Received 11/27/2018 4:50:04 PM Commonwealth Court of Pennsylvania

Filed 11/27/2018 4:50:00 PM Commonwealth Court
740 MD 2018

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Medical Marijuana Advocates for Research *Petitioner*, v. Rachel L. Levine, MD, Secretary, Pennsylvania Department of Health, *Respondent.*	:	No. MD 2018

NOTICE TO DEFEND

You have been sued in court. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this Petition For Review is served by entering a written appearance personally or by attorney and filing in writing with the Court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and a Judgment may be entered against you by the Court without further notice for any money claimed in the Petition or for any other claim or relief requested by the Petitioner. You may lose money or property or other rights important to you.

YOU SHOULD TAKE THIS PAPER TO YOUR LAWYER AT ONCE. IF YOU DO NOT HAVE A LAWYER OR CANNOT AFFORD ONE, GO TO OR TELEPHONE ONE OF THE OFFICES SET FORTH BELOW TO FIND OUT WHERE YOU CAN GET LEGAL HELP.

IF YOU CANNOT AFFORD TO HIRE A LAWYER, THIS OFFICE MAY BE ABLE TO PROVIDE YOU WITH INFORMATION ABOUT AGENCIES THAT MAY OFFER LEGAL SERVICES TO ELIGIBLE PERSONS AT A REDUCED FEE OR NO FEE.

Dauphin County Lawyer Referral Service,
Dauphin County Bar Association
213 North Front Street
Harrisburg, PA 17101
Phone: 717-232-7536

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Medical Marijuana Advocates for Research *Petitioner*, v. Rachel L. Levine, MD, Secretary, Pennsylvania Department of Health, *Respondent.*	: : : : : : : : : : :	No. __ MD 2018

PETITION FOR REVIEW IN THE NATURE OF A COMPLAINT IN EQUITY SEEKING DECLARATORY RELIEF AND INJUNCTIVE RELIEF

Petitioner seeks pre-enforcement review consisting of a declaratory judgment and injunctive (preliminary and permanent) relief regarding the Department of Health's (DOH) August 18, 2018 temporary regulations at 28 Pa. Code §§ 1211.21-1211.37, 48 Pa.B. 5027, (Revised Chapter 20 Regulations) purporting to implement the Clinical Registrant provisions contained in recently-amended Chapter 20 (Chapter 20) of the Medical Marijuana Act, 35 P.S §§ 10231.2001-2003 (Act or Medical Marijuana Act), *as amended*, P.L. 322, No. 43, June 22, 2018 (Act 43).

PRELIMINARY STATEMENT AND SUMMARY OF CLAIMS

1. Petitioner, an association of Pennsylvania's medical marijuana permit holders (grower/processors, dispensaries, and entities that are both) and other

industry stakeholders dedicated to promoting responsible medical marijuana research, seek a preliminary and permanent injunction, and declaratory relief, to once again prevent DOH from implementing regulations that: (a) unlawfully delegate to the non-governmental medical schools associated with acute care hospitals, known as Academic Clinical Research Centers (ACRCs), DOH's duty to vet and select the most qualified "super permittee" Clinical Registrants (CRs) that will be authorized to commercially grow and dispense medical marijuana and engage in research with ACRCs; and (b) ignore the General Assembly's intent to promote "high quality research." 35 P.S § 10231.102(3)(iii), by watering down the commitment to research required of CRs. A true and correct copy of DOH's Revised Chapter 20 Regulations is appended hereto as **Exhibit A**.

2. By opinion and order entered May 22, 2018 in *AES Compassionate Care, LLC et al. v. Levine*, No. 233 M.D. 233 (Pa. Cmwlth. 2018) (McCullough, J.) (unreported) (*Levine I*), appended hereto as **Exhibit B**, this court preliminarily enjoined DOH's first attempt to implement the CR provisions of Chapter 20 of the Act (Original Chapter 20 Regulations), in part because (a) those Original Chapter 20 Regulations unlawfully delegated to ACRCs the vetting and selection of the most qualified entities to be CRs, *see Levine I*, Exhibit B at 38-40; and (b) those Original Chapter 20 Regulations required "only a minimal commitment to research to obtain and retain a permit" *see Levine I*, Exhibit B at 33-34, thwarting the legislature's

"intent to implement a robust research program" for medical marijuana. *Levine I,* Exhibit B at 49. The Court in *Levine I* also based its grant of a preliminary injunction on its conclusion that whereas Chapter 20 of the Act prohibited CRs from engaging in "commercial distribution" of medical marijuana in competition with petitioners AES *et al.* and other commercial medical marijuana permittees that hold permits issued under Chapter 6 of the Act, DOH's Original Chapter 20 Regulations permitted CRs to sell medical marijuana in competition with Chapter 6 permittees. *Levine I*, Exhibit B at 34, 49.

3. On June 22, 2018 the General Assembly amended Chapter 20 of the Act to provide, *inter alia*, that CRs would *not* be prohibited from engaging in "commercial distribution" of medical marijuana in competition with Petitioner's members and other Chapter 6 permittees. 35 P.S § 10231.2002 (b)(8)-(10). A copy of Act 43 of 2018 amending Chapter 20 of the Act is appended hereto as **Exhibit C.** On July 28, 2018, DOH rescinded its Original Chapter 20 Regulations that were the subject of the preliminary injunction in *Levine I*, and thereafter promulgated its Revised Chapter 20 Regulations that are the subject of this petition for review.

4. Although Act 43 of 2018 "cured" the error in DOH's Original Chapter 20 Regulations that permitted CRs, in addition to performing research with ACRCs, to sell medical marijuana in competition with Chapter 6 permittees (by expressly permitting CRs to engage in such commercial competition), Act 43 made no changes

that "cured" either (a) the delegation problem or (b) the "minimal commitment to research" problem for which the Court in *Levine I* preliminarily enjoined the Original Chapter 20 Regulations.

5. As described in more detail below, the Revised Chapter 20 Regulations continue to suffer from (a) the identical delegation problem and (b) the identical "minimal commitment to research" problem that were bases for *Levine I*'s preliminary injunction halting implementation of the Original Chapter 20 Regulations relating to CRs. Accordingly, Petitioner respectfully requests that DOH's Revised Chapter 20 Regulations relating to CRs be declared unlawful and be preliminarily and permanently enjoined.

6. DOH's Revised Chapter 20 Regulations represent (a) an abdication of its duty to devise a CR selection process that produces the most qualified grower/processors and dispensaries to work in tandem with the hospital and medical school-based ACRCs to engage in much-needed medical marijuana research, and (b) a failure to track the Act's clear requirement that a focus on research is paramount for permittees that seek to engage as CRs in the Chapter 20 research program.

7. Absent a preliminary and permanent injunction preventing DOH from proceeding to confer CR status on the 8 privately-selected entities proffered by the 8 ACRCs, DOH will approve as CRs grower/ processors and dispensaries that are unqualified, or far less qualified, than Petitioner's members and others that would

seek CR status but for the closed process created by DOH's Revised Chapter 20 Regulations.

8. It is crucial that the unconstitutional delegation to ACRCs of selecting CRs is addressed and resolved before DOH grants CR permits, and CR permittees build out their facilities and commence operations. ACRC applications already have been approved.[1] Applications for CR approval (which require proof of a contract with an ACRC) were made available on October 4, 2018 and were submitted to DOH as of November 8, 2018.[2] 48 Pa. B. 5423 (August 25, 2018). A true and correct copy of DOH's ACRC/CR application deadline notice is appended as **Exhibit D.**

9. Under these circumstances, this court's pre-enforcement intervention to enjoin DOH's Revised Chapter 20 Regulations as they relate to CRs is warranted, as Petitioner's members have no other remedy that is adequate.[3] If the Revised Chapter 20 Regulations are not enjoined before CR applications are granted later this year or early next year, CRs will build out their facilities, and the damage will

---

[1] *See* https://www.media.pa.gov/Pages/Health-Details.aspx?newsid=532; 48 Pa. B. 6629 (October 13, 2018).

[2] Petitioner notes that Office of Medical Marijuana Director John Collins testified in *Levine I* that once CR applications are submitted, it will take the Office "a considerable amount of time" to review the CR applications. *See* Exhibit B, at 44.

[3] The Revised Chapter 20 Regulations that relate to CRs, and that Petitioner asks the court to declare invalid and enjoin, are 28 Pa. Code §§ 1211.27, 1211.28, 1211.30, 1211.31, 1211. 32, and 1211.34.

be done. "Where the effect of the challenged regulations upon the industry regulated is direct and immediate, the hardship thus presented suffices to establish the justiciability of the challenge in advance of enforcement." *Arsenal Coal Co. v. Dep't of Env. Res.*, 477 A.2d 1333, 1339 (Pa. 1984).

STATEMENT OF JURISDICTION

10. This court has original jurisdiction over this action pursuant to 42 Pa. C.S. § 761(a)(1) which provides that this court "shall have original jurisdiction of all civil actions and proceedings . . . [a]gainst the Commonwealth government . . . ."

11. Petitioner seeks a declaratory judgment that DOH's Revised Chapter 20 Regulations, as they relate to CRs: (a) create an unlawful delegation of government authority to a private entity in violation of the Pennsylvania Constitution; and (b) fail to implement the General Assembly's intent that Chapter 20 foster a high-quality research program. The Declaratory Judgments Act, 42 Pa. C.S. §§ 7531-7541, is available to Petitioner to settle and afford relief from the uncertainty and insecurity with respect to Petitioner's rights, status and legal relations engendered by DOH's Revised Chapter 20 Regulations.

12. Petitioner also seeks to preliminarily and permanently enjoin enforcement of DOH's Revised Chapter 20 Regulations and this court has the power to do so pursuant to 42 Pa. C.S. § 761(a)(1).

PETITIONER

13. Petitioner Medical Marijuana Advocates for Research (MMAR) is a 501(c)(6) organization incorporated as a Pennsylvania non-profit whose 10 members seek to promote, protect and preserve cannabinoid research.

14. Most MMAR members already hold Pennsylvania medical marijuana permits.

15. MMAR permittee members obtained their permits through an intensely competitive process in which approximately 90 percent of applicants were found unworthy of the grant of a permit. Under the procedures for selection of grower/processor permittees under Chapter 6 of the Act, 35 P.S. §§ 10231.601-616, DOH awarded 12 grower/processor permits out of 177 applicants in Phase I (June 20017), and awarded the remaining 13 grower/processor permittees out of 91 applicants in Phase II (August 2018). Similarly, for dispensary permittees, DOH awarded 27 out of 280 applicants in Phase I (June 2017), and will award the remaining 23 permits from a pool of 167 applicants (pending).

