November 1, 2018	DHI	Completes Subscription Receipt financing for aggregate gross proceeds of CAD\$34,490,012.
Reverse Take-Over		November 27, 2018	DHI, DionyMed Brands Inc.	Completes Reverse Take-Over.
CSE Listing		November 29, 2019	DionyMed Brands Inc.	Commences trading on the CSE under the symbol "DYME".
Acquisition	HOME  TOWN	December 13, 2018	DionyMed Brands Inc.	Exercises its option and transfers all of the Hometown Shares to a single individual who was a former owner of shares of Hometown in consideration for the A&O Agreement. Executes the MSA with Hometown and expands direct-to-consumer fulfillment capabilities with existing volume of more than 1,500 customers each day.
Partnership		January 10, 2019	DionyMed Brands Inc.	Signs strategic partnership agreement with Acres, a vertically integrated cannabis retailer based in Las Vegas, Nevada.
Financing		January 17, 2019	DionyMed Brands Inc.	Enters into Credit Agreement for the Inventory Finance Facility.
Financing		May 7, 2019	DionyMed Brands Inc.	Completes unit offering.

Notes:

1) The financing that occurred between November, 2017, to March, 2018, consisted of the issuance of DionyMed, Inc. Notes, DHI Common Shares and DHI Series A Preferred Shares.

Lines of Business

Branded Product Sales

The Company's products are currently sold online through the Company's website (www.calichill.com), third-party e-commerce sites and brick and mortar dispensary retailers. The Company continues to expand the range of offerings in all significant and emerging product categories, including flower, pre-polls, vape pens, concentrates and edibles. The Company's products vary in price points, targeting specific customer segments with their brand messaging and position and with a deliberate bias to serving new cannabis consumers. The range of products is designed to be specific consumer segment focused with perceived value for the price point.

See "Operations -- Product and Brand Portfolio Development" below for additional detail.

Wholesale Distribution and Third-Party Logistics

In addition to the Company's wholly-owned brands, the Company provides distribution, fulfillment, warehousing and inventory management services for third-party brands. Some of these products may be sold by the Company's sales team, while others may be sold by the third party brands' sales teams. Distribution and logistics services may involve warehousing, facilitation of product testing, tax-collection and/or compliant transport, depending on a market's regulatory requirements.

Providing distribution services to third-party brands allows us provide cost-effective sales and delivery services for the third-party brand's products, gain retail shelf-space, and collect data about market, sales, and product trends.

Value-Added Manufacturing Services

The Company provides co-packing services, filling services, supply chain management and sourcing on behalf of cultivators, manufacturers and brands. The co-packing services include manicuring services, packaging and labeling dry bulk-flower from cultivators, as well as filling and packaging vape cartridges and other concentrates. We expect to expand this service line to include extraction and additional finished goods production capabilities.

Direct-to-Consumer Retail and Delivery Fulfillment

In August 2018, in partnership with HomeTown, the Company launched a direct-to-consumer e-commerce storefront for same-day delivery in the San Francisco Bay Area. The e-commerce storefront includes both our products and well-established third-party brands. The Company provides the software and technology on behalf of HomeTown through a services agreement and HomeTown is the retailer-of-record, providing the delivery fulfillment service.

Overview

Industrial Strength Platform Operating at Scale in Multiple States

The Company operates in California and Oregon actively servicing more than 750 dispensaries each month and can fulfil more than 1,500 deliveries each day. We are focused on increasing our operational scale to drive cost efficiencies to enable a competitive combination of price and quality in our branded products.

Technology Powered and Data Driven

The Company designs, develops and deploys technology empowering end-to-end compliant delivery, sales and cash logistics.

The Company's technology has easy-to-use functionality for consumers and enables fast, reliable fulfilment, and timely customer service. The Company plans to invest in proprietary technological infrastructure.

Growth Strategy

The following are the principal strategies the Company plans to employ:

Investment in Direct-to-Consumer Retail

The Company's products are currently sold online through the Company's website (www.calichill.com), third-party e-commerce sites and brick and mortar dispensary retailers. We will continue to invest in our direct-to-consumer e-commerce sites, as well as sell products through partner sites and offer delivery services for brick and mortar dispensary retailers.

Key to this approach is the ability to reach new consumers and to drive reorders from existing customers. The Company is concentrating its activities in digital and out-of-home (i.e., outdoor billboard and street-level advertising) media in 2018 and plans to continue focusing on the following initiatives through 2019:

- Search Engine Optimization: A collaborative, integrated effort with content and public relations teams optimizing search engine results in the category for those seeking both general education on cannabis and availability to purchase cannabis.
- Outdoor Advertising: Developing outdoor billboard and street-level advertising strategy for reaching broad audiences in select geographies.
- Referral: Utilizing third party marketing campaigns to amplify brand and product awareness.
- Consumer Web Experience: Optimizing the customers web experience to convert browsers into buyers and driving repeat purchases.
- Email: Growing the current subscriber list and delivering relevant and personalized content.

Introduction of New Delivery Formats

We are planning new delivery formats to meet customer needs, including membership and subscriptions available online through our e-commerce sites with same-day, next-day and scheduled delivery offerings.

Membership and subscription programs are expected to encourage enrolment with a similar structure to online "subscribe and save" models. This is expected to deliver demand and repeat purchases from existing customers by enabling scheduled monthly reorders and improved continuity in consumption. Consumers will be able to set their frequency and reorder patterns, along with preferred product mixes.

Building Brand Awareness of Existing Portfolio through Marketing and Public Relations Initiatives

The Company supports its products with advertising, promotions and other marketing vehicles to build awareness and trial of its brands and products in conjunction with its sales force.

The Company intends to drive brand recognition in several ways, including: (i) in-market promotion and brand ambassadors; (ii) media and event promotion; (iii) community and social engagement; (iv) legislative participation; and (vi) public relations and speaking engagements at key industry events. In addition to these active outlets to build brand awareness, we plan to support endorsements and testimonials from our customers who are advocates for our brands and products.

Our marketing mix is being optimized to connect with consumers and convert them to purchasers at the lowest cost possible. A collaborative, integrated effort with content and public relations teams is underway with the objective to optimize search engine result and leverage targeted advertisements to enhance awareness of our products and services. The Company analyzes customer data to enhance the customers' experience to convert both in-store and online shoppers into buyers and drive repeat purchases.

Introduction of New, Differentiated Products

The Company currently markets a product portfolio consisting of flower, concentrates, CBD and THC distillates and edible confections. We have prioritized several new primary and secondary product categories, including soft-gel tablets, sublinguals, tinctures, capsules, powders, sports performance products, topical/cosmetic products, infused beverages and pet products.

Expanded Retail Distribution for Both Wholly-Owned and Third-Party Brands

The Company employs a sales team of 17 persons. We expect to continue to hire, train and develop both an inside and outside sales team to increase the penetration and in-store purchases of our distributed and wholly-owned products in both existing and new markets.

Our sales representatives provide hands-on support at the store level to ensure products are correctly labelled and merchandised. This sales team is managed by key management personnel within the Company.

Currently, the majority of retail orders are fulfilled through our distribution centers under the Rise Logistics brand. We will target new distribution channels as laws and regulations evolve in each market.

Acquisition of Strategic Complementary Companies

The Company intends to leverage its network of industry participants and advisors to actively source and identify acquisition opportunities. We expect to pursue acquisitions that leverage and complement our strengths in sales, marketing, new product development, quality, production and distribution.

Certain criteria are employed in pursuing potential acquisition candidates including: (i) quality of brand; (ii) quality and type of product; (iii) attractiveness of product sector; (iv) integration potential; (v) production capabilities; (vi) distribution network; (vii) geographic reach; and (viii) financial performance.

Management will seek both small and large acquisition and investment opportunities across the cannabis supply chain. We expect to fund these acquisitions through a combination of cash, debt and/or equity, if available.

International Expansion

The Company believes that international expansion is paramount to long-term growth, with near-term focus on Canada and the European Union. To achieve this international reach, we are planning to either partner with distributors and/or manufacturers in these international locations or create foreign licensed subsidiaries to transact business in the regions. Expansion into additional jurisdictions will be done in

compliance with applicable regulatory requirements in such jurisdictions and the cost and complexity of such compliance will form part of the strategic evaluation process for any proposed expansion.

Operations

Product and Brand Portfolio Development

The Company's approach to branded products focuses on having products at different price points in all significant and emerging product categories, with a particular bias on new cannabis consumers.

Our current product categories include flower, pre-rolls, vape pens, concentrates, and edible confections.

- Flower: There are currently two brands in our flower portfolio, Poetry and Gardener's. Poetry brand is a premium indoor flower targeting consumers looking for unique strains. Gardener's is our outdoor flower offering. The focus with both brands is to identify and partner with cultivators to develop consistently high quality products.
- Vapes: This is a growing space for the new cannabis consumer, given the appeal of convenience and discretion. Our current range of products, Alexander Fields, AJA, My Ananda, Swell and Winberry Farms, are unique and provide positive experiences for consumers.
- Pre-Roll: This category also caters to consumers looking for convenience and the experience of combusting flower. The Holy Smokes brand has been designed to provide outdoor flower in a single use format. The Company will look to expand into multi packs as the brand builds recognition with consumers.
- Edibles: This is a growing category which allows consumers to have a controlled experience. The Moon Cookies brand is available in 10mg pieces with specific instruction for consumers. As this category evolves under new regulations that are intended to allow consumers to have greater control, brand expansion into mints and other formats is planned.

Research and Development

Due to the research and development vacuum created by the current political climate and federal restrictions on cannabis in the United States, product development in the past had often occurred without the benefit of traditional scientific research and evidence-based results. Product development has largely been driven by immediate market demands.

There is opportunity for professional and scientifically rational cannabis product development. The Company intends to develop intellectual property in the areas of cannabis-related novel small molecule compounds, formulation development, and in materials and methods.

Marketing and Promotion

Data collection and customer analysis from direct-to-consumer sales will be a significant input into the Company's marketing strategy. Direct-to-consumer sales give an opportunity to gain insight into how to better support the customer based on data, including buying habits and purchase frequency.

Consumer segmentation is being used to transform the Company's consumer activities during 2018 through both valuable understanding of its customer base, as well as the ability to activate and invest in core consumer segments that will assist in developing a value proposition for customers.

Key elements of the segmentation efforts include:

- Driving ability to more effectively motivate trial orders, improve overall product trial experience, promote repeat purchasing patterns and ensure customer retention through targeted messaging;
- Differentially investing in core segments to attract new users at attractive conversion rates; and
- Maximizing customization of email and other messaging channels to improve initial experiences and promote repeat buying.

The Company is working with an advertising agency to solidify brand identity, packaging design, communications, and continuously improve on both aesthetic and overall functionality of its direct-to-consumer e-commerce experience.

Cultivation, Production and Supply Chain

The Company has established a global supply chain to source cost-effective packaging, hardware and equipment, as well as local supply chains for cannabis biomass and distillate. We use a mix of in-house cultivation and production together with contract growers and manufacturers to support our production needs. We require cultivation and manufacturing specifications be followed and have quality control procedures to ensure product safety, consistency and quality.

The Company operates a limited cultivation site in Oregon used for whole-plant extraction into distillate oil for the Winberry Farms brand. Management believes that in the California and Oregon markets the supply of quality cannabis will continue to increase due to favorable outdoor and greenhouse growing conditions, creating downward pressure on prices. We believe this trend is evidenced in mature markets like Oregon, which have seen significant price declines in 2018 due to oversupply.

The Company plans to scale its production capacity. Management plans to invest in expanded production capacity to address new product opportunities, take control of the supply chain and proactively define the competitive landscape. We may expand our cultivation activities in future markets or markets that require vertical integration.

We are developing products internally with a scalable methodology that focuses on controlling the supply chain and lowering cost of manufacturing.

Inventory Management

The Company has comprehensive inventory management procedures, which are compliant with the rules set forth by the California Department of Consumer Affairs' Bureau of Cannabis Control ("**BCC**"), the Oregon Liquor Control Commission ("**OLCC**"), the Nevada Department of Taxation ("**DOT**") and all other applicable state and local laws, regulations, ordinances, and other requirements in jurisdictions in which the Company operates.

These procedures ensure control over the Company's cannabis and cannabis product inventory, from delivery by a licensed distributor to sale or delivery to a consumer, or disposal as cannabis waste. The Company understands its responsibility to the greater community and the environment and is committed to providing consumers with a safe, consistent, and high-quality supply of cannabis.

Facilities and Security

The Company has comprehensive security policies and procedures for its operations, which address measures to prevent unauthorized entrance into areas containing cannabis and cannabis products to deter theft, or loss, of cannabis and cannabis products. The Company's security policies and procedures are compliant with the rules set forth by the applicable regulatory agencies of the states in which it operates. Onsite security managers ensure all employees follow policies and procedures regarding the

security of the Company's facilities. The security manager, in coordination with the human resources manager, implements and maintains employee training policies and procedures for security training. All employees aid in maintaining the security of the facility through prevention, awareness, reporting, and responsible incident management. All employees are required to immediately report security breaches and incidents of non-compliance to their supervisor. The security manager meets periodically with state and local law enforcement to discuss alarm response, criminal activity statistics, patrol frequency, and other pertinent matters.

The Company's security measures ensure that the Company's facilities are adequately secured against internal and external threats. Facilities are equipped with physical and technological features that minimize the risk of diversion, loss, or theft of cannabis and cannabis products. The Company implements security measures designed to prevent unauthorized entrance into areas containing cannabis or cannabis products and theft of cannabis or cannabis products from the premises. These security measures include, but are not limited to, all the following:

- Prohibiting individuals from remaining on the licensed premises if they are not engaging in activity expressly related to the distribution operations.
- Establishing limited access areas.
- Implementing procedures to ensure limited access areas are accessible only to authorized personnel.
- Limiting employee access to sensitive spaces within the facility, such as areas containing surveillance recordings and large amounts of cannabis goods.
- Facilities are designed to maximize security and minimize risks. Facility access points include safety and security mechanisms to prevent unauthorized entry.

The Company contracts with an outside security consultant to conduct annual audits, facility inspections, and procedure review to ensure regulatory compliance and best practice policies are in place.

The Company recognizes that cyberattacks, network breaches, and malware can create serious problems for current operations as well as affect business relationships and future operations. The Company deploys best practices for data and cyber security utilized by businesses working with government contracts and technology sector leaders, including the following security requirements:

1. Access Control
2. Awareness and Training
3. Audit and Accountability
4. Configuration Management
5. Identification and Authentication
6. Incident Response
7. Information System Maintenance
8. Media Protection
9. Personnel Security

10. Physical Protection of Data Systems
11. Risk Assessment
12. Security Assessment
13. System and Communications Protection
14. System and Information Integrity

See the “*Systems and Technology*” section below for further discussion.

Banking and Credit Card Processing

The Company deposits funds from its operations with its banking partners in each of its markets. The banks are fully aware of the nature of our business and continue to remain supportive of our growth plans. We currently accept only cash and debit card payments from customers and do not process credit card payments. See “*Risk Factors – Restricted access to banking*” below.

Systems and Technology

The Company’s systems architecture was designed for scalability and increasing distribution efficacy. Logistics and distribution management software continues to grow in importance in the cannabis industry. Organizations are challenged to develop their applications in compliance with cannabis rules, as well as state and local laws and regulations.

The Company pairs a cloud-based enterprise resource planning (“**ERP**”) system for manufacturing, shipping and receiving, inventory control, supply chain management, sales, accounting and finance with proprietary application programming interfaces (“**API**”). These systems reduce unnecessary communication and the learning curves found in monolithic ERP systems. Supplemental peripheral software applications are used for specialized activities in finance, human resources, customer support, manufacturing, distribution and marketing.

We recognize that custom applications need to evolve as rapidly as cannabis regulations and support custom regulatory implementations to support hyper-growth across multiple locales. Proprietary microservice APIs were designed to provide this flexibility and extendibility. Custom API connectors sync ERP, warehouse management systems, transportation management systems, customer support, accounting, and track-and-trace systems. These connectors dramatically improve accuracy and compliance tracking, while reducing double-entry, human error, and friction to market.

The Company is collecting data from its brand marketing, direct-to-consumer channel and distribution/logistics activity to drive the insights to power our brand development and customer acquisition efforts.

Databases are routinely tested for extrapolating insights and producing demand-based analytics. The Company considers technology and related data science to be one of our core competencies.

Competition and Competitive Dynamics

The primary markets in which the Company currently operates (California and Oregon) have fewer barriers to entry than states (such as New Jersey, Florida and Ohio) that limit the number of licenses issued, and more closely reflect free market dynamics typically seen in mature retail and manufacturing industries. The growth of these markets poses a risk of increased competition, but are currently characterized by numerous sub-scale operators and a few well-capitalized competitors.

Today, our wholly-owned branded products compete with Select, Absolute Extracts, Guild Extracts, Moxie and Kiva Confections, among others. According to sales data from BDS Analytics as of September 2018, no company has a market share of more than 5% in any product category (including flower, concentrates, vape pens or edibles), in California and throughout the United States.

Our wholesale logistics and distribution business competes with RVR (a subsidiary of CannaRoyalty) and BlackBird Logistics, along with brands that self-distribute. We believe that as the number of retail dispensaries grow, the industry will consolidate around a few at-scale distribution companies. Our value-added manufacturing business competes with Moxie and The Werc Shop, as well as other contract manufacturers. Our direct-to-consumer retail and fulfillment business competes with both legal and illegal brick-and-mortar dispensaries like MedMen, as well as other online delivery services, such as Eaze and Bud.com.

Aside from the direct competition listed above, out-of-state operators that may enter these markets are also considered part of the competitive landscape. Similarly, as the Company executes its national U.S. growth strategy, operators in our future state markets will inevitably become direct competitors.

Employees

The Company currently has 480 employees. The employees are distributed among the following departments:

General and Administration	35
Operations	98
Delivery	316
Research and Development	5
Marketing and Sales	26
Total	480

The Company's hiring strategy focuses on individuals with a complementary mix of professional experience and industry knowledge.

Employee culture is centred around four pillars:

- **Inclusiveness:** The Company welcomes and is respectful of everyone from all walks of life regardless of race, ethnicity, religion, colour, sex, gender, gender identity or expression, sexual orientation, national origin, ancestry, citizen status, uniform service member and veteran status, marital status, pregnancy, age, medical condition, genetic information disability, etc.
- **Integrity:** The Company's employees should act with integrity, inspiring trust and confidence.
- **Teamwork:** The Company's employees are a collective of talented people who can depend on each other to play each role and assist/lean on each other as necessary.
- **Tenacity:** The Company's employees should strive to exceed the expectations of all its stakeholders.

The Company believes in investing in each of its employees and devotes the necessary resources to ensure all employees are given the proper tools and resources to grow in their respective fields. As an employer, the Company is committed to:

- Providing equal employment opportunities to all employees and applicants who pass a background check;
- Providing policies that extend to all aspects of our employment practices, including but not limited to recruiting, hiring, discipline, termination, promotions, transfers, compensation, benefits, training, leaves of absence, and other terms and conditions of employment;
- Providing a work environment that is free of harassment of any kind, discrimination, and retaliation;
- Complying with all laws protecting qualified individuals with disabilities, as well as employees', independent contractors' and vendors' religious beliefs and observances;
- A culture of inclusiveness where we are committed to our staff without regard to race, ethnicity, religion, color, sex, gender, gender identity or expression, sexual orientation, national origin, ancestry, citizen status, uniform service member and veteran status, marital status, pregnancy, age, protected medical condition, genetic information, disability, or any other protected status in accordance with all applicable federal, state, provincial or local laws; and
- The safety of our employees and the prevention of illness and injury through the provision and maintenance of a healthy workplace. We take reasonable steps to ensure staff are appropriately informed and trained to ensure the safety of themselves and others.

Specialized Skill and Knowledge

The cannabis industry requires access to employees with specialized skills and knowledge in order to maximize harvest quality and yield in addition to having the capacity for developing new varieties. Product formulation and product manufacturing each require their own specific sets of specialized skill and knowledge to ensure maximization of yields and quality from extraction and to create consistent, high quality products. Each of these operations requires extensive knowledge and understanding of the applicable state regulatory landscape to ensure compliance with all local and state laws and regulations.

The Senior Vice President of Product and Manufacturing of Herban OR has gained important skills and knowledge through experience with all areas needed to run a successful cultivation operation. With these skills and knowledge, the Company expects to continue to develop unique, new strains that are only available to the Company and will build on the current knowledge of the organization through testing new techniques and technologies.

In addition, the previous experience of the management team of the Company, along with independent consultation, is the basis for the Company's proprietary standard operating procedures that we believe will ensure consistent quality and yield performance. The Company's employees are extremely talented, with a wide range of educational achievements and work experience. Above all, we strive to enable our employees to do what they do best every day and to act in the best interest of the Company.

The leadership at the Company is knowledgeable in all the products available in the United States market. The Company conducts ongoing training to ensure compliance with all laws and regulations. The leadership of each business unit attends regular compliance training conducted by local and state officials, which provides content and updates for internal training. The management team also has significant professional expertise in distribution, cultivation, sales, technology, marketing, data science,

finance, customer service, human resources, consumer packaged goods, business development, acquisitions, capital markets and market analysis. Our management team includes executives with many years of experience in their respective fields. In addition to the Company's internal resources, there is a broad market of skilled employees with cannabis knowledge and experience in California, Oregon, Nevada, Colorado and Massachusetts to facilitate growth of the labor force.

See "*Risk Factors – Risks associated with travelling across borders*" below.

Intellectual Property

The Company's intellectual property and proprietary rights are important to its business. Efforts to secure intellectual property protection are complicated by conflicting international, federal and state regulations. Protection of intellectual property is necessary for securing a sustainable competitive advantage and we rely on a combination of trademarks, copyrights, trade secret laws, secrecy and confidentiality agreements to do so.

Trademarks

As of the date hereof, Winberry has registered the following four trademarks in the United States, including the "WINBERRY FARMS" name itself and related logos and distinctive to the Company's brand:

WINBERRY FARMS

"WINBERRY FARMS" was registered under registration number 87877429 on April 15, 2018. This mark consists of standard characters, without claim to any font style, size or color.



The Winberry Farms' logo consisting of "The mark consisting of a square containing the letter W" was registered under registration number 87877430 on April 15, 2018. This mark consists of standard characters, without claim to any font style, size or colour.

The Winberry Farms' logo consisting of "The mark consisting of a square containing the letter W" was registered under registration number 87877427 on April 15, 2018 for the use on goods and/or services identified by "Beanies; Caps being headwear; Coats; Hats; Hoodies; Jackets; Stocking caps; Sweatshirts; T-shirts." This mark consists of standard characters, without claim to any font style, size or colour.

The Winberry Farms' logo consisting of "The mark consisting of a square containing the letter W" was registered under registration number 87877431 on April 15, 2018 for the use on goods and/or services identified by "Oral vaporizers for smoking purposes; Electronic cigarette lanyards." This mark consists of standard characters, without claim to any font style, size or colour.



All federal registered trademarks in the United States described above are subject to renewal ten (10) years from the date of registration.

The Company is subject to certain risks related to its intellectual property. For more information, see “*Risk Factors—Risks Related to the Company’s Business and Industry*”.

Ability to Access Public and Private Capital

Due to the present state of the laws and regulations governing financial institutions in the United States, banks often refuse to provide banking services to businesses involved in the marijuana industry. Consequently, the Company is not able to obtain bank financing in the United States or financing from other United States federally regulated entities.

The Company has historically, and continues to have, access to equity and debt financing from prospectus exempt (private placement) markets in the United States and Canada. The Company’s executive team and board have extensive relationships with sources of private capital (such as funds and high net worth individuals).

There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. See “*Risk Factors – Restricted access to banking*” and “*Risk Factors – Newly established legal regime*” below.

Trends, Commitments, Events or Uncertainties

United States Industry Background and Trends

The emergence of the legal cannabis sector in the United States, both for medical and adult-use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use under state law.¹

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has a growing acceptance by the medical community. A review of the research, published in 2015 in the Journal of the American Medical Association, found solid evidence that cannabis can treat pain and muscle spasms.² The pain component is particularly important, because other studies have suggested that cannabis can replace pain patients’ use of highly addictive, potentially deadly opiates.³

It is estimated that 94% of U.S. voters support legalizing cannabis for medical use.⁴ In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.⁵ These represent large increases in public support over the past 40 years in favour of legal cannabis use.

¹ Ripley, Eve. (2016 November 30). Nearly 60 percent of U.S. population now lives in states with marijuana legalization. Retrieved from <https://news.medicalmarijuanainc.com/nearly-60-percent-u-s-population-now-lives-states-marijuana-legalization/>.

² Grant, Igor MD (2015). Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

³ Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. JAMA Intern Med. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

⁴ Quinnipiac University. (2017 April 20). U.S. Voter Support For Marijuana Hits New High; Quinnipiac University National Poll Finds; 76 Percent Say Their Finances Are Excellent Or Good. Retrieved from <https://poll.qu.edu/national/release-detail?ReleaseID=2453>.

⁵ Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from <http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx>.

Notwithstanding that 32 states and the District of Columbia have now legalized adult-use and/or medical marijuana, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the Controlled Substances Act.

Currently the Company only operates in the states of California and Oregon. The Company plans to begin operations in Nevada (See – *Acquisitions, Partnerships and Investments – Acres Cannabis*), Massachusetts (See – *Other Subsequent Events* with respect to Pioneer Valley Extracts, LLC) and Colorado (See – *Other Subsequent Events* with respect to Blue Kudu) during the financial year ended December 31, 2019.

Current U.S. Cannabis Market

Sales of legal cannabis flowers and cannabis-infused derivative and edible products totaled \$6.1 billion in 2017, and are expected to reach \$8.8 billion in 2018 with approximately 36% of sales for medical use and 64% for full adult use.⁶ The U.S. market for direct legal cannabis sales alone is projected to grow to \$17 billion by 2021⁷ and the total addressable market for direct cannabis sales in the U.S. today is estimated at \$45-50 billion if every state legalized full adult recreational consumption.⁸

New Frontier Data, a data analytics firm, found that the 2017 U.S. legal cannabis market was worth an estimated \$8.3 billion, and forecasts the legal cannabis market to grow to approximately \$25 billion by 2025 with a compound annual growth rate (CAGR) of 14.7%.⁹ New Frontier Data also projected that the medical market will grow at a CAGR of 11.8% through 2025, growing from \$5.1 billion in 2017 to an estimated \$12.5 billion in 2025.¹⁰ During the same period, the firm projects that the adult use market will grow at a CAGR of 18.4%, growing from \$3.2 billion in 2017 to \$12.5 billion in 2025 (through projections based on the markets having passed medical and adult use legalization initiatives as of January 2018, but not including assumptions for additional states which may yet pass legalization measures before 2025).¹¹

REGULATORY OVERVIEW

Issuers with U.S. Marijuana-Related Assets

Nature of Involvement

The Company, through Herban OR and Herban CA, currently has “direct industry involvement” (as defined in the CSA Staff Notice) in the production, cultivation, distribution and sale of marijuana in the States of California and Oregon. The Company does not currently have any involvement in the Nevada, Colorado and Massachusetts markets but has included disclosure required for “indirect industry involvement” (as defined in the CSA Staff Notice) for these states as it intends to commence operations in

⁶ Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from <https://mjbizdaily.com/factbook/>.

⁷ Arcview Market Research & New Frontier Data. (2016). *The State of Legal Marijuana Markets* (4th ed.), pp. 11. Available from <https://www.arcviewmarketresearch.com/4th-edition-legal-marijuana-market/>.

⁸ Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from <https://mjbizdaily.com/factbook/>.

⁹ Globe Newswire. (2018 April 20). New Frontier Data Projects U.S. Legal Cannabis Market to Grow to \$25 Billion by 2025. Retrieved from <https://globenewswire.com/news-release/2018/04/20/1482418/0/en/New-Frontier-Data-Projects-U-S-Legal-Cannabis-Market-to-Grow-to-25-Billion-by-2025.html>.

¹⁰ Globe Newswire. (2018 April 20). New Frontier Data Projects U.S. Legal Cannabis Market to Grow to \$25 Billion by 2025. Retrieved from <https://globenewswire.com/news-release/2018/04/20/1482418/0/en/New-Frontier-Data-Projects-U-S-Legal-Cannabis-Market-to-Grow-to-25-Billion-by-2025.html>.

¹¹ Globe Newswire. (2018 April 20). New Frontier Data Projects U.S. Legal Cannabis Market to Grow to \$25 Billion by 2025. Retrieved from <https://globenewswire.com/news-release/2018/04/20/1482418/0/en/New-Frontier-Data-Projects-U-S-Legal-Cannabis-Market-to-Grow-to-25-Billion-by-2025.html>.

Nevada (See – *Acquisitions, Partnerships and Investments – Acres Cannabis*), Massachusetts (See – *Other Subsequent Events* with respect to Pioneer Valley Extracts, LLC) and Colorado (See – *Other Subsequent Events* with respect to Blue Kudu) during the financial year ended December 31, 2019.

Financial Exposure to U.S. Cannabis-Related Activities

All the Company's operations are in the United States. Therefore, the Company's balance sheet and operating statement exposure to U.S. marijuana-related activities is 100%.

United States Regulatory Environment

Under U.S. federal law, marijuana is currently a Schedule I drug. The Controlled Substances Act has five different tiers or schedules. A Schedule I drug means the Department of Justice (“**DOJ**”) and U.S. Food and Drug Administration (“**FDA**”) consider it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision.

Given that 33 states plus the District of Columbia, the Commonwealth of the Northern Mariana Islands, Puerto Rico, U.S. Virgin Islands and Guam that have legalized medical marijuana and approximately 10 states plus the District of Columbia and the Commonwealth of Northern Marina Islands who have legalized recreational marijuana, the federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the United States Department of Justice Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the “**Cole Memo**”)¹² and the Department of the Treasury Financial Crimes Enforcement Network (“**FinCEN**”) guidance in 2014.¹³

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
4. Preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.

¹² U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement*. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>.

¹³ Department of the Treasury Financial Crimes Enforcement Network. (2014). *Guidance re: BSA Expectations Regarding Marijuana-Related Businesses* (FIN-2014-G001). Retrieved from <https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>.

In January 2018, former United States Attorney General, Jeff Sessions, rescinded the Cole Memo and thereby removed its guidance for enforcement agencies and the Department of Justice. The FinCEN memo was not rescinded by Treasury Secretary Steven Mnuchin and still remains in effect.

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the United States Currency and Foreign Transactions Reporting Act of 1970 (the "**Bank Secrecy Act**"). Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, the DOJ issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses in compliance with the FinCEN memo, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). Although the original FinCEN Memorandum is still in place, this supplementary DOJ guidance that accompanied the FinCEN Memorandum was rescinded when former Attorney General Sessions rescinded the Cole Memo. The FinCEN guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. requesting from state licensing and enforcement authorities available information about the business and related parties;
4. developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. ongoing monitoring for suspicious activity, including for any of the red flags described in the FinCEN guidance; and
7. refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, marijuana businesses are often unable to secure stabling banking relationships and forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. Recently, some banks that have been servicing marijuana businesses have been closing accounts operated by marijuana businesses and are now refusing to open accounts for new marijuana businesses for the reasons enumerated above.

The few credit unions that have agreed to work with marijuana businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government

could enforce its banking laws as they relate to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also servicing the needs of their other customers.

The U.S. Treasury Department, headed by Steven Mnuchin, has publicly stated they were not informed of former Attorney General Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN guidance for financial institutions.¹⁴ Multiple legislators believe that Sessions' rescinding of the Cole Memo invites an opportunity for Congress to pass more definitive protections for marijuana businesses in states with legal marijuana programs during this Congress, but there is no guarantee that this will occur.¹⁵

Both Congress and marijuana-related businesses recognize that guidance is not law and thus have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) since 2014. This amendment prevents the DOJ from using congressional funds to prosecute cannabis businesses in states that have medical marijuana laws and programs. In 2017, Senator Patrick Leahy (D-Vermont) introduced a similar amendment to H.R.1625 (a vehicle for the Consolidated Appropriations Act of 2018), preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("**Leahy Amendment**"). The Leahy Amendment remained in effect through September 30, 2018, the end of the federal government's 2018 fiscal year, at which point Congress was to reauthorize its extension. As the government was not able to negotiate a budget at the end of the fiscal year, the government partially shut down at the end of 2018. On January 25, 2019, a three-week continuing resolution was enacted to reopen the government. In February congress passed, and the president signed, full appropriations for the remaining seven appropriations bills for the rest of fiscal year 2019. The Leahy Amendment was included in these most recent budget appropriations bills and will remain in effect through the end of the 2019 fiscal year. For the remainder of fiscal year 2019, the strategy amongst the Congressional Marijuana Working Group is to introduce numerous marijuana-related appropriations amendments in the Appropriations Committee in both the House and Senate, similar to the strategy employed in fiscal year 2018.¹⁶ The amendments will include protections for marijuana-related businesses in states with medical and adult use marijuana laws, as well as protections for financial institutions that provide banking services to state-legal marijuana businesses.¹⁷ However it should be noted that there is no assurance that such amendments will be passed into law.

¹⁴ Angell, Tom. (2018 February 6). Trump Treasury Secretary Wants Marijuana Money In Banks. Retrieved from <https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53>; see also Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7). Retrieved from <http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/>.