16. MMAR permittee members collectively have expended hundreds of millions of dollars in application and start-up costs.

17. MMAR and its members have a direct, immediate and substantial interest in (a) having the opportunity to apply to obtain CR status on a level playing field administered by DOH rather than by ACRCs; (b) assuring that the would-be

CRs already selected by ACRCs that presently lack the necessary grower/processor and/or dispensary permits (several of whom were denied the permits DOH awarded Petitioner's members because of poor quality proposals) are held to the same high DOH standards that MMAR's members were held in obtaining their permits; and (c) assuring that CRs are required to engage in robust research at all of the six dispensary locations allowed by a CR "super-permit," rather than the minimal commitment to research now tolerated under DOH's Revised Chapter 20 Regulations.

18. Each of MMAR's members would seek CR status but-for DOH's Revised Chapter 20 Regulations which require a CR applicant to have a contract with an ACRC as a pre-condition to applying for CR status.

19. For example, MMAR members Keystone Center of Integrative Wellness, a Phase I medical marijuana dispensary permit holder, and Parea BioSciences, LLC, a Phase II grower/processor permit holder, are sister companies that together already have the necessary permits to achieve CR status, and would seek CR status, but-for the DOH requirement that a CR applicant have a contract with an ACRC as a pre-condition to applying for CR status.

20. Similarly, MMAR member Chamounix Ventures, LLC, a Phase I medical marijuana dispensary permit holder, would also seek CR status but-for the DOH requirement that a CR applicant have a contract with an ACRC as a pre-condition to applying for CR status.

RESPONDENT

21. Respondent Rachel L. Levine, MD, is the Secretary of the Pennsylvania Department of Health, the executive agency that promulgated the Revised Chapter 20 Regulations, and that has the duty and authority to administer and enforce the Medical Marijuana Act and the Revised Chapter 20 Regulations.

FACTUAL BACKGROUND

A. The Act Requires DOH to Promote High Quality Research

22. The Act became law on April 17, 2016, effective May 17, 2016.

23. Chapter 20 of the Act was amended on June 22, 2018 and became effective that same day.

24. A central legislative goal in enacting the Medical Marijuana Act was to "[p]romote high quality research into the effectiveness and utility of medical marijuana." 35 P.S §§ 10231.102(3)(iii).

25. The Act attempts to promote medical marijuana clinical research in two ways:

a. through research studies involving patients with serious medical conditions upon authorization by the Food and Drug Administration (FDA) and Drug Enforcement Administration (DEA) in response to a DOH application, to be conducted by health care medical marijuana organizations (i.e., vertically integrated Pennsylvania health systems as defined in the

Health Care Facilities Act approved by DOH to grow and process medical marijuana for research purposes) as described in detail in Chapter 19, 35 P.S §§10231.1901-1908; and

b. through partnerships between ACRCs at Pennsylvania medical school teaching hospitals and CRs, clinical research-focused entities that hold a medical marijuana grower/processor permit and a dispensary permit and that are willing to invest in capital-intensive research. Chapter 20 of the Act, 35 P.S §§10231.2001-2003.

26. However, the hoped-for research through patient studies conducted by vertically integrated health systems that produce their own medical marijuana under Chapter 19 has not come to fruition and is not likely to do so for the foreseeable future. Marijuana remains an illegal Schedule I drug under the federal Controlled Substances Act, and vertically integrated health systems, which rely heavily on federal Medicaid and Medicare reimbursement and other federal funding, have indicated they will not jeopardize that funding by engaging in activity (the growing, processing and dispensing of marijuana) that is unlawful under federal law. *See Levine I*, Exhibit B at 6.

27. Therefore, the remaining formal statutory opportunity to fulfill the General Assembly's goal to "[p]romote high quality research into the effectiveness

and utility of medical marijuana" falls to Chapter 20 ACRCs and the CRs that supply them with medical marijuana for clinical trial purposes.

28. Act 43's June 22, 2018 amendment to Chapter 20 further reinforces this goal by stating the intention of Chapter 20 is to create a "mechanism whereby the Commonwealth's medical schools and hospitals can help develop research programs and schools." 35 P.S. § 10231.2000(a)(2).

29. DOH's Revised Chapter 20 Regulations thus take on greater significance because Chapter 20 is now the sole vehicle for the Act's research goals and it is critical that DOH craft regulations that carry out the Act's intent to promote robust research.

B. Chapter 20 as amended

30. Under the title "Academic Clinical Research Centers and Clinical Registrants," Chapter 20 of the Act, as amended, provides for an ACRC to contract with a CR to "provide advice" to the CR regarding patient safety and to gain access to medical marijuana for research and clinical trials conducted jointly by the ACRC and the CR. 35 P.S §§ 10231.2001-2004.

31. Section 2001 expressly provides that a CR is an entity that (a) "is approved by [DOH] to hold a permit as both a grower/processor and a dispensary", (b) "has a contractual relationship" with an ACRC, and (c) is approved by DOH as a CR.

32. Section 2002 authorizes a CR to: (i) "provide medical marijuana at not more than six separate locations"; (ii) sell its medical marijuana products to the CR's dispensaries; (iii) sell or exchange its seeds, plants, or products with Chapter 6 grower/processors; (iv) petition DOH to sell its medical marijuana products to Chapter 6 dispensaries upon a showing that the products "have a practical effect on patients which changes a recommendation within the medical field"; and (v) dispense medical marijuana products to any authorized patient or caregiver possessing a valid medical marijuana card.

33. Chapter 20, even as amended by Act 43 to permit CRs to make commercial sales of medical marijuana, remains designed primarily to enable an entity approved as a CR to grow and dispense medical marijuana for ACRC-sponsored clinical trials and research. 35 P.S §§ 10231.2001-2003; *see*, House Appropriations Committee Fiscal Note for House Bill No. 2477 (June 19, 2018) (legislation that became Act 43 amending Chapter 20) at 1 ("House Bill 2477 … amends Chapter 20 of the Medical Marijuana Act to **clarify the clinical research component** in the Act.")[4]; *see also*, House Appropriations Committee Fiscal Note for Senate Bill No. 3 of 2015 (April 13, 2016) (enacted as the Medical Marijuana Act) at 6 (identifying the purpose of Chapter 20: "[a] clinical registrant is an entity

---

[4] http://www.legis.state.pa.us/WU01/LI/BI/FN/2017/0/HB2477P3804.pdf (emphasis added).

registered as a grower/processor and a dispensary that has a contractual relationship with a hospital/medical school. **The clinical registrant, upon approval of DOH, may dispense medical marijuana to the hospital/medical school in order to conduct research projects**. Under the amendment, the department may register up to eight clinical registrants. Each clinical registrant may provide medical marijuana at no more than six separate dispensary locations. The clinical registrant must have at least $15 million in capital.").[5]

34. Nothing in Chapter 20 as amended by Act 43 requires a CR applicant to have an executed contract with an ACRC as a prerequisite to applying for CR status.

C. DOH's Revised Chapter 20 Regulations

35. The legislature allowed DOH to issue the Revised Chapter 20 Regulations as "temporary," 35 P.S § 10231.2004, added by Act 43 of 2018.

36. DOH did so, and, consequently, the Revised Chapter 20 Regulations were promulgated without the safeguards, scrutiny, and opportunity for public input

---

[5] https://www.legis.state.pa.us/WU01/LI/BI/FN/2015/0/SB0003P1690.pdf (emphasis added); *see also*, Folmer, *Medical Cannabis and Research*, October 31, 2017 ("Hopefully, implementation of Chapter 20 and the establishment of up to eight clinical registrants will be next. To me, ensuring proper implementation of Chapter 20 requires everyone to remain focused on the goal, namely: RESEARCH!") available at http://www.senatorfolmer.com/2017/10/31/medical-cannabis-research/.

provided by the Commonwealth Documents Law, the Regulatory Review Act and the Commonwealth Attorneys Act.

37. An agency's regulations must be consistent with the statute under which they were promulgated. *Northwestern Youth Services, Inc. v. Dept. of Public Welfare*, 66 A. 3d 301 (Pa. 2013).

38. DOH's Revised Chapter 20 Regulations lack fidelity to the Act in two critical ways, each of which the court in *Levine I* found fatal, and neither of which DOH corrected in revising its Original Chapter 20 Regulations and issuing its Revised Chapter 20 Regulations: (a) they unlawfully delegate DOH's duty to vet and select the eight CRs to the 8 ACRCs; and (b) they abdicate DOH's responsibility to create an ACRC/CR program that demands "high quality research." 35 P.S § 10231.102 (3) (iii).

Unlawful delegation

39. The deadline for applying for approval as an ACRC under DOH's Revised Chapter 20 Regulations was September 20, 2018. 48 Pa. B. 5423 (August 25, 2018). All 8 of Pennsylvania's accredited medical school/teaching hospitals submitted applications, and all were approved and certified as eligible to enter into a contract with a CR the next day, on September 21, 2018. https://www.media.pa.gov/Pages/Health-Details.aspx?newsid=532. *See* 48 Pa. B. 6629 (October 13, 2018).

40. The approved ACRCs are: Perelman School of Medicine at the University of Pennsylvania (Penn); Sidney Kimmel Medical College at Thomas Jefferson University (Jefferson); University of Pittsburgh School of Medicine (UPMC); Penn State College of Medicine (Penn State); Lake Erie College of Osteopathic Medicine (LECOM); Lewis Katz School of Medicine at Temple University (Temple); Drexel University College of Medicine (Drexel); and, The Philadelphia College of Osteopathic Medicine (PCOM). 48 Pa. B. 6629 (October 13, 2018).

41. Although the Act prohibits an ACRC from contracting with a CR until the ACRC is approved and certified by DOH, 35 P.S § 10231.2001.1, DOH's Revised Chapter 20 Regulations *required* each ACRC to identify its pre-selected *intended CR* in its ACRC application. 28 Pa. Code § 1211.25 (c)(3).

42. The Act provides that DOH may approve up to 8 CRs. 35 P.S § 10231. 2002(a). The deadline for applying for approval as a CR under DOH's Revised Chapter 20 Regulations was November 8, 2018. 48 Pa. B. 5423 (August 25, 2018).

43. DOH's Revised Chapter 20 Regulations require that a CR applicant include with its application an executed contract with the ACRC with which it has agreed to partner. 28 Pa. Code § 1211.27(b)(7)(i).

44. By requiring a CR applicant to demonstrate that it has a contract with an ACRC as a prerequisite to filing a CR application, 28 Pa. Code § 1211.27(b)(2)

and (b)(7)(i), DOH's Revised Chapter 20 Regulations again improperly allow each ACRC to select the single entity that may lawfully apply to be that ACRC's CR, and thus effectively preordain the issuance of grower/processor and dispensary permits to the CR applicant chosen by the ACRC, by narrowing to a single applicant the "pool" of potential CRs for each ACRC, and leaving DOH with the *fait accompli* of approving the ACRC's choice and issuing a grower/processor permit and a dispensary permit to the single prospective CR privately pre-selected by the ACRC, or denying the CR's application. As the court in *Levine I* held on identical facts, this "creates the appearance that the Department has delegated its duty to regulate the medical marijuana program" to the ACRCs. Exhibit B at 39-40.