¹⁵ Jackson, Cherese. (2018 January 30). State-by-State Analysis of Sessions Move to Rescind Cole Memo. Retrieved from <http://guardianlv.com/2018/01/state-state-analysis-sessions-move-rescind-cole-memo/>; see also Velasquez, Josefa. (2018 January 23). NY Lawmarker Asks US Attorneys to Keep Hands Off State's Med Marijuana Programs. Retrieved from <https://www.law.com/newyorklawjournal/sites/newyorklawjournal/2018/01/22/ny-lawmaker-asks-us-attorneys-to-keep-hands-off-states-med-marijuana-programs/?slreturn=20180205182803>; see also "This is Outrageous": Politicians react to news that A.G. Sessions is rescinding Cole Memo. (January 4 2018). Retrieved from <https://www.thecannabist.co/2018/01/04/sessions-marijuana-cole-memo-politicians/95890/>.

¹⁶ Congress of the United States. (2018 January 12). Letter to The Honorable Paul Ryan, The Honorable Nancy Pelosi, Chairman Rodney P. Frelinghuysen and Ranking Member Nita Lowey. Retrieved from https://polis.house.gov/uploadedfiles/marijuana_appropriations_mcclintock-polis_language_1-12-18.pdf.

¹⁷ Congress of the United States. (2018 January 17). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from <https://dennyheck.house.gov/sites/dennyheck.house.gov/files/FINCEN%20MJ%20Guidance%20Letter%20FINAL.pdf> ; see also United States Senate. (2018 January 11). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from <https://www.documentcloud.org/documents/4347431-368944892-Letter-Urging-FinCEN-to->

Since 2014, Congress has made immense strides in marijuana policy. The bipartisan Congressional Cannabis Caucus launched in 2017 and is headed by Representatives Dana Rohrabacher (CA-48), Earl Blumenauer (OR-03), Don Young (AK-At Large), and Jared Polis (CO-02). The group is “dedicated to developing policy reforms that bridge the gap between federal laws banning marijuana and the laws in an ever-growing number of states that have legalized it for medical or recreational purposes”¹⁸ Additionally, each year more Representatives and Senators sign on and co-sponsor marijuana legalization bills including the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end federal marijuana prohibition, Congressman Blumenauer and Senator Wyden introduced the three-bill package, Path to Marijuana Reform which would have fixed the 280E provision, eliminated civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduced barriers to banking, and would have de-scheduled, taxed and regulated marijuana in 2017.¹⁹ Senator Booker has also introduced the Marijuana Justice Act, which would de-schedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion. In 2018, Senator Gardner and Senator Warren introduced the STATES Act, ostensibly supported by President Trump, which would exempt state-legal marijuana activities from being violations of the Controlled Substances Act, but there is no guarantee that this will occur.²⁰

Notwithstanding the foregoing, there is no guarantee that the current presidential administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws that conflict with state laws.

An additional challenge to marijuana-related businesses is that the provisions of the Internal Revenue Code, Section 280E, are being applied by the IRS to businesses operating in the medical and adult use marijuana industry. Section 280E of the Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

The following sections describe the legal and regulatory landscape in the states in which the Company operates. While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, for the reasons described above and the risks further described in below, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all the risk factors contained in this AIF.

Maintain.html#document/p1; see also United States Senate. (2018 January 18). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from <https://www.documentcloud.org/documents/4356160-18-01-18-FinCEN-LTR-Cannabis-Banking.html>; see also Congress of the United States. (2018 January 25). Letter to The Honorable Donald Trump. Retrieved from https://www.warren.senate.gov/files/documents/2018_01_25%20Letter%20to%20Trump%20on%20Sessions%20with%20drawal%20of%20the%20Cole%20memo.pdf.

¹⁸ Huddleston, Tom Jr. (2017 February 17). Pro-Pot Lawmakers Launch a Congressional Cannabis Caucus. Retrieved from <http://fortune.com/2017/02/16/congress-cannabis-caucus/>.

¹⁹ Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-path-marijuana-reform>.

²⁰ Seung Min Kim (April 13, 2018), "Trump, Gardner strike deal on legalized marijuana, ending standoff over Justice nominees", The Washington Post.

Compliance with Applicable State Laws in the United States

California

California Regulatory Landscape

In 1996, California was the first state to legalize medical cannabis through Proposition 215, the Compassionate Use Act of 1996 (“**CUA**”). This legalized the use, possession and cultivation of medical cannabis by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which cannabis provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical cannabis patients.

In September 2015, the California legislature passed three bills collectively known as the “Medical Cannabis Regulation and Safety Act” (“**MCRSA**”). The MCRSA established a licensing and regulatory framework for medical cannabis businesses in California. The system created multiple license types for cultivators, manufacturers, distributors, testing laboratories and dispensaries. Infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the “Adult Use of Marijuana Act” (“**AUMA**”) creating an adult-use cannabis program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (“**MAUCRSA**”), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The three agencies that regulate commercial cannabis activity at the state level are the California Department of Food and Agriculture (“**CDFA**”), the California Department of Public Health’s Manufactured Cannabis Safety Branch (“**MCSB**”) and the California Department of Consumer Affairs’ Bureau of Cannabis Control (“**BCC**”).

To legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires operators to operate in cities with cannabis licensing programs. Cities in California can determine the number of licenses they will issue to cannabis operators or can choose to outright ban cannabis businesses, though they cannot prohibit deliveries made by operators based in other cities.

MAUCRSA went into effect on January 1, 2018. The Company began receiving its medical and adult-use cannabis licenses on January 1, 2018 in Oakland, CA. The Company currently operates two licensed distribution facilities and operates two distribution licenses and a manufacturing license, as well as operates two non-retail storefront delivery licenses under a management services agreement.

In California, there are four U.S. Attorneys covering the Central, Eastern, Northern, and Southern regions of the state, respectively. Below is a brief summary of each U.S. Attorney’s enforcement priorities related to state-legal cannabis.

In the Central District, current U.S. Attorney Nicola T. Hanna is a former Assistant U.S. Attorney who has prosecuted cases involving money laundering, narcotics trafficking, as well as violent and economic crimes. Hanna has not yet taken a public stance on his office’s enforcement priorities related to state-legal cannabis.

The U.S. Attorney for the Eastern District, McGregor Scott, previously served in the same position from 2003 to 2009. During his first tenure in the role, Scott prosecuted several people in California's medical cannabis industry, including one case in which two of the individuals prosecuted each received prison sentences of 20 years or more.²¹ After the rescission of the Cole Memo in January 2018, Scott's office issued the following statement: "The cultivation, distribution and possession of cannabis has long been and remains a violation of federal law for all purposes. We will evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources." In May 2018, Scott stated that his cannabis enforcement priorities would be focused on illegal cultivation on federal land, cartels dealing in cannabis, and interstate trafficking.²² Scott also said, "The reality of the situation is that there is so much black-market marijuana in California that we could go after just the black market and never get [to state-licensed operations]." He explained that this black market is made up of "people who have no intent of ever entering the legal system that has been created and California has attempted to establish."

In the Northern District, U.S. Attorney Alex G. Tse was previously the First Assistant U.S. Attorney in the same district. Earlier in his career, Tse spent time working in the San Francisco City Attorney's Office. Though the U.S. Attorney's office in this district has previously targeted medical cannabis businesses,²³ Tse has not yet issued a public statement on the issue.

The U.S. Attorney for the Southern District, Robert S. Brewer, Jr., has been a litigator in private practice since 1982. Before that he served as a Deputy District Attorney in Los Angeles County from 1975 to 1977, and as an Assistant US Attorney in the Central District of California from 1977 to 1982 where he prosecuted a variety of cases including espionage, bank robbery, murder for hire and aircraft hijacking. Brewer's views on medical marijuana have been raised as he previously underwent aggressive chemotherapy and radiation treatment to fight non-Hodgkin lymphoma in the late 1990s. He mentioned to the media that he would have considered using marijuana had it been available at that time.

Licenses

The Company and its subsidiaries are licensed to operate as Medical and Adult-Use Retailers and Distributors under applicable California and local jurisdictional law. The Company's licenses permit it to possess, process, distribute, dispense and sell medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses issued by the MCSB and BCC under the provisions of the MAUCRSA and California Assembly Bill No. 133. The Company obtained the rights to the entities that were ultimately licensed pursuant to several acquisitions in the form of stock and/or asset purchase agreements.

The licenses are independently issued for each approved activity for use at the Company facilities in California. Please see the table below for a list of the licenses issued to the Company in respect of its operations in California.

²¹ Branan, Brad. (2018 January 4). Sessions' weed decision puts spotlight on new U.S. attorney for eastern California. Retrieved from <https://www.sacbee.com/news/state/california/california-weed/article193086764.html>.

²² Miller, Cheryl. (2018 May 29). McGregor Scott's Pot Policies Track Obama-Era 'Cole Memo.' Retrieved from <https://www.law.com/therecorder/2018/05/29/mcgregor-scotts-pot-policies-track-obama-era-cole-memo/?slreturn=20180916155413>.

²³ Adlin, Ben. (2016 August 16). Federal Court Bars Justice Department From Prosecuting Medical Cannabis. Retrieved from <https://www.leafly.com/news/politics/federal-court-bars-justice-department-from-prosecuting-medical-ca>.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Herban Industries CA, LLC dba Rise Logistics	M11-18-0000061-Temp	Oakland, CA	7/26/19 ⁽¹⁾	Adult-Use and Medicinal Type 11 Distributor License ⁽²⁾
	C11-18-0000024-Temp	Santa Rosa, CA	7/17/19 ⁽¹⁾	Medicinal Type 11 Distributor License
	CDPH-10002509	Oakland, CA	4/17/20 ⁽⁴⁾	Adult-Use and Medicinal Type N (Infusion) Manufacturer License ⁽³⁾
Hometown Heart Inc.	A9-18-0000032-TEMP	San Francisco, CA	8/19/19	Adult-Use and Medicinal Type 9 Non-Storefront Retail
	A9-17-0000005-TEMP	Oakland, CA	7/25/19	Adult-Use and Medicinal Type 9 Non-Storefront Retail
Notes: 1) The Company is currently working with external counsel to renew its temporary licenses and secure annual licenses. 2) A Type 11 Distribution License is a broader license that allows the holder to store product, whereas Type 13 would only allow the holder to transport the product. 3) A Type N Manufacturing License allows for infusion but not extraction. 4) This is a provisional license.				

California state and local licenses are renewed annually. Each year, licensees are required to submit a renewal application per the applicable licensing body's regulations. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

License and Regulations

The Adult-Use Retailer licenses permit the sale of cannabis and cannabis products to any individual age 21 years of age or older without a physician's recommendation. Under the terms of such licenses that it holds, the Company is permitted to sell adult-use cannabis and cannabis products provided that the customer presents a valid government-issued photo identification. The Company maintains an open and collaborative relationship with the BCC and city level cannabis regulators.

The Medicinal Retailer licenses permit the sale of medicinal cannabis and cannabis products for use by a medicinal cannabis patient in California 18 years or older who possesses a physician's recommendation. The Company maintains an open and collaborative relationship with the BCC and city level cannabis regulators.

The Adult-Use and Medicinal Distribution licenses permit cannabis-related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities. Distribution activity is permissible to and from the Company and certain non-Company licensees.

In the state of California, only cannabis that is grown in the state can be sold in the state. Although California's framework does not require that all retailers must also cultivate and process all of their own cannabis sold at retail (commonly referred to as a vertically integrated system), the Company is vertically integrated and has the capabilities to process and sell/dispense/deliver cannabis and cannabis products. The state also allows the Company to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

Reporting Requirements

The state of California has selected Franwell Inc.'s METRC solution ("**METRC**") as the state's track-and-trace ("**T&T**") system used to track commercial cannabis activity and movement across the distribution chain ("**seed-to-sale**"). The METRC system is in the process of being implemented state-wide but has not been released. When operational, the system will allow for other third-party system integration via application programming interfaces ("**API**"). The Company currently utilizes an electronic T&T system independent of METRC that will integrate with METRC via API. The Company's T&T system currently captures required data points for cultivation, distribution and retail as stipulated in BCC regulations. Certain processes remain manual, with proper control and oversight, in anticipation of METRC and greater integration of processes.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Company is required to do the following:

- 1) maintain a fully operational security alarm system;
- 2) contract for security guard services;
- 3) maintain a video surveillance system that records continuously 24 hours a day;
- 4) ensure that the facility's outdoor premises have sufficient lighting;
- 5) not dispense from its premises outside of permissible hours of operation;
- 6) store cannabis and cannabis product only in designated areas per the premises diagram submitted to the state of California during the licensing process;
- 7) store all cannabis and cannabis products in a secured, locked room or a vault;
- 8) report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
- 9) to ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products. Only vehicles registered with the BCC, that meet BCC distribution requirements, are to be used to transport cannabis and cannabis products.

California Compliance Summary

As of the date hereof, the Company and its subsidiaries are in full compliance with California law. The Company maintains several layers of compliance and internal checks and balances in order to ensure ongoing compliance with California law.

Compliance Team: While the executive management and operational management team members are well versed on the most current cannabis regulations, we also leverage outside counsel and consultants as resources for the development of standard operating procedures and answer day-to-day questions as they come up.

Our primary counsel for California regulation and licensing is one of the most respected and notable law firms for the cannabis industry. For the development of our contract with supply chain partners, we also work closely with a leading law firm in beverage law for more than 25 years and for the past several years as a trusted firm for the cannabis industry as well.

For the development of operating procedures and ongoing day-to-day compliance questions, we primarily depend on our Director of Compliance, Andy Shelley. Mr. Shelley is a former Law Enforcement Officer, Crime Scene Investigator and Oregon State Marijuana Inspector. He was one of the first cannabis compliance inspectors hired by the state of Oregon and has personally inspected and licensed over 300 locations. Andy is also the owner of CannXperts, which oversees the compliance needs of approximately 25 other licensees in the state. The Director of Compliance is responsible for documenting all operating procedures and keeping them up to date, and is responsible for auditing each position in the company to ensure these procedures are being followed and all documentation properly maintained. Additionally, he is responsible for evaluating each department for training opportunities, and scheduling and facilitating trainings as needed. The company also works with a compliance consultant, Lauren Fraser. Ms. Fraser is also the Executive Director for the Cannabis Distribution Association. She has been a key stakeholder in California cannabis policy since May 2015.

The Director of Compliance performs regular inspections at the licensed facilities in order to identify risks and to insure all employees and facilities are compliant with California laws and rules. Each location is subject to inspection by the state at any time, without warning. Therefore, surveillance equipment, security, product storage and products themselves must be compliant at all times. Inventories are routinely performed on all products to ensure quantities match those reported to the state's cannabis tracking system. Product labeling is also scrutinized to ensure that all products meet the strict packaging and labeling requirements for each state.

We maintain a Client Services Team with over six full-time personnel and growing. This team serves as the primary points of contact between licensed producer clients and the internal operational team. As that bridge, it is important that this team also be well versed on cannabis regulations. This team has direct access to our compliance officers for in-the-moment questions, maintains a database of responses to commonly asked questions, and receives regular compliance training.

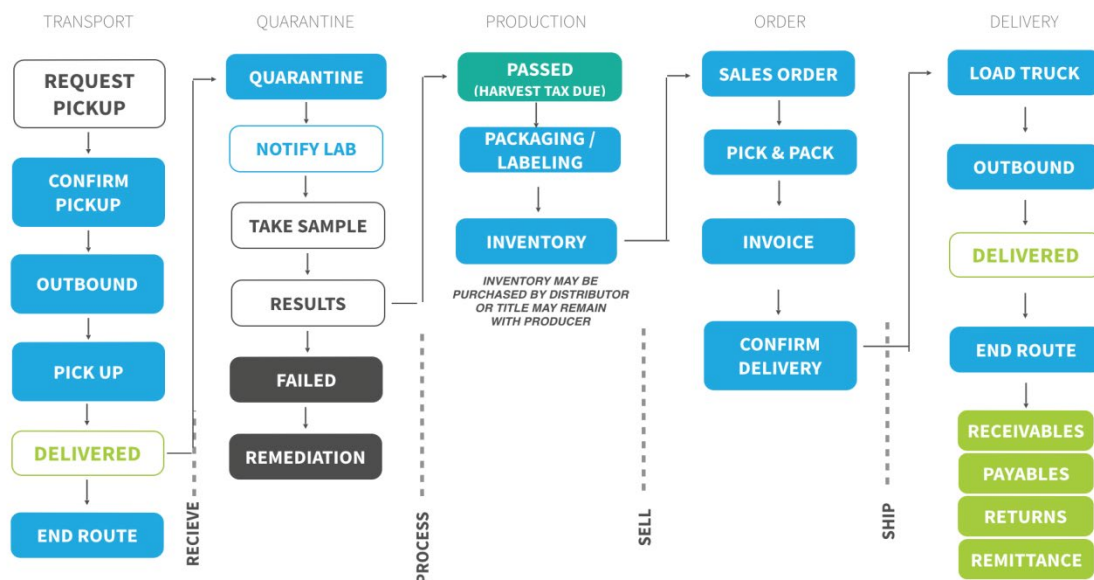
Our Product Safety Manager is responsible for ensuring all product flowing through our distribution network undergoes mandatory state lab testing procedures before entering the commercial market. Additionally, a dedicated Track and Trace Administrator maintains a chain of custody on all products.

Our three-person Accounting Team is responsible for, among several duties, ensuring all cultivation and excise taxes are collected and remitted to the Department of Tax and Fee Administration and that all cannabis transactions are properly accounted for.

Compliance Technology Systems: Our custom developed technology platform tracks and maintains a database of every movement of product flowing into or out of our distribution network, and internally between facilities. The system safeguards the company by limiting pick-ups and deliveries to only addresses of licensed facilities, pulling licensee data directly from the agencies' approved license

databases. Our drivers, for example, can never be routed to a non-licensed premise as the system would recognize this as not matching an approved state licensed facility. Furthermore, the technology time-stamps each transaction and tracks the user who initiated the movement.

To illustrate the process flow, please find the illustration below:



Each step in the workflow diagram is accompanied by a series of physical processes and technology enabled procedures. Each vertical column represents a department or division within the organization's warehouse and transportation operations.

Our law firm has launched a compliance platform called Simplifya, which provides three core compliance functions: a) documented standard operating procedures up-to-date with latest state and local regulations, b) learning management system for initiating regular or ad hoc training for specific employees on specific regulation tests most relevant to their position, and c) document storage for all compliance documentation. The Company is in the process of onboarding this new tool, which will become the basis for our companywide compliance and quality management system of record. Maintaining this system will be the responsibility of the Company's compliance manager (the "**Compliance Manager**").

Nevada

Regulatory Landscape

Nevada has a medical marijuana program and passed adult-use legalization through the ballot box in November 2016. Previously, in 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain, and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which was passed by the state legislature and signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry in Nevada.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017 when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation. In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by

legislative action in 2015. The application process is merit-based and competitive, and is currently closed. Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other states to purchase marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency became the "Marijuana Enforcement Division of the Department of Taxation." Under Nevada's adult-use marijuana law, the Department of Taxation licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. Retail marijuana licenses are issued within each county and unincorporated area proportionally based on the population of each jurisdiction. As of August 16, 2018 Nevada had 64 licenses yet to be allocated and conducted an application period for recreational licenses between October 30, 2018 and November 13, 2018. Currently, only medical marijuana establishments that hold a registration certificate(s) or ones that hold a provisional registration certificate(s) may apply. Any medical marijuana establishment that currently holds a retail marijuana license is not permitted to apply. In December 2018, the DOT issued 61 conditional adult-use dispensary permits. There are currently at least 24 licensed distributors that are medical marijuana establishments and at least six licensed distributors that are liquor distributors.

In the summer of 2017, the Department of Taxation began issuing "early start" recreational marijuana establishment licenses. These licenses expired at the end of 2017 but marijuana establishments holding both a retail marijuana store and dispensary license were allowed to sell their existing medical marijuana inventory as either medical or adult-use marijuana. In January 2018, the Nevada Department of Taxation approved permanent regulations to govern the industry. The adopted regulations included 66 new licenses and allowed for home delivery. Additionally, the new regulations included information on how the Department of Taxation will rank competing applications and break any ties. Included in the tiebreaking calculation will be, among other things, an applicant's (including owners, officers, or board members): (1) prior business experience that is applicable to the marijuana establishment; and (2) amount of taxes paid or philanthropic involvement within the state.

Currently, The Department of Taxation has approved 126 Dispensaries, 121 Cultivation licenses, 84 Production licenses, and 10 laboratory licenses. The issue of allowing social use facilities to operate is gaining some traction within the state and is expected to be taken up by the legislature in 2019. Medical and adult-use marijuana incurs a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis incurs an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

Although Dayle Elieson, U.S. Attorney for the District of Nevada, has been relatively quiet on the issue of marijuana enforcement priorities,²⁴ Nevada's Governor, Brian Sandoval, stated in January 2018 that he would like to see Nevada's U.S. Attorney take the same approach as Colorado's U.S. Attorney by not enforcing federal laws against the legalized industry in the state.²⁵ In February 2018, Nevada's Attorney General Adam Laxalt stated, "I don't really see a scenario where a U.S. Attorney is actually going to go down and shutdown recreational marijuana or legalized facilities that are recognized by the state."²⁶ Laxalt also added in regard to the ballot initiative to legalize recreational marijuana, "While I was opposed

²⁴ Dehaven, James and Kane, Jenny. (2018 January 12). With pot shops' fate in their hands, Nevada's new U.S. Attorney remains mum on marijuana. Retrieved from <https://www.rgj.com/story/news/politics/2018/01/12/pot-shops-fate-her-hands-nevadas-new-u-s-attorney-remains-mum-marijuana/1029001001/>.

²⁵ Marroquin, Art. (2018, January 8). Sandoval wants Nevada to follow Colorado plan on marijuana Retrieved from <https://www.reviewjournal.com/news/pot-news/sandoval-wants-nevada-to-follow-colorado-plan-on-marijuana/>.

²⁶ Joecks, Victor. (2018 February 7). Laxalt talks education, Medicaid work requirements and what's next for marijuana in Nevada. Retrieved from <https://www.reviewjournal.com/opinion/opinion-columns/victor-joecks/laxalt-talks-education-medicaid-work-requirements-and-whats-next-for-marijuana-in-nevada/>.

to the ballot initiative, I have done exactly what I promised... If voters want this, we're going to do our job and support it." Sandoval and Laxalt have each had meetings with Elieson.²⁷ After his meeting, Sandoval would not disclose what was discussed but said, "There's going to be a continuing dialogue with the U.S. Attorney's office." U.S. Senator Catherine Cortez Masto also met with Elieson, calling it a "positive conversation" in which Cortez Masto encouraged Elieson to "respect the spirit of the [Cole Memo]." ²⁸

Compliance with Nevada Regulatory Framework

The Company has not received a formal legal opinion but obtains ongoing legal advice from external counsel regarding (a) compliance with applicable state regulatory frameworks in Nevada and (b) potential exposure and implications arising from U.S. federal law.

The Company does not currently have operations in Nevada but it intends to commence operations in Nevada (See – *Acquisitions, Partnerships and Investments – Acres Cannabis*) during the financial year ended December 31, 2019 if the transaction with Acres progresses. The Company is not aware of any noncompliance, citations or notices of violation, that may have an impact on any licence, business activities or operations of Acres.

Oregon

Oregon Regulatory Landscape

Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana businesses. However, the original regulations created by the Oregon Health Authority after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system.

On June 30, 2015, Governor Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a licensing process for cultivators and processors. In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act", creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed marijuana businesses.

The Oregon Health Authority licenses and regulates medical marijuana businesses and the OLCC licenses and regulates adult-use marijuana businesses. There are six distinct types of license types available for medical and adult-use businesses: cultivation, manufacturing ("processing"), wholesaling, dispensing, testing and research. Vertical integration between cultivation, processing, and sales is permissible, but not required, for both medical and adult-use.

The law does not impose a limit on the number of licenses and applications are currently being accepted for both medical and adult-use businesses on a rolling basis. Local governments may restrict the number

²⁷ Rindels, Michelle. (2018 March 6). Sandoval, Laxalt meet with new U.S. attorney, but won't say how conversations about marijuana went. Retrieved from <https://thenevadaindependent.com/article/sandoval-laxalt-meet-with-new-u-s-attorney-but-wont-say-how-conversations-about-marijuana-went>.

²⁸ Sanchez, Humberto. (2018 March 22). Cortez Masto urged hands-off approach to marijuana with Nevada U.S. attorney in February. Retrieved from <https://thenevadaindependent.com/article/cortez-masto-urged-hands-off-approach-to-marijuana-with-nevada-u-s-attorney-in-february>.

of both medical or adult-use marijuana businesses. Laws passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

On May 18, 2018, Billy J. Williams, U.S. Attorney for the District of Oregon, issued a memorandum outlining his office's enforcement priorities related to marijuana.²⁹ Williams listed the following primary enforcement priorities in the memorandum: (1) overproduction and interstate trafficking; (2) protecting Oregon's children; (3) violence, firearms, or other public safety threats; (4) organized crime; and (5) protecting federal lands, natural resources, and Oregon's environment. As to overproduction in particular, Williams stated, "there can be no doubt that there is significant overproduction of marijuana in Oregon[, and a]s a result, a thriving black market is exporting marijuana across the country, including to states that have not legalized marijuana under their state laws." He also made clear that he "will not make broad proclamations of blanket immunity from prosecution to those who violate federal law," but added that his "office's resources are finite" and that they "must use appropriate discretion before prosecuting any federal case." He went on to explain that his office will explore the use of civil law enforcement mechanisms, coordinate closely with partners in state, tribal, and local governments around the state, and "focus enforcement efforts on federal violations implicating one or more of the priority elements of this [memorandum]." Williams has told Oregon Governor Kate Brown's senior policy advisor that he would like to see limits on licenses for marijuana producers and retailers.³⁰

In June 1999, the White House Office of National Drug Control Policy created the Oregon-Idaho High Intensity Drug Trafficking Area program ("**HIDTA**") to "facilitate, support and enhance collaborative drug control efforts among law enforcement agencies and community-based organizations; thus significantly reducing the impacts of illegal trafficking and use of drugs throughout Oregon and Idaho."³¹ In August 2018, HIDTA released a report entitled "An Initial Assessment of Cannabis in Oregon." In response to this report's findings, U.S. Attorney Williams issued the following statement:

The recent HIDTA Insight Report on marijuana production, distribution, and consumption in Oregon confirms what we already know—it is out of control. The industry's considerable and negative impacts on land use, water, and underage consumption must be addressed immediately. State officials should respond quickly and in a comprehensive manner to address the many concerns raised by this assessment. To date, we've seen insufficient progress from our state officials. We are alarmed by revelations from industry representatives, landowners, and law enforcement partners describing the insufficient and underfunded regulatory and enforcement structure governing both recreational and medical use. A weakly-regulated industry will continue to detract from the livability and health of communities throughout the state.

What is often lost in this discussion is the link between marijuana and serious, interstate criminal activity. Overproduction is rampant and the illegal transport of product out of state—a violation of both state and federal law—continues unchecked. My ask continues to be for transparency, responsible regulation, adequate funding, and a willingness to work together. It's time for the state to wake up, slow down, and address these issues in a responsible and thoughtful manner.³²

²⁹ The United States Attorney for the District of Oregon. (2018 May 18). Priorities in Enforcement of Federal Laws Involving Marijuana in the District of Oregon. Retrieved from [http://media.oregonlive.com/marijuana/other/2018/05/18/USAOR-Marijuana%20Enforcement%20Priorities-Final%20\(1\).pdf](http://media.oregonlive.com/marijuana/other/2018/05/18/USAOR-Marijuana%20Enforcement%20Priorities-Final%20(1).pdf).

³⁰ Crombie, Noelle. (2018 May 18). Feds will target marijuana black market, overproduction in Oregon. Retrieved from https://www.oregonlive.com/marijuana/index.ssf/2018/05/black_market_overproduction_am.html.

³¹ Oregon-Idaho High Intensity Drug Trafficking Area Program Overview. Retrieved from <http://oridhidta.org/>.

³² The United States Attorney for the District of Oregon. (2018 August 2). U.S. Attorney Statement on Release of 2018 HIDTA Marijuana Insight Report. Retrieved from <https://www.justice.gov/usao-or/pr/us-attorney-statement-release-2018-hidta-marijuana-insight-report>.

In late August 2018, federal prosecutors made six arrests related to marijuana allegedly being trafficked from Oregon to Florida, Texas, and Virginia.³³ Those arrested were not affiliated with licensed recreational or medical programs in Oregon. In response to these arrests, Williams said, “These cases provide clear evidence of what I have repeatedly raised concerns over: Oregon’s marijuana industry is attracting organized criminal networks looking to capitalize on the state’s relaxed regulatory environment.”

Licenses

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Herban Industries OR LLC dba Winberry Farms	No.020 1011442A893	Fall Creek, OR	08/16/19	Recreational Producer
	No. 060 1011452FFD4	Eugene, OR	08/16/19	Recreational Wholesaler

Regulatory Management and Reporting Requirements

The state of Oregon has selected Franwell Inc.’s METRC system as the state’s T&T system used to track commercial cannabis activity and movement across the distribution chain. The system allows for third-party system integrations via API. The Company currently utilizes an electronic T&T system independent of METRC that integrates with METRC via API. The Company’s T&T system currently captures required data points for cultivation, distribution and retail as stipulated in OLCC regulations. Certain processes remain manual, with proper control and oversight, in anticipation of greater integration of processes within METRC.

Storage, Security and Compliance

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, the Company is required to do the following:

- 1) maintain a fully operational security alarm system;
- 2) contract for security guard services;
- 3) maintain a video surveillance system that records continuously 24 hours a day;
- 4) ensure that the facility’s outdoor premises have sufficient lighting;
- 5) not dispense from its premises outside of permissible hours of operation;
- 6) store cannabis and cannabis product only in designated areas per the premises diagram submitted to the state of Oregon during the licensing process;
- 7) store all cannabis and cannabis products in a secured, locked room or a vault;

³³ Flaccus, Gillian. (2018 August 29). 6 arrests in pot trafficking case. Retrieved from <https://www.bendbulletin.com/localstate/6483494-151/6-arrests-in-pot-trafficking-case>.

- 8) report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
- 9) to ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products.

Oregon Compliance Summary

As of the date hereof, the Company is in full compliance with Oregon law. The Company maintains several layers of compliance and internal checks and balances in order to ensure ongoing compliance with Oregon law.

Compliance Team: While the executive management and operational management team members are well versed on the most current cannabis regulations, we also leverage outside counsel and consultants as resources for the development of standard operating procedures and to answer day-to-day questions as they come up.

Our primary counsel for Oregon regulation and licensing is one of the most respected and notable law firms for the cannabis industry. For the development of our contract with supply chain partners, we also work closely with a leading law firm in beverage law for more than 25 years and for the past several years as a trusted firm for the cannabis industry as well.

For the development of operating procedures and ongoing day-to-day compliance questions, we primarily depend on our Director of Compliance, Andy Shelley. Mr. Shelley is a former Law Enforcement Officer, Crime Scene Investigator and Oregon State Marijuana Inspector. He was one of the first marijuana compliance inspectors hired by the state of Oregon and has personally inspected and licensed over 300 locations. Andy is also the owner of CannXperts, which oversees the compliance needs of approximately 25 other licensees in the state. The Director of Compliance is responsible for documenting all operating procedures and keeping them up to date, and is responsible for auditing each position in the company to ensure these procedures are being followed and all documentation properly maintained. Additionally, he is responsible for evaluating each department for training opportunities, and scheduling and facilitating trainings as needed. The company also works with a compliance consultant, Lauren Fraser. Ms. Fraser is also the Executive Director for the Cannabis Distribution Association. She has been a key stakeholder in California cannabis policy since May 2015.

The Director of Compliance performs regular inspections at the licensed facilities in order to identify risks and to insure all employees and facilities are compliant with Oregon laws and rules. Each location is subject to inspection by the state at any time, without warning. Therefore, surveillance equipment, security, product storage and products themselves must be compliant at all times. Inventories are routinely performed on all products to ensure quantities match those reported to the state's cannabis tracking system. Product labeling is also scrutinized to ensure that all products meet the strict packaging and labeling requirements for each state.