45. Indeed, it is DOH's duty to vet permit applications and select the most qualified recipients of grower/processor and dispensary permits. DOH's Revised Chapter 20 Regulations thus turn the agency's CR process into an after the fact rubber stamp, which most assuredly is not the permit issuing process envisioned by the General Assembly in Chapter 20 of the Act.

46. This insertion of the ACRC into the CR approval process creates an acknowledged "pay to play" concern that DOH's Revised Chapter 20 Regulations vainly attempt to inoculate against through a prohibition on the ACRC's receipt of kickbacks from the CR or its affiliates, and the requirement of affidavits from each detailing the amounts paid. The pay to play "prohibition," however, is but a

"Potemkin Village," where the regulations permit the ACRC, upon "discovery" of a "pay to play" scheme, to simply refund the CR's unlawful payment, allegedly curing the violation. 28 Pa. Code §§ 1211.34 (prohibition); 1211.27(b)(4) (CR affidavit requirement); 1211.25(c)(3) (ACRC affidavit requirement); 1211.30(c) (ACRC refund).[6]

47. On information and belief, only two ACRCs used even a limited RFP process to solicit potential CR candidates. The abandonment of normal RFP processes by the universities and hospitals and reports such as that in Exhibit E supports the inference, if not a conclusion, that pay for play is a reality.[7]

48. On information and belief, many if not all the CR applicants had agreements in principle with the medical school/teaching hospital that ultimately chose them to be that ACRC's CR as of late 2016 or early 2017, long before DOH even reviewed or selected for Chapter 6 permits the 25 best grower/processors and the 50 best dispensaries from many hundreds of applicants.

49. The concern that DOH's process fails to produce the best-qualified CRs is not speculation. On information and belief, several ACRCs have already

---

[6] Petitioner is not alone in its concerns about pay to play. *See* Philly.com (June 22, 2018) "He gave a $125K gift to Jefferson, expecting it would help get a marijuana growing license. Was it pay-to-play?", attached hereto as **Exhibit E**.

[7] Of course, even if all the ACRCs had utilized an RFP process, that would not cure the unlawful delegation problem with the Revised Chapter 20 Regulations. DOH's duty to select permittees is not something it may delegate.

contracted with several would-be CRs that were unsuccessful in DOH's highly competitive application process for grower/processor and dispensary permits:

a. Curaleaf, successor in interest to Palliatech, an unsuccessful medical marijuana grower/processor permit applicant in DOH's Phase I that placed 105th out of 177 applications, has been selected by Penn as that ACRC's CR;[8]

b. MLH Explorations, Inc., Jefferson's chosen CR, applied for a grower/processor permit in Phase II and was denied, placing 26th out of 71 scored applications[9];

c. Columbia Care Pennsylvania LLC, UPMC's chosen CR, applied for a grower/processor permit in Phase I and was denied; and

d. Elemental Health Group, LLC, Penn State's chosen CR, applied for a grower/processor permit in Phase I and likewise was denied.

50. Curaleaf (Palliatech)'s circumstances offer a window into the core problem with DOH's unlawful delegation to ACRCs and the "rubber stamp" effect

---

8 http://www2.philly.com/philly/business/cannabis/marijuana-company-curaleaf-valued-at-4-5-billion-on-monday-has-big-plans-with-penn-med-for-king-of-prussia-palliatech-20181030.html. The court already expressed concern about that choice in *Levine I*, Exhibit B at 40 n. 23.

9 MLH sought to intervene in *Levine I* based on its self-proclaimed status as a "prospective" CR.

of allowing only a single CR applicant compete for that status. In a Canadian Securities Exchange Listing Statement issued October 26, 2018, Curaleaf's parent company, Curaleaf Holdings. Inc., provided potential investors with a description of its rosy Pennsylvania prospects, confidently explaining that "[t]hough it is not currently licensed" in Pennsylvania, it "has partnered with an accredited medical school" to obtain a clinical registrant license, that "[o]nly a private operator that has entered into a research contract with certain in-state medical schools is eligible to receive a clinical registrant license," that licenses are expected to be issued in the Fall of 2018, and that Curaleaf "anticipates that it will be operational in Pennsylvania in Q1 2019." Curaleaf Holdings, Inc. CSE Form 2A Listing Statement dated October 26, 2018 at 120, a copy of which is appended hereto as **Exhibit F.**

51. Curaleaf's investor disclosure is, unfortunately, appropriately confident – there is every reason to believe that under the "no competition" CR paradigm DOH has established that has no basis in the statute, DOH will award Curaleaf the grower/processor permit it had no chance of winning on a competitive basis in Phase I, the special dispensary permit that allows "up to six dispensaries (as opposed to three under the regular licenses"), *id.*, and CR status, simply because Curaleaf has a relationship with a prestigious medical school/hospital.

52. The insertion of the ACRC into the CR approval process, the "pay to play" concerns it raises that a CR applicant is able to secure DOH approval based on

kickbacks to the ACRC instead of the merit of its ability to operate a medical marijuana grower/processor and dispensary dedicated to clinical research, and the resulting unlawful delegation to a private entity of DOH's responsibility to issue grower/processor and dispensary permits to the best candidates, are phenomena created entirely by DOH's Revised Chapter 20 Regulations, are not required by, and indeed are inconsistent with the Act. [10]

53. DOH's Revised Chapter 20 Regulations thus result in:

a. A violation of Article 2, Section 1 of the Pennsylvania Constitution;

b. The inability of potential CRs other than the entity the ACRC secretly anointed to even apply to DOH for CR status;

c. The absence from the CR permit issuance process of any semblance of the competitive process that characterized the Phase I and II application processes for the 50 dispensary permits and 25 grower/processor permits authorized under Chapter 6 of the Act;

---

[10] To the extent they are required by the Act, however, the Act likewise provides for an unlawful delegation of government responsibility to a private entity.

d. The fact that ACRCs have already entered contractual relationships with entities that applied for Chapter 6 permits in Phases I and II and were denied;

e. The likelihood that the most highly qualified grower/processor and dispensary permit candidates will not be involved in Chapter 20 research, thereby frustrating the legislature's desire to promote "high quality research into the effectiveness and utility of medical marijuana," Section 102 (3)(iii); and,

f. DOH's well-founded concern, as evidenced by its regulations designed to uncover kickbacks paid to ACRCs by prospective CRs and to prohibit them, that factors other than a prospective CR's merit will influence an ACRC's choice of CR.

Chapter 20 research goals stymied

54. DOH's deviation from Chapter 20's research goals in its Revised Chapter 20 Regulations will bestow super-permits on CRs in exchange for what need only be little or minimal contribution to much-needed research.

55. To obtain CR status, the Revised Chapter 20 Regulations require that, with respect to the essential objective of furthering research studies, a CR applicant provide nothing more than a "description of the research projects the applicant and

the certified ACRC **intend** to conduct." 28 Pa. Code § 1211.27(b)(7)(ii) (emphasis added).

56. To retain CR status, the Revised Chapter 20 Regulations require only similar promises of intent with respect to the essential objective of furthering research: DOH "will not renew an approval" if it determines that "none of the dispensary locations" [i.e., not a single one of the 6 permitted] "are participating in an approved research project," *and* the CR "does not intend to commence any additional approved research projects within the first six months following the approval of its application for renewal." 28 Pa. Code § 1211.31(c).

57. Stated differently, the Revised Chapter 20 Regulations, require the CRs to dedicate only 8 percent of their business efforts to research.

COUNT I: DECLARATORY JUDGMENT

A. UNCONSTITUTIONAL DELEGATION

58. Paragraphs 1–57 are incorporated herein by reference as if they were fully set forth.

59. DOH's Revised Chapter 20 Regulations are unconstitutional insofar as they delegate CR selection to private ACRCs, and the court should so declare.

60. Chapter 20 of the Act requires only that a CR have a research contract with an ACRC and that said research contract is made only after DOH approves the ACRC. 35 P.S. §§ 10231.2001-2001.1(a).

61. The Revised Chapter 20 Regulations require, however, that even though the ACRC is not permitted to have a contract with the CR it intends to contract with until after the ACRC is approved by DOH, the ACRC must identify in its application the CR candidate with which it intends to contract. 28 Pa. Code § 1211.25 (c)(3).

62. The Revised Chapter 20 Regulations also require that as a condition of a CR's application to DOH, the CR applicant already have a contract with an ACRC, 28 Pa. Code § 1211.27 (b)(2) and (7).

63. The insertion of the ACRC into the CR approval process, the sequencing and timing of application requirements that preordain the selection of CRs by ACRCs and exclude all others, including grower/processors and dispensaries that DOH already deemed qualified in a highly competitive Chapter 6 permit application process, and the resulting "pay to play" concern that a CR applicant is able to secure DOH approval based on kickbacks to the ACRC instead of the merit of its ability to operate a medical marijuana grower/processor and dispensary dedicated to clinical research, all are phenomena created entirely by DOH's Revised Chapter 20 Regulations, are inconsistent with the Act, and result in the abdication by DOH of its responsibility to create a process in which CR status and the grower/processor and dispensary permits that go with it is conferred on only the most qualified candidates.

64. The Revised Chapter 20 Regulations therefore unconstitutionally delegate to a private party, the ACRC, the crucial governmental function of choosing medical marijuana organization grower/processor and dispensary permittees, in violation of Article 2, Section 1 of the Pennsylvania Constitution.

65. The Revised Chapter 20 Regulations suffer from the same Constitutional infirmity found by this court in *Levine I*.

B. INCONSISTENCY WITH CHAPTER 20'S RESEARCH GOALS

66. The Revised Chapter 20 Regulations are inconsistent with the Act and thus violate the intent of the General Assembly where, rather than requiring the CR to engage in a robust research program as required by the Act, they allow for only a minimal commitment to research.

67. The Revised Chapter 20 Regulations suffer from the same failure to track the Act's intent to promote robust research found by this court in *Levine I*.

COUNT II: PRELIMINARY INJUNCTION

68. Paragraphs 1-67 are incorporated herein by reference as if fully set forth.

69. Petitioner is entitled to a preliminary injunction to enjoin enforcement of DOH's Revised Chapter 20 Regulations pending final resolution by this court that the Revised Chapter 20 Regulations are unconstitutional; Petitioner has established a likelihood of succeeding on the merits of its claim that the Regulations are invalid,

its members will suffer immediate and irreparable harm if the ACRC/CR scheme established in the Regulations moves forward pending resolution of this action, and that the balancing of harms and the public interest weigh in Petitioner's favor.

70. Petitioner will file a separate application for preliminary injunctive relief that addresses these criteria in detail.

COUNT III: PERMANENT INJUNCTION

71. Paragraphs 1-70 are incorporated herein by reference as if fully set forth.

72. To establish a claim for a permanent injunction, Petitioner must establish a clear right to relief and that an injunction is necessary to prevent a legal wrong for which there is no adequate redress at law. *Arsenal Coal Co. v. Dep't of Env. Res.*, 477 A.2d 1333 (1984).