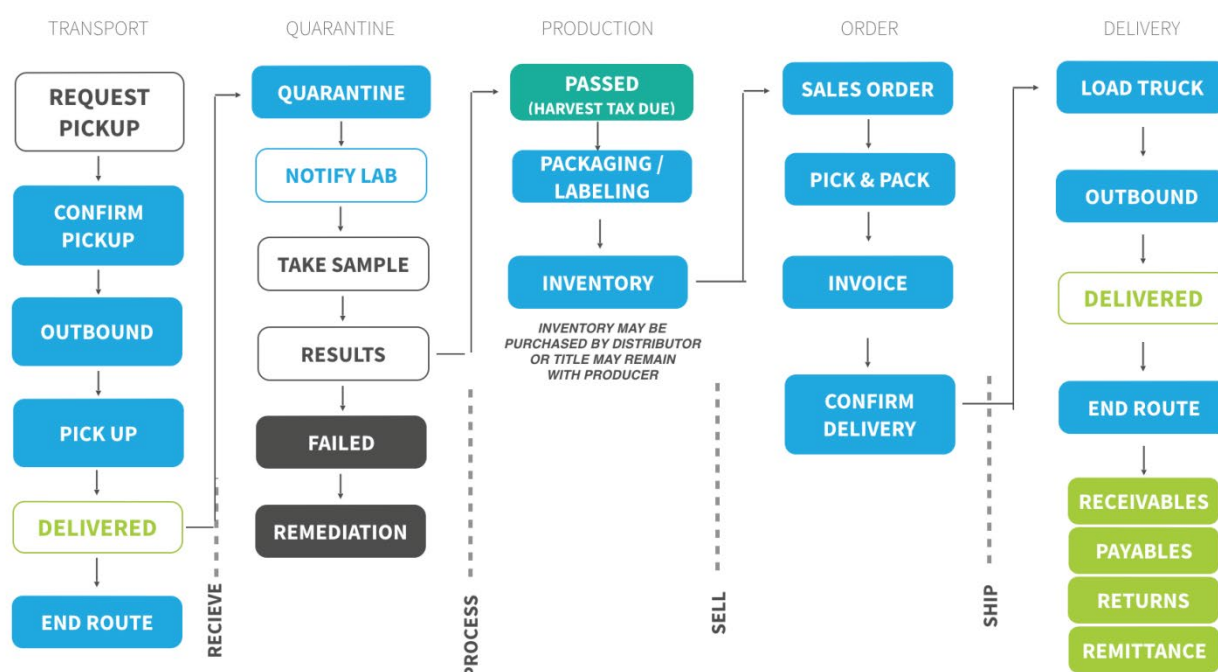
We maintain a Client Services Team with over six full-time personnel and growing. This team serves as the primary points of contact between licensed producer clients and the internal operational team. As that bridge, it is important that this team also be well versed on cannabis regulations. This team has direct access to our compliance officers for in-the-moment questions, maintains a database of responses to commonly asked questions, and receives regular compliance training.

Our Product Safety Manager is responsible for ensuring all product flowing through our distribution network undergoes mandatory state lab testing procedures before entering the commercial market. Additionally, a dedicated Track and Trace Administrator maintains a chain of custody on all products.

Our three-person Accounting Team is responsible for, among several duties, ensuring all cultivation and excise taxes are collected and remitted to the Department of Tax and Fee Administration and that all cannabis transactions are properly accounted for.

Compliance Technology Systems and Inspection of Pick-Up and Delivery Facilities: Our custom developed technology platform tracks and maintains a database of every movement of product flowing into or out of our distribution network, and internally between facilities. The system safeguards the company by limiting pick-ups and deliveries to only addresses of licensed facilities, pulling licensee data directly from the agencies' approved license databases. Our drivers, for example, can never be routed to a non-licensed premise as the system would recognize this as not matching an approved state licensed facility. Furthermore, the technology time-stamps each transaction and tracks the user who initiated the movement.

To illustrate the process flow, please find the illustration below:



Each step in the workflow diagram is accompanied by a series of physical processes and technology enabled procedures. Each vertical column represents a department or division within the organization's warehouse and transportation operations.

Our law firm has launched a compliance platform called Simplifya, which provides three core compliance functions: a) documented standard operating procedures up-to-date with latest state and local regulations, b) learning management system for initiating regular or ad hoc training for specific employees on specific regulation tests most relevant to their position, and c) document storage for all compliance documentation. The Company is in the process of on boarding this new tool, which will become the basis for our companywide compliance and quality management system of record. Maintaining this system will be the responsibility of the Compliance Manager.

Massachusetts

Massachusetts Regulatory Landscape.

Massachusetts became the eighteenth state to legalize medical marijuana when voters passed a ballot measure in 2012. Adult-use (recreational) marijuana is legal in Massachusetts as of December 15, 2016, following the passage of a ballot initiative in November of that year. The Cannabis Control Commission (the "Commission"), a regulatory body created in 2016, oversees both the Medical Use of Marijuana Program and the Adult Use of Marijuana Program. Until December 23, 2018 the Department of Public Health was responsible for the Medical Use of Marijuana Program, but through statutory mandate the Commission assumed regulatory control of the medical program.

Under the Medical Use of Marijuana Program, a Registered Marijuana Dispensary ("**RMD**") is required to be vertically integrated, such that a single RMD license holder must cultivate, process, and dispense marijuana. For each RMD license, an RMD can carry out these three activities at up to two different locations. Some RMDs elect to do cultivation, processing, and retail operations all in one location. An RMD may also choose to have a retail dispensary in one location and grow marijuana at a remote cultivation location; in which case it may conduct the processing of the marijuana at either the retail dispensary location or the remote cultivation location. The remote cultivation location need not be in the same municipality or even the same county as the retail dispensary. RMDs may only wholesale purchase up to forty-five percent (45%), and may only wholesale sell up to forty-five percent (45%), of their annual inventory of marijuana and marijuana products from third-party RMDs (which percentage is calculated separately as to marijuana flower and marijuana infused products). RMDs with multiple licenses may designate a single cultivation and production facility to supply marijuana and marijuana products to their dispensary locations. Pursuant to the Commission's regulations, no executive, member, or entity owned or controlled by such executive or member, may directly or indirectly control more than three (3) RMDs (the "**MA Control Limitation**").

During the RMD application process, an RMD applicant must receive from the Commission a Provisional Certificate of Registration ("**PCR**"), a Final Certificate of Registration ("**FCR**"), and an Approval to Sell. The PCR is awarded by the Commission following the RMD applicant's successful completion of the first three stages of the RMD application process (Application of Intent, Management and Operations Profile, and Siting Profile). An RMD applicant receives an FCR following its successful completion of Architectural Review and a series of facility and operations-related inspections. Upon receipt of an FCR, an RMD is permitted to begin cultivation operations. Subsequent to receipt of an FCR, an RMD must successfully complete further inspections from the Commission in order to receive Approval to Sell, after which time the RMD may begin sales to registered, qualifying patients. As of February 12, 2019, Massachusetts had forty-nine (49) medical retail dispensaries open for sales to over 59,000 registered and active patients across the state.

Under the Adult Use of Marijuana Program, vertical integration is not required, and therefore multiple license-types exist. The Marijuana Cultivator, Marijuana Product Manufacturer, Marijuana Retailer licenses cover the three main operational license types (cultivation, processing, and retail sales). Licenses are also available for Independent Testing Laboratories, Research Laboratories, Transporters,³⁴ Craft Marijuana Cooperatives, and Microbusinesses. All license-types are described generally as Marijuana Establishments. No individual or entity can be a "controlling person" or have "decision-making

³⁴ There are two Transporter license types: Third-Party Transporter and Existing Licensee Transporter. Both licenses allow for the transportation of product between third-parties; the distinction between the two license-types is that the Existing Licensee Transporter License is what would be obtained by an entity that already holds another Marijuana Establishment license, whereas the Third-Party Transporter license would be held by an entity that only holds such license type. A Transporter license is not necessary for a Marijuana Establishment (such as a Marijuana Cultivator, Marijuana Product Manufacturer, or Marijuana Retailer) to transport product to or from its own facility.

authority" over more than three licenses in a particular class of license. Controlling Person is defined as an officer, board member, or other individual who has a financial or voting interest of 10% or greater in a Marijuana Establishment. Decision-making authority is defined as having (a) actual control of more than 50% of the voting equity of the power to appoint more than 50% of the directors, (b) contract rights to control, or (c) a right to veto significant events.

Marijuana Establishment applications are received and reviewed by the Commission on a rolling basis; however, applications submitted by Registered Marijuana Dispensaries that applied for and received "Priority" status, as well as applicants that successfully applied for status as Economic Empowerment Priority applicants, are reviewed prior to applications submitted by other applicants. The Marijuana Establishment application process includes, among other things, questions regarding site location, ownership, and control, as well as significant operational questions and background check submissions. Prior to submission of an application for a marijuana establishment license, an applicant must have completed a properly-noticed community outreach meeting in the municipality where the applicant is proposing its marijuana establishment operations, and the applicant must also enter into a host community agreement with that municipality.

Once a Marijuana Establishment application is submitted to the Commission, the Commission reviews the application before marking such application as complete. During that review, the Commission may issue Requests for Information, at which point an applicant must supplement the information previously provided. Once the application is marked complete by the Commission, the Commission must grant or deny a Provisional License not later than 90 days following notification to the applicant that the application was considered complete. The Commission makes determinations on Provisional Licenses for marijuana establishments in public hearings.

After a Provisional License is awarded, the licensee must begin registering agents and submit Architectural Review for the provisionally-licensed facility, which must be approved prior to facility build-out.³⁵ After build-out, the licensee must formally request an inspection, and presuming such inspection does not uncover additional items to be completed, the licensee will be scheduled for another public hearing before the Commission to receive a Final License. After receiving a Final License, the Licensee must successfully complete another series of inspections to receive approval to commence operations. The series of inspections between receiving a Final License and receiving Commence Operations from the Commission includes, among other things, ensuring appropriate packaging and labeling; registering with the Department of Revenue for tax purposes; and receiving/entering adult-use product into METRC³⁶ and complying with all METRC requirements. Once the licensee receives the commence operations designation from the Commission, the licensee may begin sales to other marijuana establishments or to consumers (as the license type dictates).

Compliance with Massachusetts Regulatory Framework

The Company has not received a formal legal opinion but obtains ongoing legal advice from external counsel regarding (a) compliance with applicable state regulatory frameworks in Massachusetts and (b) potential exposure and implications arising from U.S. federal law.

The Company does not currently have operations in Massachusetts but it intends to commence operations in Massachusetts (See – *Other Subsequent Events* with respect to Pioneer Valley Extracts,

³⁵ If the Marijuana Establishment facility is already substantially built-out, such as in the case of an RMD facility that is having an adult-use license applied to such facility, the architectural review process may be truncated or waived entirely.

³⁶ Metrc is the Commission required seed-to-sale tracking system for marijuana establishments. Licensees may also integrate a third-party seed-to-sale tracking software with Metrc as long as that third-party seed-to-sale tracking software is an approved vendor in Massachusetts by Metrc.

LLC) during the financial year ended December 31, 2019 if the transaction with Pioneer Valley Extracts, LLC progresses. The Company is not aware of any noncompliance, citations or notices of violation, that may have an impact on any licence, business activities or operations of Pioneer Valley Extracts, LLC.

Colorado

Colorado Regulatory Landscape

Current State of Law in Colorado. Colorado has both medical and adult-use marijuana programs. In 2000, voters passed Amendment 20 to the Colorado Constitution, a medical marijuana law creating a patient/caregiver system that permits physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and allows cultivation of a limited number of plants by patients and caregivers for medical use. In 2010, Colorado became the first state in the country to establish a commercial state and local licensing and regulatory structure for medical marijuana centers, cultivators, and manufacturers. Colorado voters subsequently passed adult-use marijuana legalization by voter initiative in 2012 with Amendment 64 of the Colorado Constitution, and the first adult-use marijuana businesses opened in 2014. The laws governing medical and adult-use marijuana businesses are codified in C.R.S. §12-43.3-101 *et. seq.*, C.R.S. §12-43.4-101 *et. seq.*, and rules and regulations adopted thereto (the “**Colorado Regulations**”).

The Marijuana Enforcement Division, a subdivision of the Colorado Department of Revenue (the “**Colorado Regulators**”), regulates and licenses both medical and adult-use marijuana businesses in the state along with applicable local regulatory authorities. Separate medical and adult-use licenses are issued for: cultivation, product manufacturing and extraction, retail sales, off-storage premises facilities, transportation, and testing. In addition, the state issues occupational licenses for owners and employees of marijuana businesses. There are no limits on the number of licenses issued statewide, but localities can prohibit or otherwise regulate the number of establishments within their jurisdiction. Vertical integration is required for medical cultivation and dispensing businesses but is not required or prohibited for medical products manufacturers or any adult-use business types. The Colorado Regulators have a rolling non-competitive application process and business operations require both a state and local license.

Compliance with Colorado Regulatory Framework

The Company has not received a formal legal opinion but obtains ongoing legal advice from external counsel regarding (a) compliance with applicable state regulatory frameworks in Colorado and (b) potential exposure and implications arising from U.S. federal law.

The Company does not currently have operations in Colorado but it intends to commence operations in Colorado (See – *Other Subsequent Events* with respect to Blue Kudu) during the financial year ended December 31, 2019 if the transaction with Blue Kudu progresses. The Company is not aware of any noncompliance, citations or notices of violation, that may have an impact on any licence, business activities or operations of Blue Kudu.

Compliance Program

The Company has placed a high priority on compliance. Compliance procedures are interwoven into all phases of company operations to include revenue, employee onboarding, training and auditing. The Company’s compliance program has been implemented in both California and Oregon, and will be similarly implemented in Nevada, Colorado and Massachusetts once its operations commence in each state, respectively. An ongoing review of compliance requirements takes place and has resulted in the following policies and procedures which are summarized below:

Operational, Employee Training and Onboarding

Two on site employees work directly with the Compliance Manager to ensure that compliance procedures are followed within the organization. The Compliance Manager has overall responsibility for local operations and works with the operations team to ensure that compliance procedures are correctly applied and implemented. The Product Safety Manager is assigned to screen all incoming products for state compliant labelling and warnings. The Safety Manager also monitors the laboratory testing requirements and ensures that all product transferred into the Company facility meets the applicable compliance testing and safety standards.

All employees are required to participate in periodic compliance reviews to maintain a current knowledge of the regulations they must follow. In addition, time is allotted for employee training during the Company all hands meetings, and employees are trained in regulations that pertain to their state. After the training, a review period occurs where employees may familiarize themselves with the regulations covered in the training. As a means of emphasizing the importance of compliance to employees, each is then required to sit for a short exam that requires them to cite the relevant regulation in their answers. The resultant score is used to determine which employees if any, need remedial education on the subject matter.

Additional training highlights the importance of proper conduct and the regulatory knowledge expected of every employee. Compliance, personal integrity and personal responsibility are stressed as a means of measuring each individual's performance.

Inspection of Downstream Retail Facilities

The controlling regulations in both Oregon and California require that the sale of cannabis products can only be between licensees except for a retailer who can sell direct to a consumer. However, California and Oregon approach how to maintain compliance with this rule differently. In Oregon, all sales and transfers are entered into METRC. Each current and valid licensee is assigned an account on METRC. METRC is monitored by the Oregon Liquor Control Commission (OLCC), the state agency appointed to oversee cannabis compliance. When the OLCC revokes a license or when a license expires, the licensee's METRC account immediately becomes inactive. Once a licensee's account is inactive, the licensee can no longer conduct cannabis sales or transfers in the state.

In California, compliance procedures have been in place since January 1, 2018, the beginning of the current licensing scheme in California, to ensure that all the Company's retail customers maintain a current state license. Before a product is ordered and delivered to a retailer, a Company representative requests a copy of the license and verifies the licensee is active through the Bureau of Cannabis Control portal. A copy of the license and expiration date is kept on file in the Company's sales software and continuously monitored.

Legislative Advocacy

The cannabis industry in the United States is complex. There are commonly 2 to 3 levels of regulatory oversight with some markets having more. It is important to understand how local, county, state and even federal prohibition laws relate to each other to safely and compliantly conduct business in legal markets. The complexity of each market is highly dependent on local political support as well as state lawmakers' initiatives that are tied to federal lawmakers attempting to remove cannabis as a Schedule 1 drug. It is imperative that the Company leads the conversation at every possible level of regulatory oversight to enable safe and compliant expansion. Navigating this regulatory maze is a strategic and competitive advantage and places the Company in a leadership position. Having regulators consult with the Company leadership in new markets, allows for best business practices to be implemented and written into law, maximizing value creation.

The Company has deployed a team of seasoned professionals, enlisted from highly regulated industries with decades of experience, to engage the complex, highly regulated cannabis industry. This team is also

comprised of current and past public officials that are well versed in public policy and regulatory demands. This team is responsible for relationships at all regulatory levels, providing appointed and elected officials access to the Company's thought leadership, especially during the adoption and creation of new and expanding laws. The Company sees the effort in creating and maintaining these relationships as an important business advantage.

RISK FACTORS

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company may also impair the business, operations or value of the Company. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The acquisition of securities of the Company is speculative, involves a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Current and prospective Shareholders should evaluate carefully the following risk factors associated with the Company's securities, along with the risk factors described elsewhere in this AIF.

Risks Related to the Business of the Company

Founder voting control

As a result of the Series F Multiple Voting Shares, Edward Fields, the Company's Co-Founder & Chief Executive Officer, exercises approximately 41.9% of the voting power of the Company's outstanding shares and Daniel Fields exercises approximately 21.9% of the voting power in respect of the Company's outstanding shares. The Subordinate Voting Shares are entitled to one vote per share and the Series F Multiple Voting Shares are entitled to 5,000 votes per share. As a result, subject to applicable law and the Company's articles, Mr. Fields and Mr. Fields have the ability to control the outcome of all matters submitted to the Company's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Company. If Edward Fields' employment with the Company is terminated or he resigns from his positions with the Company, he will continue to have the ability to exercise the same significant voting power. Accordingly, upon a transfer by a holder of some or all of his Series F Shares to the other Initial Holder, the other founder could individually control nearly all of the voting power of the Company's outstanding shares.