73. Petitioner has a clear right to relief in that: (a) DOH's Revised Chapter 20 Regulations unconstitutionally delegate to a private party, the ACRC, the crucial governmental function of choosing medical marijuana organization grower/processor and dispensary permittees, in violation of Article 2, Section 1 of the Pennsylvania Constitution; and (b) DOH's Revised Chapter 20 Regulations that purport to implement Chapter 20 of the Medical Marijuana Act as amended by Act 43 are inconsistent with the Act because the Act requires DOH to implement a program that promotes "high quality research." 35 P.S § 10231.102(3)(iii), but

DOH's Revised Chapter 20 Regulations require only a minimal commitment to research by the CR.

74. Petitioner and its members have no adequate remedy at law because if the Regulations are permitted to go into effect, their only opportunity to challenge their pervasive, unlawful and unconstitutional impact on Petitioner's members will be through appeals of individual DOH-issued CR permits on a CR-by-CR basis; as that process unfolds, Petitioner's members will have missed the opportunity to be approved as a CR.

WHEREFORE, Petitioner respectfully requests that the court:

(a) As to Count I, declare that DOH's Revised Chapter 20 Regulations as they relate to CRs, and in particular 28 Pa. Code §§ 1211.27, 1211.28, 1211.30, 1211.31, 1211. 32, and 1211.34:

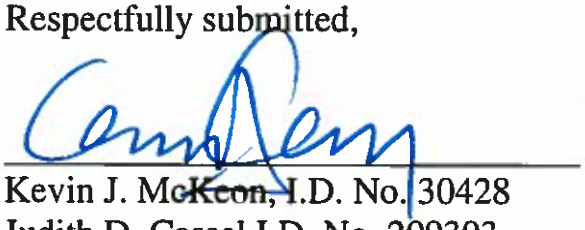
1. Are unconstitutional because they delegate power to private ACRCs to select CRs, in violation of Article 2, Section 1 of the Pennsylvania Constitution;

2. Are unlawful because they fail to track the General Assembly's intent in Chapter 20 to require CRs to engage in a robust research program with ACRCs.

(b) As to Count II, preliminarily enjoin enforcement of the Revised Chapter 20 Regulations as they relate to CRs; and

(c) As to Count III, permanently enjoin enforcement of the Revised Chapter 20 Regulations as they relate to CRs.

Respectfully submitted,



Kevin J. McKeon, I.D. No. 30428
Judith D. Cassel I.D. No. 209393
Dennis A. Whitaker, I.D. No. 53975
Micah R. Bucy, I.D. No. 320196
Hawke McKeon & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
Telephone: 717-236-1300
Facsimile: 717-236-4841
kjmckeon@hmslegal.com
jdcassel@hmslegal.com
mrbucy@hmslegal.com

Counsel for Petitioner

DATED: November 27, 2018

CERTIFICATE OF COMPLIANCE WITH PUBLIC ACCESS POLICY

I certify that this filing complies with the provisions of the Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts that require filing confidential information and documents differently than non-confidential information and documents.

Respectfully submitted,

Kevin J. McKeon, I.D. No. 30428
Judith D. Cassel I.D. No. 209393
Dennis A. Whitaker, I.D. No. 53975
Micah R. Bucy, I.D. No. 320196
Hawke McKeon & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
Telephone: 717-236-1300
Facsimile: 717-236-4841
kjmckeon@hmslegal.com
jdcassel@hmslegal.com
dawhitaker@hmslegal.com
mrbucy@hmslegal.com

Counsel for Petitioner

DATED: November 27, 2018

EXHIBIT A

RULES AND REGULATIONS

Title 28—HEALTH AND SAFETY

DEPARTMENT OF HEALTH

[28 PA. CODE CH. 1211]

Medical Marijuana; Clinical Registrants and Academic Clinical Research Centers; Temporary Regulations

[48 Pa.B. 5027]
[Saturday, August 18, 2018]

The Department of Health (Department) is publishing temporary regulations in Chapter 1211 (relating to clinical registrants and academic clinical research centers—temporary regulations) to read as set forth in Annex A. The temporary regulations are published under the Medical Marijuana Act (act) (35 P.S. §§ 10231.101—10231.2110), as amended by the act of June 22, 2018 (P.L. 322, No. 43). Section 2004 of the act (35 P.S. § 10231.2004) specifically allows the Department to promulgate temporary regulations relating solely to sections 2000—2004 of the act (35 P.S. §§ 10231.2000—10231.2004), regarding academic clinical research centers and clinical registrants, that are not subject to sections 201—205 of the act of July 31, 1968 (P.L. 769, No. 240) (45 P.S. §§ 1201—1205), known as the Commonwealth Documents Law, the Regulatory Review Act (71 P.S. §§ 745.1—745.14) and sections 204(b) and 301(10) of the Commonwealth Attorneys Act (71 P.S. §§ 732-204(b) and 732-301(10)).

Chapter 1211 pertains to clinical registrants and academic clinical research centers in this Commonwealth who wish to participate in the Medical Marijuana Program. The temporary regulations for clinical registrants and academic clinical research centers will expire on March 18, 2020.

Interested persons are invited to submit written comments, suggestions or objections regarding the temporary regulations to John J. Collins, Office of Medical Marijuana, Department of Health, Room 628, Health and Welfare Building, 625 Forster Street, Harrisburg, PA 17120, (717) 547-3047, RA-DHMedMarijuana@pa.gov. Persons with a disability who wish to submit comments, suggestions or objections regarding the temporary regulations or who require an alternative format of the temporary regulations (for example, large print, audiotape or Braille) may do so by using the previous contact information. Speech and/or hearing impaired persons may call the Pennsylvania AT&T Relay Service at (800) 654-5984 (TDD users) or (800) 654-5988 (voice users).

RACHEL L. LEVINE, MD,
Secretary

(*Editor's Note*: Title 28 of the *Pennsylvania Code* is amended by adding temporary regulations in §§ 1211.21—1211.37 to read as set forth in Annex A.)

Fiscal Note: 10-217. No fiscal impact; (8) recommends adoption.

Annex A

TITLE 28. HEALTH AND SAFETY

PART IX. MEDICAL MARIJUANA

CHAPTER 1211. CLINICAL REGISTRANTS AND ACADEMIC CLINICAL RESEARCH CENTERS—TEMPORARY REGULATIONS

Sec.

§ 1211.21. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

ACRC—An accredited medical school in this Commonwealth that operates or partners with an acute care hospital licensed and operating in this Commonwealth.

Accredited medical school—An institution that is:

(i) Located in this Commonwealth.

(ii) Accredited by the Liaison Committee of Medical Education or the Commission on Osteopathic College Accreditation.

Acute care hospital—A facility having an organized medical staff that provides equipment and services primarily for inpatient medical care and other related services to persons who require definitive diagnosis or treatment, or both, for injury, illness, pregnancy or other disability and is

licensed by the Department to operate as a hospital in this Commonwealth under the Health Care Facilities Act (35 P.S. §§ 448.101—448.904b) and the regulations promulgated thereunder.

Applicant—A person who submits an application to the Department to become an approved clinical registrant.

Approved clinical registrant—An entity that applied for and received the approval of the Department to do all of the following:

(i) Hold a permit as both a grower/processor and a dispensary.

(ii) Enter into a research contract with a certified ACRC.

Certified ACRC—An ACRC that has applied for and has been certified by the Department to enter into a research contract with an approved clinical registrant.

IRB—Institutional review board—A board, committee, RAC or group designated by a certified ACRC that reviews and approves the anticipated scope of an approved clinical registrant's research study involving human subjects under the criteria in 45 CFR 46.111 (relating to criteria for IRB approval of research) and 21 CFR 56.111 (relating to criteria for IRB approval of research).

Institution of higher education—A community college, State-owned institution, State-related institution, or private college or university approved by the Department of Education.

RAC—Research approval committee—A board, committee or group created or designated by a certified ACRC to review and approve the scope and research protocols of a research program proposed by an approved clinical registrant.

Research—Any systematic investigation, including research development, testing and evaluation, designed to develop or contribute to generalizable knowledge.

Research contract—A written agreement between an approved clinical registrant and a certified ACRC that contains the responsibilities and duties of each party with respect to the research program or research study that the approved clinical registrant and the certified ACRC intend to conduct under this chapter and under which the certified ACRC will provide medical advice to the approved clinical registrant regarding, among other areas, patient health and safety, medical applications, and dispensing and management of controlled substances.

Research program—Research on the therapeutic or palliative efficacy of medical marijuana limited to the serious medical conditions defined by the act and this part.

Research project or study—Any other research on medical marijuana or its effectiveness in treating a medical or psychological condition.

Research protocol—A written procedure for conducting a research program or research study that includes all of the following information:

(i) With respect to the investigator:

(A) Name and address.

(B) Institutional affiliation.

(C) Qualifications, including a curriculum vitae and list of publications, if any.

(ii) With respect to the research program or research study:

(A) Title of the research program or research study.

(B) Statement of the purpose.

(C) Type of medical marijuana product involved and the amount needed.

(D) Description of the research to be conducted, including the number and type of medical marijuana product, the dosage, the route and method of administration, and the duration of the research program or research study.

(E) The locations of the dispensaries that will be participating in the research program or research study.

§ 1211.22. Clinical registrants generally.

(a) The qualifications that a clinical registrant shall meet to be approved by the Department are continuing qualifications.

(b) An applicant that has already been issued a grower/processor permit or a dispensary permit by the Department under sections 601—616 of the act (35 P.S. §§ 10231.601—10231.616) who wishes to become an approved clinical registrant shall:

(1) Submit a request to the Department under § 1211.28 (relating to request for conversion of an existing permit) with the application for approval of a clinical registrant.

(2) Not be required to apply for, or be eligible to receive, an additional grower/processor permit or dispensary permit under the act, this chapter, Chapter 1141, Chapter 1151 or Chapter 1161, as applicable.

(c) The Department will not approve more than eight clinical registrants.

(d) An approved clinical registrant may not dispense or offer to dispense, as a clinical registrant, any medical marijuana products at the clinical registrant dispensary location until:

(1) The Department has determined that an approved clinical registrant is ready, willing and able to operate as a grower/processor and a dispensary.

(2) The approved clinical registrant demonstrates to the satisfaction of the Department that it will be able to begin an approved research program or research study within 6 months following the date the Department determines the approved clinical registrant's dispensary to be operational.

(e) An approved clinical registrant may dispense medical marijuana products to a patient or caregiver who presents a valid identification card to an employee who is authorized to dispense medical marijuana products at a dispensary location operated by an approved clinical registrant under this chapter regardless of whether the patient is a participant in a research study.

§ 1211.23. Limitation on permits.

(a) An approved clinical registrant may not hold more than one grower/processor permit and one dispensary permit.

(b) A dispensary permit held by an approved clinical registrant for use under this chapter may be used to dispense medical marijuana products at no more than six separate locations as approved by the Department, each of which shall be dispensing medical marijuana for the purpose of conducting research.

(c) An approved clinical registrant may not locate more than three of its approved dispensaries in the same medical marijuana region or in the same county.

§ 1211.24. Capital requirements.

An applicant shall provide all of the following information with its application under § 1211.27 (relating to application for approval of a clinical registrant):

(1) An affidavit, on a form prescribed by the Department, stating that the applicant has at least $15 million in capital, which must include evidence that the applicant meets the capital requirements of a medical marijuana organization under § 1141.30 (relating to capital requirements).

(2) A release sufficient to obtain information from a state governmental agency, financial institutions, an employer or any other person to verify the requirements of paragraph (1). Failure to provide a release will result in the rejection of the application for approval of a clinical registrant.

§ 1211.25. Certifying ACRCs.

(a) The qualifications that an ACRC shall meet to be approved by the Department are continuing qualifications.

(b) An accredited medical school may file an application with the Department to be approved as a certified ACRC using a form prescribed by the Department. The Department will publish a notice in the *Pennsylvania Bulletin* announcing the availability of the application and the time period during which the Department will accept applications.

(c) An application submitted under subsection (b) must include all of the following information:

(1) The legal name, address and telephone number of the accredited medical school and the name, telephone number and professional e-mail address of an individual at the accredited medical school who will be the primary contact for the Department during the Department's review of the application.

(2) The legal name, address and telephone number of the acute care hospital that is operated by or partnered with the accredited medical school and the name, telephone number and professional e-mail address of an individual at the accredited medical school who will be the primary contact for the Department during the Department's review of the application.

(3) An affidavit, on a form prescribed by the Department, disclosing any payments to the accredited medical school or any of its affiliates made by a person with whom the accredited medical school intends to enter into a research contract for purposes of operating as an approved clinical registrant or by any principal or financial backer of the person, up to and including the date of the submission of the application. The affidavit must include the amount and purpose of each payment made.

(4) A statement that the accredited medical school is currently accredited by the Liaison Committee of Medical Education or the Commission on Osteopathic College Accreditation.

(5) A statement that the acute care hospital designated by the accredited medical school under paragraph (2) holds a valid license from the Department.

(6) The State and Federal tax identification numbers of the accredited medical school.

(7) A statement that a false statement made by the accredited medical school submitting the application is punishable under the applicable provisions of 18 Pa.C.S. Chapter 49 (relating to falsification and intimidation).

(8) Any other information deemed necessary by the Department.

(d) The Department will publish a list containing the name and address of each certified ACRC on its publicly-accessible web site and in the *Pennsylvania Bulletin*.

§ 1211.26. Revocation of a certification of an ACRC.

(a) The certification of an ACRC will be revoked by the Department upon the occurrence of any of the following:

(1) The ACRC is no longer accredited by the Liaison Committee of Medical Education or the Commission on Osteopathic College Accreditation, as applicable.

(2) The ACRC no longer operates or is partnered with the acute care hospital listed in its application for certification.

(3) The ACRC is no longer located in this Commonwealth.

(b) If the Department intends to revoke the certification of an ACRC under this section, the Department will provide written notice of its intention to the ACRC. Upon receipt of a notice under this subsection, the ACRC shall have 90 days from the date of the notice to provide the Department with evidence satisfactory to the Department that it has received reaccreditation by the Liaison Committee of Medical Education or the Commission on Osteopathic College Accreditation, as applicable, that it operates or is partnered with another acute care hospital or that it has relocated within this Commonwealth. If the ACRC does not comply with this subsection within 90 days from the date of the notice, the Department may revoke the certification of the ACRC.

§ 1211.27. Application for approval of a clinical registrant.

(a) An applicant shall file an application for approval of a clinical registrant with the Department on a form prescribed by the Department. The Department will publish a notice in the *Pennsylvania Bulletin* announcing the availability of applications and the time period during which the Department will accept applications.

(b) An application for approval of a clinical registrant submitted under this section must include all of the following information:

(1) The legal name, address and telephone number of the applicant and the name, telephone number and professional e-mail address of an individual who will be the primary contact for the Department during the Department's review of the application.

(2) The name of the certified ACRC under § 1211.25 (relating to certifying ACRCs).

(3) The applicant's State and Federal tax identification numbers.

(4) An affidavit, on a form prescribed by the Department, disclosing any payments made by the applicant, a principal or financial backer of the applicant to a certified ACRC or any affiliates of a certified ACRC, up to and including the date of the submission of the application. The affidavit must include the amount and purpose of each payment made.

(5) The name of an institution of higher education, if any, that will be participating in an approved research program or research study.

(6) An affidavit and release under § 1211.24 (relating to capital requirements).

(7) Evidence that the applicant is responsible and capable of successfully operating as an approved clinical registrant, including all of the following:

(i) A copy of the research contract between the applicant and the certified ACRC.

(ii) A description of the research program or research study the applicant and the certified ACRC intend to conduct.

(iii) A statement that the applicant may not engage in the business of selling, dispensing or offering to dispense medical marijuana products at an applicant's dispensary as a clinical registrant until the clinical registrant dispensary is ready, willing and able to dispense medical marijuana products.

(8) Except as provided in § 1211.28 (relating to request for conversion of an existing permit), an application for a grower/processor permit under Chapters 1141 and 1151 (relating to general provisions—temporary regulations; and growers/processors—temporary regulations).

(9) Except as provided in § 1211.28, an application for a dispensary permit under Chapter 1141 and Chapter 1161 (relating to dispensaries—temporary regulations).

(10) A statement that a false statement made by the applicant is punishable under the applicable provisions of 18 Pa.C.S. Chapter 49 (relating to falsification and intimidation).

(11) Any other information deemed necessary by the Department.

(c) An applicant may only include one certified ACRC in its application for approval of a clinical registrant.

(d) The following documents provided to the Department under this chapter are confidential and not subject to disclosure under the Right-to-Know Law (65 P.S. §§ 67.101—67.3104):

(1) A research contract.

(2) A description of a research program or research study.

(3) A certified ACRC's intellectual property.

(4) An approved clinical registrant's intellectual property.

§ 1211.28. Request for conversion of an existing permit.

(a) An applicant holding a grower/processor permit or a dispensary permit, or both, under sections 601—616 of the act (35 P.S. §§ 10231.601—10231.616), shall submit a request for conversion of an existing permit under this section on a form prescribed by the Department when submitting an application for approval of a clinical registrant under § 1211.27 (relating to application for approval of a clinical registrant).

(b) Upon approval of a clinical registrant under subsection (a), the clinical registrant shall surrender its grower/processor permit or dispensary permit, or both, previously issued under sections 601—616 of the act.

(c) A grower/processor permit or dispensary permit, or both, surrendered under subsection (b) will increase the number of grower/processor permits or dispensary permits, as applicable, available to other persons applying for permits under sections 601—616 of the act, Chapter 1141 (relating to general provisions—temporary regulations) and Chapter 1151 or Chapter 1161 (relating to growers/processors—temporary regulations; and dispensaries—temporary regulations), as applicable.

(d) An applicant may include additional dispensary locations in its request for conversion of an existing permit or may request additional dispensary locations at a later date under § 1161.40 (relating to application for additional dispensary locations).

§ 1211.29. Practices and procedures of research programs, projects or studies.

(a) Medical marijuana dispensed as part of a research program shall be dispensed only in a form permitted by the act or this part and only from a dispensary to a patient or to a caregiver.

(b) Marijuana dispensed under a research project or study may be dispensed, in any form deemed medically safe by an IRB, from a clinical registrant dispensary directly to an ACRC.

(c) A RAC or IRB shall adopt research procedures and shall review and approve each research program in accordance with the RAC or IRB established practices and procedures.

(d) An IRB shall review each proposed research project or study in accordance with the IRB's practices, procedures and protocols.

(e) A RAC or IRB shall, at a minimum, ensure that each research program, project or study addresses all of the following:

(1) Protecting the rights and welfare of patients involved in research programs conducted under this chapter.

(2) Minimizing the risk to patients by using procedures that are consistent with sound research design and that do not unnecessarily expose patients to risk being performed on subjects for diagnosis or treatment purposes.

(3) Determining that the risks to patients involved in research programs are reasonable in relation to the anticipated benefits (if any) to the patients, and the importance of the knowledge that may be expected to result from the research program.

(4) Guaranteeing that informed consent will be sought from each prospective patient or the patient's legally authorized representative and is properly documented.

(5) Protecting the privacy of every patient.

§ 1211.30. Approval or denial of an application for approval of a clinical registrant.

(a) An applicant shall be an approved clinical registrant upon the Department's approval of an application under § 1211.27 (relating to application for approval of a clinical registrant).

(b) The Department may deny the application for approval of a clinical registrant if the payments disclosed in the affidavit submitted under § 1211.27(b)(4) violate the prohibition in § 1211.34 (relating to prohibition).

(c) Before the Department denies an application for approval of a clinical registrant under subsection (b), the Department will provide the applicant with written notice specifying the violation. The applicant may submit to the Department, within 10 days following receipt of the Department's written notice, a supplemental affidavit indicating that the certified ACRC or its affiliate has refunded to the applicant or a principal or financial backer of the applicant that portion of payments in violation of § 1211.34. Upon receipt of the supplemental affidavit, the Department may approve the application for approval of a clinical registrant. If the applicant fails to provide a supplemental affidavit within 10 days of the Department's written notice, the Department will deny the application for approval of a clinical registrant.

(d) An approved clinical registrant shall have the same rights and obligations as a medical marijuana organization that holds a grower/processor permit or a dispensary permit under sections 601—616 of the act (35 P.S. §§ 10231.601—10231.616) and Chapters 1141, 1151 and 1161 (relating to general provisions—temporary regulations; growers/processors—temporary regulations; and dispensaries—temporary regulations), as applicable, subject to any modifications or limitations in sections 2001—2003 of the act (35 P.S. §§ 10231.2001—10231.2003) and this chapter.

(e) A grower/processor permit and a dispensary permit issued to an approved clinical registrant will expire upon the nonrenewal, revocation or suspension by the Department of the approved clinical registrant's approval.

§ 1211.31. Renewal of approval of a clinical registrant.

(a) The term of an approval of a clinical registrant will coincide with the term of the clinical registrant's grower/processor permit and dispensary permit.

(b) An approved clinical registrant shall renew its approval as part of the renewal for a grower/processor permit and a dispensary permit under § 1141.36 (relating to permit renewal applications). The renewal application must be on a form prescribed by the Department and include all of the following:

(1) A copy of the research contract.

(2) A list of the approved research programs or research studies that are continuing or, if any of them are concluded, the dates they were concluded.

(3) A report of the current status of active research programs or research studies being conducted under the research contract, including preliminary findings, if applicable, and any expectations and projections the approved clinical registrant and the certified ACRC have for future research programs or research studies over the course of the 2 years following the date of submission of the report.

(4) A description of proposed research programs or research studies covered by the research contract that the approved clinical registrant intends to conduct within the next year following submission of the renewal application including evidence of IRB approval for each research program or research study.