The concentrated control through the Series F Multiple Voting Shares could delay, defer, or prevent a change of control of the Company, arrangement involving the Company or sale of all or substantially all of the assets of the Company that its other shareholders support. Conversely, this concentrated control could allow the founders to consummate such a transaction that the Company's other shareholders do not support. In addition, the founders may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Company's business.

Marijuana remains illegal under U.S. federal law

Marijuana is a Schedule I controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Any person connected to the marijuana industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss. Since federal law criminalizing the use of marijuana is not preempted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the

Company's business, prospects, results of operation, and financial condition. Due to the federal illegality of cannabis and the charged political climate surrounding the cannabis industries of various states, political risks are inherent in the cannabis industry. It remains to be seen whether policy changes at the federal level will have a chilling effect on the cannabis industry.

Federal regulation of marijuana in the United States

Unlike in Canada, which has federal legislation governing the cultivation, distribution, sale and possession of medical cannabis and the regulation of recreational cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To date, a total of 33 states, plus the District of Columbia, the Commonwealth of the Northern Mariana Islands, Puerto Rico, U.S. Virgin Islands and Guam that have legalized medical marijuana and approximately 10 states plus the District of Columbia and the Commonwealth of Northern Mariana Islands who have legalized recreational marijuana.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act in the United States and as such, remains illegal under federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memo addressed to all federal United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

In March 2017, former Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memo had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded the Cole Memo effective immediately (the "**Sessions Memorandum**")³⁷. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations remains a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors are no longer guided to utilize their prosecutorial discretion to deprioritize enforcement of federal law with respect to cannabis activities which are lawful at the State level. Instead, the Sessions Memorandum instructs prosecutors to follow existing principals, specifically chapter 9-27.000 of the U.S. Attorneys' Manual, that govern all federal prosecutions. As described in the Sessions Memorandum, "These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." Under current DOJ guidance there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Federal law is not preempted by state law in these circumstances, so the federal government can assert criminal violations of federal law against members of the marijuana industry despite state law. The U.S. Attorneys' Manual lists, among the factors to be utilized by prosecutors when exercising their

³⁷ U.S. Dept. of Justice. (2018). *Memorandum for all United States Attorneys re: Marijuana Enforcement*. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/opa/press-release/file/1022196/download>.

prosecutorial discretion, federal law enforcement priorities set by the Attorney General (presently William Barr). If the Department of Justice policy were to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the Controlled Substances Act for aiding and abetting and conspiring to violate the Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget appropriations measures) prevents the Department of Justice from expending funds to prevent certain states from implementing their own laws that establish medical marijuana programs.. In the event Congress fails to renew this federal law for the 2020 budget appropriations cycle, the foregoing protection for medical cannabis operators will be disappear.

The Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

On January 12, 2018, the Canadian Securities Administrators issued a statement that they were considering whether the disclosure-based approach for issuers with U.S. marijuana-related activities remains appropriate in light of the rescission of the Cole Memo.

Additionally, there can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded Subordinate Voting Shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Risks associated with travelling across borders

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens involved in cannabis business in the United States who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time and lifetime bans have been imposed.

Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to United States Customs and Border Protection. Additionally, legal experts

have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Company directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company directors, officers or employees, then this may reduce the Company's ability to manage its business effectively in the United States.

U.S. state regulatory uncertainty

The rulemaking process for cannabis operators at the state level in any state is ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented by the Company will be compliance-based and derived from the state regulatory structure governing cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Company's business activity. Although cannabis is legal under the laws of the states in which the Company's business currently operates or will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. Other states may be in the process of reviewing such additional fees and taxation. If such taxes or fees are implemented in the states in which the Company operates, it could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

In addition, it is possible that new regulations may be enacted in the future that will be directly applicable to the Company's business, including, but not limited to, regulations or laws impacting the amount of production that the Company's licensed entities are authorized to produce. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can the Company determine what effect additional governmental regulations or administrative policies and procedures, if promulgated, could have on the Company's business.

The Company's business is dependent on permissive laws pertaining to the cannabis industry, and further legislative development is not guaranteed

The Company's business plan involves the cultivation, distribution, manufacture, storage, transportation and/or sale of medical and adult use cannabis products in compliance with applicable state law. Continued development of the cannabis industry is dependent upon continued legislative and regulatory authorization of cannabis and cannabis operations at the state level. Any number of factors could slow or halt progress in this area. Further progress is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative and regulatory process. Any one of these factors could slow or halt business operations relating to cannabis or the current tolerance for the use of cannabis by consumers, which would negatively impact the Company's business.

Risks associated with young industries

The cannabis industries in those states which have legalized such activity are not yet well-developed, and many aspects of these industries' development and evolution cannot be accurately predicted. While the Company has attempted to identify many risks specific to the cannabis industry, prospective investors

should note that there will be other risks that the Company has not foreseen or has not mentioned in this document, which may cause investors to lose some, or all, of such investor's investment. Given the limited history, it is difficult to predict which or whether, local cannabis market will continue to grow or current market sizes will be it can be maintained. For example, as a result of the Company's limited operating history in a new industry, it is difficult to identify meaningful or established trends with respect to the purchase activity of the Company's customers.

The Company expects that the market will evolve in ways which may be difficult to predict. For example, the Company anticipates that over time it will reach a point in most markets where the Company has achieved a market penetration such that investments in new customer acquisition are less productive and the continued growth of the Company's revenue will require more focus on increasing the rate at which the Company's existing customers purchase products. In the event of these or any other changes to the market, the Company's continued success will depend on the Company's ability to successfully adjust the Company's strategy to meet the changing market dynamics. If the Company is unable to successfully adapt to changes in the Company's markets, the Company's business, financial condition and results of operations could suffer a material negative impact.

The legality of cannabis could be reversed in one or more states of operation

The voters or legislatures of states in which cannabis has been legalized could potentially repeal applicable laws which permit the operation of medical or retail cannabis businesses. These actions might force the Company to cease some or all of the Company's business.

If no additional states, U.S. territories or countries allow the legal use of cannabis, or if one or more jurisdictions which currently allow it were to reverse position, the Company may not be able to grow, or the market for the Company's products and services may decline. There can be no assurance that the number of jurisdictions which allow the use of cannabis will grow, and if it does not, there can be no assurance that the existing jurisdictions will not reverse position and disallow such use. If either of these events were to occur, not only would the growth of the Company's business be materially impacted in an adverse manner, but the Company may experience declining revenue as the market for the Company's products and services declines.

The cannabis industry faces strong opposition

Many believe that several large, well-funded businesses may have a strong economic opposition to the cannabis industry. Specifically, there is reason to believe that the pharmaceutical industry does not want to cede control of any product that could generate significant revenue. For example, medical cannabis will likely adversely impact the existing market for the current "cannabis pill" sold by mainstream pharmaceutical companies. Further, the medical cannabis industry could face a material threat from the pharmaceutical industry should cannabis displace other drugs or encroach upon the pharmaceutical industry's products. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses that of the medical and retail cannabis industries. Any inroads the pharmaceutical industry made in halting or impeding the cannabis industry could have a detrimental impact on the Company's business.

The Company is dependent upon the acquisition and retention of various licenses

The Company is dependent upon obtaining and keeping various licenses from various municipalities and state licensing agencies. There can be no assurance that any or all licenses necessary to operate the Company's business will be obtained or kept. If a licensing body were to determine that the Company had violated the applicable regulations, such licenses could be revoked. Further, there is no guarantee that the Company will be able to obtain any additional licenses necessary for its business operations.

Heightened scrutiny by Canadian regulatory authorities

For the reasons set forth above, the Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct

and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV.³⁸ The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Subordinate Voting Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Subordinate Voting Shares to make and settle trades. In particular, the Subordinate Voting Shares would become highly illiquid until an alternative was implemented, and investors would have no ability to affect a trade of the Subordinate Voting Shares through the facilities of the applicable stock exchange.

Restricted access to banking

In February 2014, FinCEN, a bureau of the U.S. Treasury Department, issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements.³⁹ This guidance does not provide any safe harbours or legal defences from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state in which it resides permits cannabis sales. The inability or limitations on the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

³⁸ Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Retrieved from <https://www.cds.ca/resource/en/249/>.

³⁹ Department of the Treasury Financial Crimes Enforcement Network. (2014). *Guidance re: BSA Expectations Regarding Marijuana-Related Businesses* (FIN-2014-G001). Retrieved from <https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>.

Newly established legal regime

The Company business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Regulatory scrutiny of the Company's interests in the United States

For the reasons set forth above, the Company's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to carry on its business in the United States.

The Company's management team or other owners could be disqualified from ownership in the Company

The Company's business is in a highly regulated industry. Many states have enacted extensive rules for ownership of a participant company. The Company's owners (which could include the investors in the Company) could become disqualified from having an ownership stake in the Company or operating companies under relevant laws and regulations of applicable state and/or local regulators, if the applicable owner is convicted of a certain type of felony or fails to meet the requirements for owning equity in a company like the Company.

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by law or government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to many other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Unfavourable tax treatment of cannabis businesses

Under Section 280E ("**Section 280E**") of the United States Internal Revenue Code of 1986 as amended (the "**U.S. Tax Code**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Risk of civil asset forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Risk of RICO prosecution or civil liability

The Racketeer Influenced Corrupt Organizations Act (“**RICO**”) criminalizes the use of any profits from certain defined “racketeering” activities in interstate commerce. While intended to provide an additional cause of action against organized crime, due to the fact that marijuana is illegal under U.S. federal law, the production and sale of marijuana qualifies marijuana-related businesses as “racketeering” as defined by RICO. As such, all officers, managers and owners in the Company could be subject to criminal prosecution under RICO, which carries substantial criminal penalties.

RICO can create civil liability as well: persons harmed in their business or property by actions which would constitute racketeering under RICO often have a civil cause of action against such “racketeers,” and can claim triple their amount of estimated damages in attendant court proceedings. The Company as well as its officers, managers and owners could all be subject to civil claims under RICO.

Proceeds of crime statutes

The Company is subject to a variety of laws and regulations in Canada and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of Title 18, U.S.C., the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company’s proceeds of operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. While there have been no recent prosecutions of investors in cannabis-related businesses for violation of Sections 1956 or 1957 of Title 18, U.S.C., this could change along with federal enforcement priorities. This could be materially adverse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Competition

The Company will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of recreational cannabis in the states in which the Company will operate its business increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The

Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of its operations.

A decline in the price of the Company Shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of the Company Shares could result in a reduction in the liquidity of its Company Shares and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

United States tax classification of the Company

The Company, which is and will continue to be a Canadian corporation as of the date of this AIF, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "**Inversion Conditions**").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Company intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "**ITA**") for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Company will pay any dividends on the Company Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax

under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

Because the Company Shares will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of Company Shares.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Security risks

The business premises of the Company's operating locations are targets for theft. While the Company has implemented security measures at each location and continues to monitor and improve its security measures, its cultivation, processing and distribution facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

As the Company's business involves the movement and transfer of cash which is collected from dispensaries or customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company has engaged a security firm to provide security in the transport and movement of large amounts of cash. Employees sometimes transport cash and/or products and each employee has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Limited trademark protection

The Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the Controlled Substances Act, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more third parties could have a material adverse effect on the value of such trademarks.

Infringement or misappropriation claims by third parties

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property do not have

adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Currency fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Lack of access to U.S. bankruptcy protections

Because the use of cannabis is illegal under federal law, and bankruptcy is a strictly federal proceeding, courts have habitually denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company or any operating subsidiaries were to experience a bankruptcy, U.S. federal bankruptcy protections would not be available to the Company, which would have a material adverse effect. While state-level receivership options do exist in some states as an alternative to bankruptcy, the efficacy of these alternatives cannot be guaranteed.

Potential FDA regulation

Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "**FDA**"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

More specifically, some courts have determined that contracts relating to state legal cultivation and sale of cannabis are unenforceable on the grounds that they are illegal under federal law and therefore void as a matter of public policy. This could substantially impact the rights of parties making or defending claims involving the Company and any lender or member of the Company.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Notwithstanding that cannabis related businesses operate pursuant to the laws of states in which such activity is legal under state law, judges have on a number of occasions refused to enforce

contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company will be able to legally enforce contracts it enters into if necessary. As the Company cannot be assured that it will have a remedy for breach of contract, investors must bear the risk of the uncertainty in the law. If borrowers fail or refuse to repay loans and the Company is unable to legally enforce its contracts, the Company may suffer substantial losses for which it has no legal remedy.

Unfavourable publicity or consumer perception

Management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Unpredictability caused by anticipated capital structure and voting control

Although other Canadian-based companies have dual class or multiple voting share structures, given the unique capital structure in respect of the Company and the concentration of voting control by the holders of the Series F Multiple Voting Shares and Series A Multiple/Subordinate Voting Shares, this structure and control could result in a lower trading price for or greater fluctuations in the trading price of the Subordinate Voting Shares or will result in adverse publicity to the Company or other adverse consequences.

The Company is a holding company

The Company is a holding company and essentially all of its assets are the capital stock of its subsidiaries in each of the markets the company operates in, including California and Oregon (and likely Nevada, Massachusetts, Colorado in the near future). As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Sales of substantial amounts of Company Shares may have an adverse effect on the market price of the Company Shares.

Sales of substantial amounts of Company Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Company Shares. A decline in the market prices of the Company Shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Company Shares

The market price for the Company Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Company Shares;
- sales or perceived sales of additional Company Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of goods and services inputs;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- risk of limitation in access to an active trading market or a sustained active trading market;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Company Shares may be materially adversely affected.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company becoming more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the

Company's assets. Additionally, the Company may issue additional Company Shares in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Company's products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is limited information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Subordinate Voting Shares to the point investors may lose their entire investment.

The Company expects to commit significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

Information technology systems and cyberattacks

The Company's operations depend in part on how well it protects networks, equipment, and information technology systems and software against damage from a number of threats, including but not limited to cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component thereof could, depending on the nature of such failure, adversely impact the Company's reputation and results of operations. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other factors, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks inherent in an agricultural business

The Company's business involves the growing of recreational cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks.

Energy costs

The Company's recreational cannabis growing operations consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably.

Unknown environmental risks

There can be no assurance that the Company will not encounter hazardous conditions at the site of the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended. If the Company receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Company.

Reliance on management

A risk associated with the production and sale of recreational cannabis is the loss of important staff members. Success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Insurance and uninsured risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on key inputs, suppliers and skilled labour

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a

replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the recreational cannabis industry in the states in which the Company's business will operate. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company Shares.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources of the Company and/or the Company.

Product liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness or death, include inadequate instructions for use or include inadequate

warnings concerning possible side effects or interactions with other substances. Many cannabis related companies are subject to strict product liability laws where a cannabis related retailer who sells a defective product to a consumer is subject to liability for any harm that befalls that consumer due to the defect. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Company. This area of law is unsettled and there is very little statutory or case law regarding cannabis and products liability.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol ("CBD") and tetrahydrocannabinol ("THC")) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Company Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

General economic risks

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability.

As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's management.

DIVIDENDS AND DISTRIBUTIONS

The Company has not declared any dividend or distribution on any class of security in the three most recently completed financial years. There are no restrictions in the Company's articles that could prevent the Company from paying dividends. The payment of any dividends on the Company Shares is not anticipated in the foreseeable future. Any decision to pay dividends on its shares will be made by the Board based on the Company's earnings, financial requirements and other conditions existing at such future time. Any dividends paid must be paid on all Company Shares equally, on an as-converted basis, assuming conversion of the Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares into Subordinate Voting Shares.

DESCRIPTION OF CAPITAL STRUCTURE

General

The Company is authorized to issue an unlimited number of Subordinate Voting Shares, an unlimited number of Company Series A Multiple/Subordinate Voting Shares and an unlimited number of Company Series F Multiple Voting Shares. There were 22,422,030 Subordinate Voting Shares, 10,634 Series A Multiple/Subordinate Voting Shares and 6,193 Series F Multiple Voting Shares issued and outstanding as at May 29, 2019 (subject to the exercise of previous issued convertible securities).

As at May 29, 2019, the holders of Subordinate Voting Shares hold an aggregate of approximately 41% of the voting rights of the Company, the holders of Company Series A Multiple/Subordinate Voting Shares hold an aggregate of approximately 2% of the voting rights of the Company and the holders of Company Series F Multiple Voting Shares hold an aggregate of approximately 57% of the voting rights of the Company.