(5) A statement that a false statement made by the approved clinical registrant or the certified ACRC is punishable under the applicable provisions of 18 Pa.C.S. Chapter 49 (relating to falsification and intimidation).

(6) Any other information deemed necessary by the Department.

(c) The Department will not renew an approval for a clinical registrant under this section if the Department determines that none of the dispensary locations under the dispensary permit held by

the approved clinical registrant are participating in an approved research program or research study and the approved clinical registrant does not intend to begin any additional approved research programs or research studies within the first 6 months following the approval of its application for renewal.

§ 1211.32. Revocation of approval of a clinical registrant.

(a) The approval of a clinical registrant will be revoked immediately by the Department upon the occurrence of any of the following:

(1) The Department revokes, suspends or does not renew the grower/processor permit or dispensary permit held by the approved clinical registrant.

(2) Subject to subsection (b), the Department revokes the certification of the ACRC listed in the clinical registrant's application under § 1211.27 (relating to application for approval of a clinical registrant).

(3) The research contract between the approved clinical registrant and the certified ACRC expires without being renewed or is terminated by either party.

(b) If the Department intends to revoke the certification of the ACRC under subsection (a)(2), the Department will provide written notice of its intention to the approved clinical registrant. Upon receipt of a notice under this subsection, the approved clinical registrant shall have 90 days from the date of the notice to contract with another certified ACRC that is not already a party to a research contract with another approved clinical registrant and to provide the Department with all relevant information relating to the certified ACRC. If the approved clinical registrant does not comply with this subsection within 90 days from the date of the notice, the Department may revoke the clinical registrant's approval.

§ 1211.33. Dispensing and tracking medical marijuana products.

In addition to the information to be entered in the electronic tracking system under § 1161.39 (relating to electronic tracking system) with respect to medical marijuana products dispensed to all patients and caregivers, the dispensary of an approved clinical registrant shall enter information into the electronic tracking system as required by the Department that identifies patients that are enrolled in an approved research program or research study.

§ 1211.34. Prohibition.

Except for reasonable remuneration specifically in a research contract for the services to be performed or costs to be incurred by a certified ACRC, a certified ACRC may not solicit or accept anything of value from an approved clinical registrant or a principal or financial backer of an approved clinical registrant. Reasonable remuneration may include up-front deposits or other payments to a certified ACRC under a research contract to defray start-up and ongoing costs of the certified ACRC in connection with the establishment of the contractual relationship in the research contract. This section does not apply to charitable contributions that are part of a history of giving to a certified ACRC established 1 year or more prior to the effective date of the act.

§ 1211.35. Reporting requirements.

(a) Except as provided in subsection (b), an approved clinical registrant shall provide a written report of the findings of its research program or research study to the Department within 365 days of the completion of an approved research program or research study.

(b) In the event the approved clinical registrant or its certified ACRC intends to submit a manuscript of the results of an approved research program or research study to a peer-reviewed medical journal for publication, the written report required under subsection (a) shall be provided to the Department within 30 days following publication.

(c) The Department may post the findings received under this section on its publicly-accessible web site and share them with other approved clinical registrants, certified ACRCs or any other person it determines would benefit from the findings.

§ 1211.36. Sale or exchange.

(a) The grower/processor of an approved clinical registrant may sell or exchange the following items to another grower/processor:

(1) Seeds.

(2) Immature medical marijuana plants.

(3) Medical marijuana plants.

(4) Medical marijuana products.

(b) The grower/processor of an approved clinical registrant may only sell its medical marijuana products to either its own approved dispensaries or any other approved dispensaries of an approved clinical registrant.

(c) Notwithstanding subsection (b), an approved clinical registrant may petition the Department, on a form prescribed by the Department, to sell its medical marijuana products to a dispensary holding a permit under sections 601—616 of the act (35 P.S. §§ 10231.601—10231.616).

(d) A petition filed under subsection (c) must include either the report or manuscript required under § 1211.35 (relating to reporting requirements). If a clinical registrant fails to provide the report or manuscript required under § 1211.35, the petition will be denied.

§ 1211.37. Appeals.

Chapter 5 of 2 Pa.C.S. (relating to practice and procedure) applies to actions of the Department under this chapter constituting an adjudication as defined in 2 Pa.C.S. § 101 (relating to definitions).

[Pa.B. Doc. No. 18-1264. Filed for public inspection August 17, 2018, 9:00 a.m.]

---

webmaster@PaBulletin.com

EXHIBIT B

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

AES Compassionate Care, LLC, BAY, LLC, Chamounix Ventures, LLC, Cresco Yeltrah, LLC, GTI Pennsylvania, LLC, GuadCo, LLC, Ilera Healthcare, LLC, Keystone Center of Integrative Wellness, LLC, Pennsylvania Medical Solutions, LLC, Standard Farms, LLC, and The Healing Center, LLC, Petitioners	:	
	:	No. 233 M.D. 2018
v.	:	
	:	Heard: May 2, 2018
Rachel L. Levine, MD, Acting Secretary, Pennsylvania Department of Health, Respondent	:	

BEFORE: HONORABLE PATRICIA A. McCULLOUGH, Judge

OPINION NOT REPORTED

MEMORANDUM OPINION
BY JUDGE McCULLOUGH

FILED: May 22, 2018

Before this Court is a request for a preliminary injunction regarding the regulations enacted pursuant to the Medical Marijuana Act (Act)[1] to the extent they might unlawfully permit the commercial sale of medical marijuana in contravention of the Act. Specifically, an application for preliminary injunction was filed by AES Compassionate Care, LLC, BAY, LLC, Chamounix Ventures, LLC, Cresco Yeltrah, LLC, GTI Pennsylvania, LLC, GuadCo, LLC, Ilera Healthcare, LLC, Keystone Center

[1] Act of April 17, 2016, P.L. 84, 35 P.S. §§10231.101-10231.2110.

of Integrative Wellness, LLC, Pennsylvania Medical Solutions, LLC, Standard Farms, LLC, and The Healing Center, LLC (collectively, Petitioners) for special relief in the nature of a preliminary injunction, seeking to enjoin Rachel L. Levine, MD, Acting Secretary of Health, from applying the March 17, 2018 temporary regulations (Regulations), 28 Pa. Code §§1210.21-1210.37, relating to implementation of the academic research provisions of Chapter 20 of the Act, 35 P.S. §§10231.2001-10231.2003.

The Medical Marijuana Act and the Chapter 20 Regulations

The Act, which took effect on May 17, 2016, establishes a framework for the legalization of medical marijuana in the Commonwealth for certain medical conditions. The expressed legislative intent of the Act is to

> (i) Provide a program of access to medical marijuana which balances the need of patients to have access to the latest treatments with the need to promote patient safety.
>
> (ii) Provide a safe and effective method of delivery of medical marijuana to patients.
>
> **(iii) Promote high quality research into the effectiveness and utility of medical marijuana.**

35 P.S. §10231.102 (emphasis added).

The Act identified the Pennsylvania Department of Health (Department) as the Commonwealth agency responsible for administering the Act and authorized the Department to promulgate regulations, including temporary regulations to carry out the same. 35 P.S. §§10231.301, 1023.1107. In accord with this authority, the Department promulgated the Regulations at issue here, which were published on March 17, 2018, and made immediately effective.

A. Chapter 6 of the Act

Under section 603(d) of the Act, the Department established six medical marijuana regions. 35 P.S. §10231.603(d).[2] Chapter 6 of the Act set forth two types of entities authorized to receive a permit to operate as a medical marijuana organization and grow, process, or dispense marijuana: grower/processors and dispensaries. 35 P.S. §10231.601.[3] Section 616 of the Act set forth limitations on the number of permits the

---

[2] This section states:

> The [D]epartment shall establish a minimum of three regions within this Commonwealth for the purpose of granting permits to grower/processors and dispensaries and enforcing this [A]ct. The [D]epartment shall approve permits for grower/processors and dispensaries in a manner which will provide an adequate amount of medical marijuana to patients and caregivers in all areas of this Commonwealth. The [D]epartment shall consider the following when issuing a permit:
>
> (1) Regional population.
>
> (2) The number of patients suffering from serious medical conditions.
>
> (3) The types of serious medical conditions.
>
> (4) Access to public transportation.
>
> (5) Any other factor the [D]epartment deems relevant.

35 P.S. §10231.603(d).

[3] This section states:

Department could initially issue. Specifically, the Department was authorized to issue up to 25 grower/processor permits and 50 dispensary permits, the recipients of which would be limited to dispensing at **a maximum of three separate locations.** 35 P.S. §10231.616 (emphasis added).[4] Further, section 616 provided, "No more than five

---

> The following entities shall be authorized to receive a permit to operate as a medical marijuana organization to grow, process or dispense medical marijuana:
>
> (1) Grower/processors.
>
> (2) Dispensaries.

35 P.S. §10231.601.

[4] This section states:

> The following limitations apply to approval of permits for grower/processors and dispensaries:
>
> (1) The [D]epartment may not initially issue permits to more than 25 growers/processors.
>
> (2) The [D]epartment may not initially issue permits to more than 50 dispensaries. Each dispensary may provide medical marijuana at no more than three separate locations.
>
> (3) The [D]epartment may not issue more than five individual dispensary permits to one person.
>
> (4) The [D]epartment may not issue more than one individual grower/processor permit to one person.
>
> (5) No more than five grower/processors may be issued permits as dispensaries. If the number of growers/processors is increased under section 1202[] no

grower/processors may be issued permits as dispensaries." *Id.* These five entities are referred to as "vertically integrated" entities. *See* 35 P.S. §10231.1901.[5]

In January 2017, the Department announced it would issue permits in phases. In Phase I, it would issue up to 12 grower/processor permits, with no more than 2 permits in each of the 6 medical marijuana regions, and up to 27 dispensary permits distributed throughout the 6 regions, apparently in accordance with population concentration. Department of Health, Office of Medical Marijuana Bulletin No. 17-21, at 73 (Issued Jan. 7, 2017).

From February 20, 2017, through March 20, 2017, the Department accepted applications for medical marijuana grower/processor permits and/or dispensary permits. The Department received 457 applications: 177 for growers/processors and 280 for dispensaries. On June 20, 2017, the Department issued 12 grower/processor permits and, on June 29, 2017, the Department issued 27 dispensary permits.

> more than 20% of the total number of growers/processors may also be issued permits as dispensaries.
>
> (6) A dispensary may only obtain medical marijuana from a grower/processor holding a valid permit under this [A]ct.
>
> (7) A grower/processor may only provide medical marijuana to a dispensary holding a valid permit under this [A]ct.

35 P.S. §10231.616.

[5] Section 1141.21 of the Regulations defines "Health care medical marijuana organization" as a "vertically integrated health system approved by the Department to dispense medical marijuana or grow and process medical marijuana, or both, in accordance with a research study under sections 1901--1908 of the [A]ct." 28 Pa. Code §1141.21.

On March 24, 2018, the Department indicated that it would accept applications for Phase II from April 5, 2018, to May 18, 2018, after which it would grant the 13 remaining grower/processor permits and the 23 remaining dispensary permits. Department of Health, Office of Medical Marijuana Bulletin No. 18-462, at 1782-83 (Issued Mar. 24, 2018).

B. Chapter 19 of the Act

The Act also designed two types of medical marijuana research programs. The first, found in Chapter 19, directed the Department to develop a research program in which "vertically integrated health systems," as that term is defined in Chapter 19,[6] approved by the Department, would be able to grow and process medical marijuana to conduct research studies involving patients with serious medical conditions, upon authorization by the United States Food and Drug Administration (FDA) and the United States Drug Enforcement Administration (DEA). *See generally* 35 P.S. §§10231.1901-10231.1908. However, as Petitioners note in their petition for review, this program has not come to fruition since marijuana remains an illegal Schedule I drug under the Federal Controlled Substances Act, and health systems, which rely heavily on federal reimbursement funds via Medicaid and Medicare, are unwilling to jeopardize that funding by engaging in federally prohibited activity, *i.e.*, growing, processing, and dispensing marijuana. (Petitioners' Amended Petition for Review at 22-23.) Further, Petitioners note that, even if such health systems were willing to take that risk, the FDA and DEA are unlikely to grant their approval. *Id.*

---

[6] Section 1901 of the Act defines "Vertically integrated health system" as "[a] health delivery system licensed under the act of July 19, 1979 (P.L. 130, No. 48),[11] known as the Health Care Facilities Act, in which the complete spectrum of care, including primary and specialty care, hospitalization and pharmaceutical care, is provided within a single organization." 35 P.S. §10231.1901.

C. Chapter 20 of the Act

The second research program contemplated by the Act is set forth in Chapter 20. By way of background, the Act originated in the Pennsylvania Senate as Senate Bill 3 of 2015; however, in March 2016, Chapter 20 of the Act, entitled "Academic Clinical Research Centers," was added by House amendment. Chapter 20 permits qualifying Academic Clinical Research Centers (ACRCs) to form partnerships with Clinical Registrants (CRs) to conduct research studies. 35 P.S. §§10231.2001-10231.2003. Section 2001 of the Act defines an ACRC as "[a]n accredited medical school within this Commonwealth that operates or partners with an acute care hospital licensed within this Commonwealth," and a CR as an entity that

> (1) holds a permit as both a grower/processor and a dispensary; and
>
> (2) has a contractual relationship with an [ACRC] under which the [ACRC] or its affiliate provides advice to the entity, regarding, among other areas, patient health and safety, medical applications and dispensing and management of controlled substances.

35 P.S. §10231.2001. Pertinent here, the aforementioned limitations of section 616 of the Act, 35 P.S. §10231.616, which restricted the Department to initially issuing no more than 25 grower/processor permits and 50 dispensary permits (5 of which could be vertically-integrated), does not apply to this Chapter. Section 2002 of the Act, entitled "Clinical registrants,"[7] states,

> **Notwithstanding the limitations in section 616,**[] the [D]epartment may register **up to eight [CRs]**. Each entity may provide medical marijuana **at not more than six separate locations.** The total number of locations authorized to dispense medical marijuana under this section

[7] Throughout the proceedings, Petitioners refer to these entities as "super-permittees."

> **shall not exceed 48**. The following apply with respect to this category of [CR]:
>
> > (1) A [CR] must pay the fees and meet all other requirements under this [A]ct for obtaining a permit as a grower/processor and a dispensary, except as provided under section 607(1)(vi) and (2)(vi).[]
> >
> > (2) The [CR] must have a minimum of $15,000,000 in capital. The [D]epartment shall verify the capital requirement.
> >
> > (3) The [CR] must comply with all other requirements of this [A]ct regarding growing, processing and dispensing medical marijuana.

35 P.S. §10231.2002 (emphasis added).

The final section of Chapter 20, section 2003, entitled "Research Study," states the following:

> Notwithstanding any provision of this [A]ct to the contrary, the [D]epartment may, upon application, **approve the dispensing of medical marijuana by a [CR] to the [ACRC] for the purpose of conducting a research study.** The [D]epartment shall develop the application and standards for approval of such dispensing by the [CR]. The following apply to the research study:
>
> > (1) The [CR] shall disclose the following information to the [D]epartment in its application:
> >
> > > (i) The reason for the research project, including the reason for the trial.
> > >
> > > (ii) The strain of medical marijuana to be used and the strength of the medical marijuana to be used in the research study.

(iii) The anticipated duration of the study.

(iv) Evidence of approval of the trial by an accredited institutional review board, including any other required regulatory approvals.

(v) Other information required by the [D]epartment, except that the [D]epartment may not require disclosure of any information that would infringe upon the [ACRC]'s exclusive right to intellectual property or legal obligations for patient confidentiality.

(2) The [ACRC] shall provide its findings to the [D]epartment within 365 days of the conclusion of the research study or within 365 days of publication of the results of the research study in a peer-reviewed medical journal, whichever is later.

(3) The [D]epartment shall allow the exchange of medical marijuana seed between [CRs] for the conduct of research.

35 P.S. §10231.2003 (emphasis added).

D. Chapter 20 Regulations

Pursuant to section 1107 of the Act,[8] on March 17, 2018, the Department published Regulations promulgating Chapter 20 of the Act, which took effect immediately. 28 Pa. Code §§1210.21-1210.37.

[8] As noted previously, this section authorizes the Department to promulgate temporary regulations, which would expire two years following their publication, in order to "facilitate prompt

The Regulations define an ACRC as "[a]n accredited medical school in this Commonwealth that operates or partners with an acute care hospital licensed and operating in this Commonwealth." 28 Pa. Code §1210.21. In order to become a certified ACRC, an entity must file an application that includes:

> (1) The legal name, address and telephone number of the accredited medical school and the name, telephone number and professional e-mail address of an individual at the accredited medical school who will be the primary contact for the Department during the Department's review of the application.
>
> (2) The legal name, address and telephone number of the acute care hospital that is operated by or partnered with the accredited medical school and the name, telephone number and professional e-mail address of an individual at the accredited medical school who will be the primary contact for the Department during the Department's review of the application.
>
> (3) An affidavit, on a form prescribed by the Department, disclosing any payments to the accredited medical school or any of its affiliates made by a person with whom **the accredited medical school intends to enter into a research contract for purposes of operating as an approved [CR]** or by any principal or financial backer of the person, up to

---

implementation" of the Act. 35 P.S. §10231.1107(a). Further, the Regulations were not to be subject to sections 201 to 205 of the Commonwealth Documents Law, Act of July 31, 1968, P.L. 769, *as amended*, 45 P.S. §§1201–1205; the Regulatory Review Act, Act of June 25, 1982, P.L. 633, *as amended*, 71 P.S. §745.1–745.15; or sections 204(b) and 301(10) of the Commonwealth Attorneys Act, Act of October 15, 1980, P.L. 950, *as amended*, 71 P.S. §§732-204(b), 732-301(10); and 35 P.S. §1107(a). The Department allowed a period of time for interested parties to submit written comments, suggestions, or objections regarding the temporary regulations. Department of Health, Office of Medical Marijuana Bulletin No. 10-201, at 7631 (Issued Dec. 10, 2016).

and including the date of the submission of the application. The affidavit must include the amount and purpose of each payment made.

(4) A statement that the accredited medical school is currently accredited by the Liaison Committee of Medical Education or the Commission on Osteopathic College Accreditation.

(5) A statement that the acute care hospital designated by the accredited medical school under paragraph (2) holds a valid license from the Department.

(6) The State and Federal tax identification numbers of the accredited medical school.

(7) A statement that a false statement made by the accredited medical school submitting the application is punishable under the applicable provisions of 18 Pa.C.S. Chapter 49 (relating to falsification and intimidation).

(8) Any other information deemed necessary by the Department.

28 Pa. Code §1210.25(c) (emphasis added).

Further, the Regulations define "Approved clinical registrant" as

An entity that applied for and received the approval of the Department to do all of the following:

(i) Hold a permit as both a grower/processor and a dispensary

(ii) Enter into a research contract with a certified ACRC.

28 Pa. Code §1210.21. Section 1210.27 of the Regulations lists the contents required of a CR application:

> (a) An applicant shall file an application for approval of a [CR] with the Department on a form prescribed by the Department. The Department will publish a notice in the Pennsylvania Bulletin announcing the availability of applications and the time period during which the Department will accept applications.
>
> (b) An application for approval of a [CR] submitted under this section must include all of the following information:
>
> > (1) The legal name, address and telephone number of the applicant and the name, telephone number and professional e-mail address of an individual who will be the primary contact for the Department during the Department's review of the application.
> >
> > (2) The name of the certified ACRC under § 1210.25 (relating to certifying ACRCs).
> >
> > (3) The applicant's State and Federal tax identification numbers.
> >
> > (4) An affidavit, on a form prescribed by the Department, **disclosing any payments** made by the applicant, a principal or financial backer of the applicant to a certified ACRC or any affiliates of a certified ACRC, up to and including the date of the submission of the application. The affidavit must include the amount and purpose of each payment made.
> >
> > (5) The name of an institution of higher education, if any, that will be participating in an approved research project.
> >
> > (6) An affidavit and release under § 1210.24 (relating to capital requirements).

(7) Evidence that the applicant is responsible and capable of successfully operating as an approved [CR], including all of the following:

(i) **A copy of the research contract between the applicant and the certified ACRC.**

(ii) A description of the research projects the applicant and the certified ACRC intend to conduct.

(iii) A statement that the applicant may not engage in the business of selling, dispensing or offering to dispense medical marijuana products at an applicant's dispensary until the dispensary is ready, willing and able to dispense medical marijuana products.

(8) Except as provided in subsection (d), an application for a grower/processor permit under Chapters 1141 and 1151 (relating to general provisions; and growers/processors).

(9) Except as provided in subsection (d), an application for a dispensary permit under Chapter 1141 and Chapter 1161 (relating to dispensaries).

(10) A statement that a false statement made by the applicant is punishable under the applicable provisions of 18 Pa.C.S. Chapter 49 (relating to falsification and intimidation).

(11) Any other information deemed necessary by the Department.

(c) An applicant may only include one certified ACRC in its application for approval of a [CR].

> (d) Subject to the limitations in § 1210.23 (relating to limitation on permits), an applicant that already holds a grower/processor permit or a dispensary permit, or both, under sections 601-616 of the [A]ct (35 P.S. §§ 10231.601-10231.616), shall include in its application for approval of a [CR] a request for conversion of an existing permit under § 1210.28 (relating to request for conversion of an existing permit).
>
> (e) The following documents provided to the Department under this chapter are confidential and not subject to disclosure under the Right-to-Know Law (65 P.S. §§ 67.101-67.3104):
>
> (1) A research contract.
>
> (2) A description of a research project.
>
> (3) A certified ACRC's intellectual property.
>
> (4) An approved [CR]'s intellectual property.