Take-Over Bid Protection

Under applicable securities law, an offer to purchase Company Series F Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares or Company Series A Multiple/Subordinate Voting Shares. In accordance with the rules applicable to issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares or of Company Series A Multiple/Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Company Series F Multiple Voting Shares. The owners of all the outstanding Company Series F Multiple Voting Shares, have entered into a customary coattail agreement with the Company and a trustee (the "**Coattail Agreement**"). The Coattail Agreement contains provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares or of Company Series A Multiple/Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Company Series F Multiple Voting Shares had been Subordinate Voting Shares or Company Series A Multiple/Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale by any holder of Company Series F Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares and Company Series A Multiple/Subordinate Voting Shares that:

- i. offers a price per Subordinate Voting Share or Company Series A Multiple/Subordinate Voting Share (on an as converted to Subordinate Voting Share basis) at least as high as the highest price per share paid pursuant to the take-over bid for the Series F Multiple Voting Shares (on an as converted to Subordinate Voting Share basis);

- ii. provides that the percentage of outstanding Subordinate Voting Shares or Series A Multiple/Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Series F Multiple Voting Shares to be sold (exclusive of Series F Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- iii. has no condition attached other than the right not to take up and pay for Subordinate Voting Shares or Series A Multiple/Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Series F Multiple Voting Shares; and
- iv. is in all other material respects identical to the offer for Series F Multiple Voting Shares.

In addition, the Coattail Agreement does not prevent the transfer of Series F Multiple Voting Shares by a Principal to an immediate family member of the Series F Multiple Voting Share holder (the “**Initial Holder**”) or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by an Initial Holder or immediate family members of an Initial Holder or which an Initial Holder or immediate family members of an Initial Holder are the sole beneficiaries thereof. The conversion of Series F Multiple Voting Shares into Series A Multiple/Subordinate Voting Shares, whether or not such Series A Multiple/Subordinate Voting Shares are subsequently sold or converted into Subordinate Voting Shares, would not constitute a disposition of Series F Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Series F Multiple Voting Shares (including a transfer to a pledgee as security) by a holder of Series F Multiple Voting Shares party to the agreement is conditional upon the transferee or pledgee becoming a party to the Coattail Agreement.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares or of the Series A Multiple/Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on the Company or holders of the Subordinate Voting Shares or of the Series A Multiple/Subordinate Voting Shares, as the case may be, providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares or of Series A Multiple/Subordinate Voting Shares, as the case may be, will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares or of Series A Multiple/Subordinate Voting Shares, as the case may be, and reasonable funds and indemnity have been provided to the trustee. The Company will agree to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares or of Series A Multiple/Subordinate Voting Shares, as the case may be, pursuant to the Coattail Agreement.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares and 66-2/3% of the votes cast by holders of Series A Multiple/Subordinate Voting Shares excluding votes attached to Subordinate Voting Shares and to Series A Multiple/Subordinate Voting Shares, if any, held by the principal shareholders, their affiliates and any persons who have an agreement to purchase Series F Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinate Voting Shares or of Series A Multiple/Subordinate Voting Shares under applicable law.

Subordinate Voting Shares

Right to Notice and Vote	Holders of Subordinate Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.
Class Rights	As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.
Dividends	Holders of Subordinate Voting Shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. No dividend will be declared or paid on the Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares, be entitled to participate ratably along with all other holders of Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares (on an as-converted to Subordinate Voting Share basis) and Series F Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares or Series F Multiple Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	In the event that an offer is made to purchase Series A Multiple/Subordinate Voting Shares, each Subordinate Voting Share shall become convertible at the option of the holder into Series A Multiple/Subordinate Voting Shares at the inverse of the Conversion Ratio then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Subordinate Voting Shares for the purpose of depositing the resulting Series A Multiple/Subordinate Voting Shares pursuant to the offer, and for no other reason. In such event, the Company's transfer agent shall deposit the resulting Series A Multiple/Subordinate Voting Shares on behalf of the holder. Should the Series A Multiple/Subordinate Voting Shares

issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Series A Multiple/Subordinate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.

Odd Lots

In the event that holders of Subordinate Voting Shares are entitled to convert their Subordinate Voting Shares into Series A Multiple/Subordinate Voting Shares in connection with an offer, holders of an aggregate of Subordinate Voting Shares of less than 100 (an "Odd Lot – Series A"), subject to any adjustments to the initial Conversion Ratio contemplated under the conversion provisions above will be entitled to convert all but not less than all of such Odd Lot – Series A of Subordinate Voting Shares into a fraction of one Series A Multiple/Subordinate Voting Share, at a Conversion Ratio equivalent to 100 to one, subject to any adjustments to the initial Conversion Ratio contemplated, provided that such conversion into a fractional Series A Multiple/Subordinate Voting Share will be solely for the purpose of tendering the fractional Series A Multiple/Subordinate Voting Share to the offer in question and that any fraction of a Series A Multiple/Subordinate Voting Share that is tendered to the offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Subordinate Voting Shares that existed prior to such conversion. In the event that holders of Subordinate Voting Shares are entitled to convert their Subordinate Voting Shares into Series F Multiple Voting Shares in connection with an offer, holders of an aggregate of Subordinate Voting Shares of less than 100 (an "Odd Lot – Series F"), subject to any adjustments to the initial Conversion Ratio contemplated, will be entitled to convert all but not less than all of such Odd Lot – Series F of Subordinate Voting Shares into a fraction of one Series F Multiple Voting Share, at a conversion ratio equivalent to 100 to one, subject to any adjustments to the initial Conversion Ratio contemplated, provided that such conversion into a fractional Series F Multiple Voting Share will be solely for the purpose of tendering the fractional Series F Multiple Voting Share to the offer in question and that any fraction of a Series F Multiple Voting Share that is tendered to the Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Subordinate Voting Shares that existed prior to such conversion.

Series A Multiple/Subordinate Voting Shares

Right to Notice and Vote

Holders of Series A Multiple/Subordinate Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Series A Multiple/Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Series A Multiple/Subordinate Voting Share could then be converted (currently 100 votes per Series A Multiple/Subordinate Voting Share held)

Class Rights

As long as any Series A Multiple/Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Series A Multiple/Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Series A

Multiple/Subordinate Voting Shares. Holders of Series A Multiple/Subordinate Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.

Dividends	The holders of the Series A Multiple/Subordinate Voting Shares are entitled to receive such dividends as may be declared and paid to holders of the Subordinate Voting Shares in any financial year as the Board of the Company may by resolution determine, on an as-converted to Subordinate Voting Share basis. No dividend will be declared or paid on the Series A Multiple/Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Series F Multiple Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Series A Multiple/Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Series A Multiple/Subordinate Voting Shares, be entitled to participate ratably along with all other holders of Series A Multiple/Subordinate Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Series F Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares or Series F Multiple Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	<p>The Series A Multiple/Subordinate Voting Shares each have a restricted right to convert into 100 Subordinate Voting Shares (the “Series A Conversion Ratio”), subject to adjustments for certain customary corporate changes. The ability to convert the Series A Multiple/Subordinate Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended, may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. In addition, the Series A Multiple/Subordinate Voting Shares will be automatically converted into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under the United States Securities Act of 1933, as amended.</p> <p>In the event that an offer is made to purchase all or substantially all of the Subordinate Voting Shares, each Series A Multiple/Subordinate Voting</p>

Share shall become convertible at the option of the holder into Subordinate Voting Shares at the Series A Conversion Ratio at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may be exercised in respect of Series A Multiple/Subordinate Voting Shares for the purpose of depositing the resulting Series A Multiple/Subordinate Voting Shares pursuant to the offer. Should the Subordinate Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Subordinate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Series A Multiple/Subordinate Voting Shares at the inverse of the Series A Conversion Ratio then in effect.

Series F Multiple Voting Shares

Right to Notice and Vote	Holders of Series F Multiple Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Series F Multiple Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Series F Multiple Voting Share could ultimately then be converted (currently 5,000 votes per Series F Multiple Voting Share held).
Class Rights	As long as any Series F Multiple Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Series F Multiple Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Series F Multiple Voting Shares. Additionally, consent of the holders of a majority of the outstanding Series F Multiple Voting Shares will be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Series F Multiple Voting Shares. In connection with the exercise of the voting rights in respect of any such approvals, each holder of Series F Multiple Voting Shares will have one vote in respect of each Series F Multiple Voting Share held. The holders of Series F Multiple Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, bonds, debentures or other securities of the Company not convertible into Series F Multiple Voting Shares.
Dividends	The holders of the Series F Multiple Voting Shares are entitled to receive such dividends as may be declared and paid to holders of the Subordinate Voting Shares in any financial year as the Board of the Company may by resolution determine, on an as-converted to Subordinate Voting Share basis. No dividend will be declared or paid on the Series F Multiple Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Series A Multiple/Subordinate Voting Shares and Subordinate Voting Shares.

Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Series F Multiple Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Series F Multiple Voting Shares, be entitled to participate rateably along with all other holders of Series F Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Series A Multiple/Subordinate Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares or Series F Multiple Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	The Series F Multiple Voting Shares each have a restricted right to convert into 5,000 Subordinate Voting Shares (the “ Series F Conversion Ratio ”), subject to adjustments for certain customary corporate changes. The ability to convert the Series F Multiple Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended, may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares, Series A Multiple/Subordinate Voting Shares and Series F Multiple Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. In addition, the Series F Multiple Voting Shares will be automatically converted into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under the United States Securities Act of 1933, as amended.

MARKET FOR SECURITIES

The Subordinate Voting Shares trade on the CSE under the symbol “DYME”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Company Subordinate Voting Shares on the CSE from November 29, 2018 (the date the Company’s Subordinate Voting Shares were listed on the CSE) until December 31, 2018.

Month	High Trading Price (\$)	Low Trading Price (\$)	Monthly Volume (#)
November 2018	4.29	3.20	314,214
December 2018	4.15	1.88	1,367,585

Notes:

⁽¹⁾ Source: CSE

Prior Sales

The following table summarizes the issuances of Series A Multiple/Subordinate Voting Shares during the ten months ended December 31, 2018:

Date of Issuance	Number of Securities Sold	Price Per Security (CAD\$)	Description of Transaction
November 27, 2018	31,353	\$425 ⁽¹⁾	Issued to former holders of DHI in connection with the Reverse Take-Over

Notes:

⁽¹⁾ The price per Series A Multiple/Subordinate Voting Share was equal to the SR Offering Price multiplied by 100.

The following table summarizes the issuances of Series F Multiple Voting Shares during the ten months ended December 31, 2018:

Date of Issuance	Number of Securities Sold	Price Per Security (CAD\$)	Description of Transaction
November 27, 2018	6,598	\$21,250 ⁽¹⁾	Issued to former holders of DHI Series F Shares in connection with the Reverse Take-Over

Notes:

⁽¹⁾ The price per Series F Multiple Voting Share was equal to the SR Offering Price multiplied by 5,000.

The following table summarizes the issuances of warrants during the ten months ended December 31, 2018:

Date of Issuance	Number of Securities Sold	Exercise Price (CAD\$)	Description of Transaction
November 27, 2018	190,000	\$1.50	Issued to former warrant holders of DHI in connection with the Reverse Take-Over. Each Warrant has an exercise price of \$1.50, subject to adjustment in certain circumstances and expires on April 23, 2023
November 27, 2018	201,590	\$1.69	Issued to former warrant holders of Sixonine in connection with the Reverse Take-Over. Each Warrant has an exercise price of \$0.20, adjusted to give effect to the consolidation as part of the Reverse Take-Over, subject to further adjustment in certain circumstances and expires on July 11, 2019
November 27, 2018	427,913	\$2.06	Issued to former holders of DHI Broker Rights in connection with the Reverse Take-Over.
November 27, 2018	493,188	\$4.25	Issued to former holders of DHI Broker Warrants in connection with the Reverse Take-Over.
November 27, 2018	744,000	\$5.31	Issued to Tribeca in connection with the Inventory Finance Facility. Each Warrant has an exercise price of \$5.31, subject to adjustment in certain circumstances and

			expires on December 5, 2021.
November 27, 2018	8,115,297	\$6.37	Issued to former warrant holders of DHI in connection with the Subscription Receipt Financing. Each Warrant has an exercise price of \$6.37, subject to adjustment in certain circumstances and expires on November 29, 2020
December 31, 2018	2,402,910	\$3.09	Issued to convertible debenture holders in connection with debenture conversions in December 2018. Each Warrant has an exercise price of \$3.09, subject to adjustment in certain circumstances and expires on November 29, 2020

The following table summarizes the issuances of Options within the 12 months before the date of this AIF:

Date of Issuance	Number of Securities Sold	Exercise Price (CAD\$)	Expiry Date
November 27, 2018	8,979,535 ⁽¹⁾	\$0.10 to \$2.09 ⁽¹⁾	November 1, 2026 to October 5, 2028 ⁽¹⁾
December 3, 2018	78,000	\$3.30	December 3, 2028
December 19, 2018	334,000	\$2.36	December 19, 2028
December 22, 2018	350,000	\$3.50	December 22, 2028

Notes:

⁽¹⁾ These options are issued to former option holders of DHI.

The following table summarizes the issuances of Common Share Convertible Debentures during the ten months ended December 31, 2018:

Date of Issuance	Number of Securities Sold	Price Per Security (CAD\$)	Conversion Price (\$CAD)	Description of Transaction
November 27, 2018	13,240	\$1,000	\$2.06	Issued to former holders of DHI Common Share Convertible Debentures in connection with the Reverse Take-Over.

The following table summarizes the issuances of Series A Convertible Debentures during the ten months ended December 31, 2018:

Date of Issuance	Number of Securities Sold	Price Per Security (CAD\$)	Conversion Price (\$CAD)	Description of Transaction
November 27, 2018	4,940	\$1,000	\$206	Issued to former holders of DHI Series A Convertible Debentures in connection with the Reverse Take-Over.

ESCROWED SECURITIES

Directors and officers have entered into lock-up agreements with the Underwriters pursuant to which such parties have agreed, subject to customary carve-outs and exceptions, not to sell any Company Securities (or announce any intention to do so), or any securities issuable in exchange therefor until September 2, 2019. The class of Company Securities, number and percentage that number represents of the outstanding securities of that class is set out in the “*Directors and Officers*” section below.

DIRECTORS AND OFFICERS

Each director holds office until the close of the next annual general meeting of the Company, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated.

The following table sets out the names of the directors and officers of the Company, the municipality and province of residence, their position with the Company, their principal occupation during the past 5 years, and the number and percentage of Company Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of the Company's directors and officers.

Name and Municipality of Residence	Office with Company	Director and/or Officer of the Company Since	Principal Occupation and Positions Held During the Last 5 Years⁽¹⁾	Number and Percentage of Company Voting Securities Owned, Beneficially Held or Controlled⁽²⁾
Edward Fields⁽³⁾ <i>Los Gatos, California</i>	<i>Chief Executive Officer and Chairman of the Board</i>	November 27, 2018	Chief Executive Officer and Chairman of the Company (May 2017 - Present); Chief Executive Officer and Chairman of Hotchalk (2004 - 2016); Director of Center for Education Reform (2012-2016); Director of Camfed (Present)	4,399 Series F Multiple Voting Shares (66.67%) 171,882 Subordinate Voting Shares (0.35%) Nil Options
Peter Kampian⁽⁴⁾ <i>Cambridge, Ontario</i>	<i>Chief Financial Officer</i>	November 27, 2018	Chief Financial Officer of the Company (November 2017 - Present); Chief Financial Officer of Mettrum Health Corp (2014 - 2017); Director of Red Pine Exploration Inc. (Present); Director of James E. Wagner Cultivation Corporation (Present); Director of CannaRoyalty Corp (2017-2018); Director of Flow Capital Corp. (2016-2018); Chief Financial Officer of Threshold Power Trust (2012-2013);	87,842 Subordinate Voting Shares (0.18%) 900,000 Options

Peter Hilliard⁽⁵⁾ <i>Los Gatos, California</i>	<i>Chief Operating Officer</i>	November 27, 2018	Chief Operating Officer of the Company (June 2018 - Present); Chief People Officer of Quantenna Communications, Inc (2017 - 2018) Chief Administrative Officer of Silicon Graphic International (2015 - 2016); Senior Vice President at Harmonic, Inc. (2008-2015);	Nil 825,000 Options
Brett Moyer⁽⁶⁾ <i>San Jose, California</i>	<i>Director</i>	November 27, 2018	President and Chief Executive Officer and Director of Summit Wireless Technologies Inc. (2010 – Present); Director of the WiSa Association (2011 - Present); Director of HotChalk Inc. (2013-2016)	Nil 600,000 Options
David Kerr⁽⁷⁾ <i>Toronto, Ontario</i>	<i>Director</i>	November 27, 2018	Chief Executive Officer of Thorium Power Canada Inc. (2011 - Present)	Nil 225,000 Options
Susan Watt⁽⁸⁾ <i>Toronto, Ontario</i>	<i>Director</i>	November 27, 2018	Director of the Company (2018-Present); Director of Nobilis Health Corp (2018 - Present); Founder of the Peter Pan Foundation (2016 - Present); Director of Adoption Council of Ontario (2016 - Present)	15,000 Subordinate Voting Shares (0.03%) 225,000 Options
Stephen Dineley⁽⁹⁾ <i>Toronto, Ontario</i>	<i>Director</i>	November 27, 2018	Director of BNY Trust Company of Canada (2015 - Present); Director of Medical Facilities Corporation (2016 - Present); Partner of KPMG (1974 - 2014)	11,764 Subordinate Voting Shares (0.02%) 225,000 Options

Notes:

1. Description of the principal businesses referred to in this column are set out in each director or officer's biography in the "Management" section below.
2. Percentages are displayed on a non-diluted basis.
3. Mr. Fields is the beneficial owner of his securities, whereas a portion of the registered owners of his holdings related parties, and the rest is held in a trusts that Mr. Fields is a beneficiary of. Director and officer of DHI from May 2017 until the Reverse Take-Over.
4. Mr. Kampian was Chief Financial Officer of DHI until the completion of the Reverse Take-Over.
5. Mr. Hilliard was Chief Operating Officer of DHI until the completion of the Reverse Take-Over.
6. Mr. Moyer was a director of DHI until the completion of the Reverse Take-Over.
7. Mr. Kerr was a director of DHI until the completion of the Reverse Take-Over.
8. Ms. Watt was a director of DHI until the completion of the Reverse Take-Over.
9. Mr. Dineley was a director of DHI until the completion of the Reverse Take-Over.

Management

All the executive officers are employees of the Company (or an affiliate) on a full-time basis. All executive officers have entered into employment agreements with the Company which include non-solicitation and confidentiality provisions. Brett Moyer, Susan Watt, David Kerr, and Stephen Dineley in their roles as directors, will devote 5%, 5%, 5% and 5% of their time to the Company, respectively. The following is a brief description of the directors and officers of the Company:

Edward Fields, Chair and Chief Executive Officer, Age 58

Mr. Fields is the Chief Executive Officer and Chairman of the Company.

Prior to joining the cannabis industry, Mr. Fields spent more than 20 years developing and marketing educational technology and enterprise software solutions. He was Director of Interactive Publishing at The Learning Company, an educational software company. He served as President and Chief Executive Officer of ProductFactory, Inc., a software firm, and as Senior Vice President of Marketing at Agile Software Corporation, a provider of product lifecycle management.

After Agile Software, Mr. Fields founded HotChalk, Inc. in 2004 with a vision of improving education outcomes, providing access to education for everyone everywhere, and building the largest online education community in the world. Mr. Fields grew the business to 463 employees while navigating the complexities of the highly regulated Title IV higher education industry. He left HotChalk at the end of 2016 to pursue opportunities in cannabis.

During his tenure at HotChalk, in addition to serving as HotChalk's Board Chair, Mr. Fields served as a Board Member at the Center for Education Reform (CER) from September 2012 through June 2016. CER is the pioneer and leading advocate for structural and sustainable changes that can dramatically improve educational opportunities in the U.S.

Mr. Fields continues his passion in education by currently serving as a Board Member of Camfed. Camfed is an international non-governmental, non-profit organization founded in 1993.

Its mission is to eradicate poverty in Africa through the education of girls and the empowerment of young women.

Mr. Fields has a Bachelor of Arts Degree in Mass Communications from the University of Denver.

Peter Kampian, Chief Financial Officer, Age 60

Mr. Kampian is the Chief Financial Officer of the Company.

Mr. Kampian, CPA, CA, has a long track record as a financial executive with a number of Canadian public companies.

Mr. Kampian was the Chief Financial Officer of Mettrum Health Corp., an early entrant to the Canadian cannabis market, where Mr. Kampian was a key member who took the company public on the TSX-V (MT.V). Mettrum was acquired by Canopy Growth Corp in early 2017. Mr. Kampian worked with Canopy Growth Corp to assist in the transition and integration of Mettrum.

Mr. Kampian previously served as Chief Financial Officer of Algonquin Income Fund, a power producer and distributor and an infrastructure company across North America, where he led and supported debt and equity capital raising.

Mr. Kampian is also a board member of Red Pine Exploration Inc (RPX.V), a mining exploration company, and James E Wagner Cultivation Corporation (JWCA.V), a Canadian cannabis cultivator. Mr. Kampian has also held board positions with CannaRoyalty Corp (CRZ.CN), a North American product and brands company, and Flow Capital Corp (FW.V), a diversified asset investor.

Mr. Kampian was also involved with several startup businesses in renewable energy including Threshold Power Trust, an energy company (as Chief Financial Officer from 2012 to 2013), Riverbank Power Corporation, a company involved in the development, construction and operation of hydropower facilities (as Chief Operating Officer from 2011 to 2012) and Oneworld Energy Corporation, a renewable clean energy company (as Chief Financial Officer from 2009 to 2011).

Mr. Kampian is a Canadian Chartered Accountant and holds a Bachelor of Business Administration Degree from Wilfrid Laurier University.

Peter Hilliard, Chief Operating Officer, Age 52

Mr. Hilliard is the Chief Operating Officer of the Company.

Starting his career in the hospitality industry, Mr. Hilliard held various operational and HR roles with theme parks, hotels and restaurants. Most notably, from November of 1994 to December of 1998, Mr. Hilliard served as VP HR Western US for Boston Market Restaurants, joining Boston Market when it had approximately 250 stores and leaving after it had scaled to over 1,000 stores and 30,000 employees.

During the internet revolution, from 1998 – 2000, Mr. Hilliard moved from hospitality to technology becoming a Partner and VP of Operations at consulting firm, 54th Street Partners, LLC. 54th Street Partners was an international management consulting and venture investment firm, which focused toward helping venture-backed companies accelerate their growth. Clients included: 35+ start-ups in addition to Borland Software, Brocade, Placeware, Sun Microsystems, Trimble, Philips, Envivio, iSarla, and others.

First while as consultant and later as employee, from 1999 to 2002, Mr. Hilliard served as VP of HR with SiteSmith, Inc., a professional services company focused on helping the e-commerce industry in the management of its large, complex Internet sites, as this start-up grew explosively from \$0 to \$30M in revenue and from 20 to 500 employees worldwide in just nine months culminating in its acquisition by MetroMedia Fiber Network (MFN) with a \$1.3B valuation. Following SiteSmith's acquisition by MFN, Mr. Hilliard was hired by MFN as SVP HR and Administration and charged with the organizational consolidation and integration of four companies totaling ~\$1B in revenue.

From June of 2002 to November of 2007, Mr. Hilliard served as SVP, HR and Corporate Services at Agile Software Corporation. Mr. Hilliard led the organizational integration of various acquisitions and in addition to his HR role, he led IT and several other corporate functions. Agile was successfully acquired by Oracle.

From November 2007 to November 2008, co-founded and served as President of ModSquad, Inc., a professional services provider to digital companies. In December 2008, Mr. Hilliard left his operational role at ModSquad in favor of joining the company's board of directors where he continued to serve until 2013.

From November 2008 to November 2015, Mr. Hilliard served as SVP, HR at Harmonic, Inc., a video delivery technology and services provider, where in addition to leading HR and other functions, he also led the successful acquisition of several companies.

From December 2015 to December 2016, Mr. Hilliard was Chief Administrative Officer of a Silicon Valley company, Silicon Graphic International (SGI), a manufacturer of computer hardware and software. SGI recruited Mr. Hilliard for the very specific role of preparing the company organizationally and administratively for an eventual sale. SGI was successfully acquired by Hewlett Packard Enterprise a year after Mr. Hilliard joined.

Following SGI and prior to joining the Company, Mr. Hilliard served as Chief People Officer at Quantenna Communications, Inc., a provider of high-performance Wi-Fi solutions.

Mr. Hilliard studied Business Administration at San Jose State University.

Brett Moyer, Director, Age 61

Mr. Brett A. Moyer serves as the President, Chief Executive Officer and Director of the Board at Summit Wireless Technologies Inc, a provider of immersive, wireless sound technology for intelligent devices and home entertainment systems.

Mr. Moyer is a leader in wireless HD surround sound for the consumer electronics industry and a founding Member of WiSA (Wireless Speaker and Audio Association). He joined Focus Enhancements Inc., a designer of solutions in advanced, proprietary video and wireless video technologies, in 1997. Mr. Moyer serves on the Board of the WiSA association; an industry group dedicated to building a wireless standard for multi-channel home theater surround sound. From September 30, 2002 to 2010 he served as the President and Chief Executive Officer of Focus Enhancements Inc. From May 1997 to September 30, 2002, Mr. Moyer served as an Executive Vice President and Chief Operating Officer of Focus Enhancements Inc.

From February 1986 to April 1997, Mr. Moyer worked at Zenith Electronics Corporation, Glenview, IL, a consumer electronics company, where he served as a Vice President and General Manager of Zenith's commercial products division. Mr. Moyer also served as Vice President, sales planning and operations of Zenith. He served as director of HotChalk, Inc. from 2013 to 2016. He serves as a member of the board of Directors at Summit Semiconductors Inc. Mr. Moyer served as a Director of Focus Enhancements Inc., since September 30, 2002. He served as a Director of NeoMagic Corp., a semiconductor company and supplier of low power audio and video integrated circuits for mobile use, from March 5, 2007 to September 23, 2008.

Mr. Moyer has a Bachelor of Arts in Economics from Beloit College in Wisconsin and a Masters of International Management with a concentration in finance and accounting from the American Graduate School of International Management

David Kerr, Director, Age 60

Mr. David Kerr is an accomplished executive, manager and corporate leader with over 30 years of experience in the power generation and infrastructure industries. He is currently the Chief Executive Officer of Thorium Power Canada Inc., a clean energy company.

As a founder of Algonquin Power and Utilities Corp., one of the largest Canadian renewable power companies, Mr. Kerr successfully grew the publicly traded company from an \$80 million IPO in 1997 to over \$ 1 billion in assets.

As an early participant in the independent power producers industry, Mr. Kerr has been very active in the development of green-field power and infrastructure projects throughout North America and internationally.

In his career, Mr. Kerr has successfully built strong relationships within the independent power sector, capital markets, public utilities, government agencies and community stakeholders. David is a natural leader and has a strong stakeholder focus while effectively managing company and shareholder needs.

Mr. Kerr has an Honours Bachelor of Science from the University of Western Ontario.

Susan Watt, Director, Age 65

A native of Montreal and Toronto, Ms. Watt has had a 30-year career in public service, holding various leadership roles within both the Government of Canada and the Ontario Provincial Government. As a lawyer, part of Ms. Watt's career was spent liaising with law enforcement agencies in an effort to improve Ontario's policing policies and procedures. As Ontario's only female Police Complaints Commissioner, Ms. Watt played a significant role in the formation and development of Ontario's Civilian Oversight of Police Initiative.

Since September, 2016, Ms. Watt has served as a board member on the Adoption Council of Ontario and is a former member of the Ontario Board of Parole. She is also the founder of The Peter Pan Foundation, a non-profit organization in Ontario which sponsors community events throughout the year designed to provide a positive and uplifting experience for children from less-fortunate backgrounds. Since January, 2018, Ms. Watt has served as a board member of Nobilis Health, a full-service healthcare development and management company.

Ms. Watt holds a Bachelor of Arts (B.A.) from McGill University, a Bachelor of Laws (LL.B.) from the University of Ottawa, and a Master of Laws (LL.M.) from the University of Cambridge in England.

Stephen Dineley, Director, Age 67

Mr. Dineley is a recently retired Partner who specialized in Assurance Services at KPMG. An expert in his field with 30 years as a Partner, Stephen's expertise and knowledge served him well as he has worked closely with clients from a multitude of sectors which include healthcare, real estate, financial institutions, natural resources, transportation and industrials.

From 1998 to 2000, Stephen held the position of Chief Financial Officer at Extendicare Inc., one of the leaders in Canada's senior housing sector. During his tenure at the company, he oversaw the integration of one its most significant nursing centre acquisitions as well as the sale of its institutional pharmacy business.

Currently, Mr. Dineley provides consulting services to an alternate mortgage lender based in Toronto and serves as an expert witness to a legal firm. He serves as a director for the Bank of New York Trust Company Canada. He also serves as a director for the Medical Facilities Corporation, a company that owns surgical facilities in the United States in partnership with physicians.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, no proposed director, officer, promoter of the Company, or a security holder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, within 10 years before the date of this AIF, has been, a director, officer or promoter of any Person or company that, while that Person was acting in that capacity; was the subject of a cease trade or similar order, or an order that denied the other Company access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, or was subject to an event that resulted, after the Person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or within a year of that Person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

The Company made an application for a management cease trade order (the “**MCTO**”) under National Policy 12-203 – *Management Cease Trade Orders* to be in effect until the Financial Statements, accompanying management’s discussion and analysis and certifications are filed. On May 2, 2019, the British Columbia Securities Commission granted the MCTO against the Company’s Chief Executive Officer, Edward Fields, and its Chief Financial Officer, Peter Kampian. The granting of the MCTO was announced by the Company on May 7, 2019.

No director, officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such person has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Conflicts of Interest

There are potential conflicts of interest to which the directors, officers and promoters of the Company will be subject with respect to the operations of the Company. Certain of the directors, and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Company will be engaged in direct competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors and officers’ conflicts of interest, including the procedures prescribed by the BCBCA. The BCBCA requires that directors and officers of the Company, who are also directors or officers of a party which enters into a material contract with the Company or otherwise have a material interest in a material contract entered into by the Company, must disclose their interest and refrain from voting on any resolution of the Company’s directors to approve the contract.

PROMOTER

Edward Fields is a promoter of the Company. The number and percentage of each class of voting securities and equity securities of the Company beneficially owned, directly or indirectly, or over which control is exercised by Mr. Fields is set out in the “*Directors and Officers*” section above.

Under the terms of his employment contract, Mr. Fields is entitled to an annual salary of \$600,000. Mr. Fields’ salary will be reviewed annually. Mr. Fields may be eligible under the terms of his employment contract for a discretionary annual cash bonus of \$600,000 and he may also be eligible to receive additional equity-based compensation. Mr. Fields’ employment contract provides for the payment of severance in the event of termination without Cause that is six (6) months of Mr. Fields’ annual salary.

Other than as disclosed herein, there is nothing of value, including money, property, contracts, options or rights of any kind received or to be received by Mr. Fields directly or indirectly from the Company or from a subsidiary of the Company, nor any assets, services or other consideration received or to be received by the Company or a subsidiary of the Company in return. Mr. Fields has not contributed any assets to the Company other than as set out in the “*Interest of Management and Others in Material Transactions*” section of this AIF.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of the date of this AIF, there are no actual or pending material legal proceedings to which the Company or any of its predecessors is a party or of which any of its assets are subject. Management of the Company is not aware of any such material legal proceedings contemplated against the Company or any of its predecessors. There are no penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this AIF. There are no other penalties or sanctions imposed by a court or regulatory body against the Company necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. There are no settlement agreements

that the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Pursuant to the share contribution and exchange agreements entered into in connection with the acquisitions of DionyMed, Inc. and Herban, dated February 28, 2018, Edward Fields, Daniel Fields and Peter Kampian contributed their respective shares in DionyMed, Inc. and Herban to DHI in exchange for DHI Series F Shares and DHI Common Shares. For further details on the share contribution and exchange agreement, see “*General Development of the Business – Acquisitions, Partnerships and Investments – Acquisition of DionyMed Inc., Herban and Subsidiaries*”.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are MNP LLP, through its offices in Toronto, Ontario.

The transfer agent and registrar for the Company’s securities is Odyssey Trust Company, through its offices in Calgary, Alberta.

MATERIAL CONTRACTS

Except for the material contracts entered into in the ordinary course of business, set out below are the material contracts of the Company and its subsidiaries:

- The Credit Agreement;
- The agreement with the Underwriters dated May 7, 2019 with respect to the bought deal private placement of units; and
- The Company’s Licenses.

A copy of the material contracts has been filed on the Company’s SEDAR profile at www.sedar.com.

INTERESTS OF EXPERTS

The financial statements of the Company for the period ended December 31, 2018 have been audited by MNP LLP and their audit report dated May 31, 2019 is included in the Financial Statements. MNP LLP are the independent auditors of the Company and are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

No other person or company who is named as having prepared or certified a part of this AIF or prepared or certified a report or valuation described or included in this AIF has any direct or indirect interest in the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans for the financial period ended December 31, 2018 is contained in the Company’s CSE Form 2A – Listing Statement and the management information circular filed in connection with its 2017 annual meeting of shareholders.

Additional financial information is provided in the Company's annual financial statements and management's discussion and analysis for the financial period ended December 31, 2018, each of which is available on SEDAR at www.sedar.com.