28 Pa. Code §1210.27 (emphasis added).

As noted by the Honorable Katharine M. Watson in her amicus brief, pursuant to section 1210.28(b) of the Regulations, if an existing permittee under Chapter 6 becomes registered as a CR, the permittee must surrender its commercial permits, which are placed back into the pool of available commercial permits. 28 Pa. Code §1210.28(b).

Section 1210.31 of the Regulations addresses the requirements of an application for renewal of a CR permit. With regard to denial of a CR's renewal application, section 1210.31(c) states,

> The Department will **not renew an approval** for a [CR] under this section if the Department determines that **none** of the dispensary locations under the dispensary permit held by the approved [CR] are participating in an approved research project and the approved [CR] does not intend to commence

> any additional approved research projects within the first 6 months following the approval of its application for renewal.

28 Pa. Code §1210.31(c) (emphasis added).

Finally, section 1210.23 of the Regulations sets forth certain limitations on permits:

> (a) An approved [CR] may not hold more than one grower/processor permit and one dispensary permit.
>
> (b) A dispensary permit held by an approved [CR] for use under this chapter may be used to dispense medical marijuana products at no more than six separate locations as approved by the Department. An approved [CR] may dispense medical marijuana products to a patient or caregiver who presents a valid identification card to an employee who is authorized to dispense medical marijuana products at a dispensary location operated by an approved [CR] under this chapter.
>
> (c) An approved [CR] may not locate more than three of its approved dispensaries in the same medical marijuana region or in the same county.

28 Pa. Code §1210.23.

In March 2018, the Department announced that ACRC applications would be available on April 5, 2018, and must be filed as of May 3, 2018, and that CR applications would be available on May 24, 2018, and must be filed as of July 12, 2018. Department of Health, Office of Medical Marijuana Bulletin No. 18-461, at 1781 (Issued Mar. 24, 2018).

Facts and Procedural History

Petitioners are "medical marijuana organizations" as that term is defined by section 103 of the Act,[9] of which six are growers/processors, nine are dispensaries, and four are vertically integrated entities (holding permits as both grower/processors and dispensaries). Petitioners initiated this action on April 10, 2018, by filing a petition for review in this Court's original jurisdiction against Dr. Rachel Levine, Secretary of Health. Petitioners sought declaratory relief and a permanent injunction enjoining the Department from enacting the Regulations implementing Chapter 20 of the Act. Petitioners simultaneously filed the present application for special relief in the nature of a preliminary injunction, seeking to enjoin the Department from enforcing these Regulations.

Petitioners contend that, while the Act allows up to eight existing permittees to achieve CR status so as to grow and dispense medical marijuana solely for research purposes in conjunction with an ACRC, the Regulations permit any entity—even a previously denied permit applicant under Chapter 6—to acquire what Petitioners deem a "super-permit" to engage in "virtually unfettered trade in medical marijuana products in competition with Petitioners, at double the number of dispensaries Petitioners' permits allow, with only a minimal commitment to research." (Petition for review at 2.) Further, Petitioners contend that the Regulations impermissibly delegate CR approval decisions to ACRCs by requiring, as the primary requisite for applying for CR status, that the applicant already have a privately-negotiated contract with an ACRC. As such, Petitioners suggest that the Regulations

[9] Section 103 defines "Medical marijuana organization" as "[a] dispensary or a grower/processor. The term does not include a health care medical marijuana organization under Chapter 19." 35 P.S. §10231.103.

are inconsistent with the Act and violate the non-delegation doctrine of the Pennsylvania Constitution.[10]

The Department filed an answer to Petitioners' application for a preliminary injunction, denying that Petitioners were entitled to relief and raising as a new matter the assertion that section 2001's definition of a CR is not limited to an entity that *already* holds a grower/processor and dispensary permit and that section 2002 makes clear that the Act intended the eight CRs to be additional entities beyond the limits of section 616.

Petitioners filed a brief in support of their application, and the Department filed a brief in opposition. In the Department's brief, it raises for the first time the argument that Petitioners' case is not justiciable in that they lack standing, the matter is unripe, and they have failed to exhaust administrative remedies. Petitioners filed a reply brief arguing that the case is justiciable. On May 2, 2018, the Court heard argument on Petitioners' application for a preliminary injunction.[11]

Discussion

A. Justiciability

Since standing is a threshold issue, the Court must first address whether the matter is justiciable.

1. Standing

[10] Article 2, section 1 states: "The legislative power of this Commonwealth shall be vested in a General Assembly, which shall consist of a Senate and a House of Representatives." PA. CONST. art. 2, §1.

[11] During the hearing on May 2, 2018, the Court also heard argument on the application of a prospective CR, MLH Explorations, LLC, for leave to intervene, which it ultimately denied.

The Department alleges that Petitioners lack standing because, although they have the opportunity to submit applications to become CRs, Petitioners' interest in this lawsuit is in operating free of competition, which is insufficient for the purposes of standing. The Department asserts that Petitioners have not alleged facts indicating that they are aggrieved. Specifically, the Department argues they have not pleaded that the Regulations have caused or required them to invest money to ensure compliance with the Regulations, that there are or will be delays in the operations of their businesses because of the Regulations, that the Regulations impose operational uncertainties with regard to their permits, or that the Regulations have resulted in any loss of their property rights. The Department contends that Petitioners "wholly fail to allege how the [] [R]egulations even apply to them—and, indeed, unless they seek to have their permits converted to CR permits, the [] [R]egulations will not apply to them." (Department's brief at 13.)

In response, Petitioners assert that they do not seek to operate free of competition, nor as a monopoly. Instead, Petitioners contend that they have a "direct, immediate and substantial interest in 'operating free of competition from the CR "super-permittees" the Chapter 20 [R]egulations create.'" (Petitioners' Reply Brief at 2.) Petitioners assert that the testimony of Mr. Jonathon Goldrath, the CFO of a vertically integrated entity under Chapter 6, and Mr. Drew D. Mooney, a certified public accountant and consultant, during the May 2, 2018 hearing demonstrated that Petitioners are adversely impacted by the Regulations and that their harm is not abstract but real. More specifically, Petitioners cite the witnesses' testimony that the promulgation of the Regulations on March 17, 2018, immediately lowered the market value of Petitioners' businesses because it signaled to investors that the Department would treat the Act's statutory limit on permits as a suggestion rather than a mandate. This, Petitioners contend, made it certain that existing permit holders will lose market

share as soon as the super-permittees are operational because the Regulations expanded Chapter 20's research purpose to allow for commercial use as well. Petitioners argue that this was contrary to the permissible scope of Chapter 20 and was not known to Petitioners at the time of their application to become Chapter 6 permittees. Petitioners assert that, although the deterioration of their market share will not occur until CRs are awarded permits, their witnesses' testimony showed that the dilution effect is "inevitable." *Id.* at 3.

Petitioners further assert that pre-enforcement challenges are not limited to the facts of *Arsenal Coal Co. v. Department of Environmental Resources*, 477 A.2d 1333, 1339-40 (Pa. 1984), in which the Pennsylvania Supreme Court determined pre-enforcement was appropriate where 55 coal mine operators and producers were challenging regulations that directly and immediately affected the anthracite industry by, *inter alia*, requiring the expenditure of substantial sums to comply, and where the lengthy process to challenge the regulations' validity would have resulted in ongoing uncertainty in the industry's business operators. Petitioners assert the "core concept" of *Arsenal Coal* was that pre-enforcement challenges are permitted where "the effect of the challenged regulations upon the industry regulated is direct and immediate" such that the "hardship thus presented suffices to establish the justiciability of the challenge in advance of enforcement." (Petitioners' Reply Brief at 4) (citing *Arsenal Coal*, 447 A.2d at 1339).

Our Supreme Court has stated that in order to have standing, the individual initiating the action must be "aggrieved," which can be demonstrated by showing a "substantial, direct, and immediate interest in the outcome of the litigation." *Pittsburgh Palisades Park, LLC v. Commonwealth*, 888 A.2d 655, 659-60 (Pa. 2005).

> An interest is "substantial" if it is an interest in the resolution of the challenge which "surpasses the common interest of all

> citizens in procuring obedience to the law." Likewise, a "direct" interest mandates a showing that the matter complained of "caused harm to the party's interest," *i.e.*, a causal connection between the harm and the violation of law. Finally, an interest is "immediate" if the causal connection is not remote or speculative.

Id. at 660 (internal citations omitted).

Here, the Court finds that Petitioners have demonstrated standing to initiate this action. In *Arsenal Coal*, the Supreme Court addressed "whether a court of equity may properly exercise its jurisdiction to resolve [a] pre-enforcement challenge to the validity of a regulatory scheme grounded in a claim that the regulations were promulgated in excess of the statutory authority by which the regulatory agency is empowered to enact such regulations," and held that it could. 477 A.2d at 1338. Petitioners, like those in *Arsenal Coal*, assert that a set of regulations were promulgated in excess of the statutory authority by which the regulatory agency was empowered to enact them. Specifically, Petitioners allege that the Department's Regulations are inconsistent with the text and intent of the Act and, further, are unconstitutional to the extent that the CR application process would violate the non-delegation clause of Article 2, section 1 of the Pennsylvania Constitution.

Petitioners have demonstrated a substantial, direct, and immediate interest by establishing the following: their interest, as permittees under Chapter 6 of the Act, is unique from other citizens; their businesses lost value immediately upon the publication of the Regulations, testimony about which was presented during the hearing; and, finally, the deterioration of their market share is inevitable upon award of the CR permits, which was also addressed during testimony at the hearing.[12]

[12] As discussed below, the Court found this testimony credible.

Accordingly, the Court finds that Petitioners have sufficiently demonstrated standing to pursue their claims.

2. Ripeness

For the same reasons as with standing, the Department asserts that Petitioners' claims are not ripe and that post-enforcement review is sufficient. The Department relies on *Pennsylvania Dental Hygienists' Association, Inc. v. State Board of Dentistry*, 672 A.2d 414 (Pa. Cmwlth. 1996). In that case, the petitioners sought pre-enforcement review of newly-enacted regulations promulgated by the State Board of Dentistry, which the petitioners argued would have caused changes in their work schedules, reduction in services and income, possible unemployment, and uncertainty in the ongoing day-to-day operations. *Id.* at 418. Ultimately, this Court held that the petitioners' allegations were anticipatory and too remote to support a claim of direct and immediate harm. *Id.*

In response, Petitioners cite to *EQT Production Co. v. Department of Environmental Protection*, 130 A.3d 752, 753 (Pa. 2015), in which the Supreme Court held that "a company threatened by an administrative agency with ongoing, multi-million-dollar penalties per such agency's interpretation of a statutory regime has the right, immediately, to seek a judicial declaration that the agency's interpretation is erroneous." Petitioners assert that theirs is a substantial pre-enforcement challenge to the Regulations in which there is a real or actual controversy, that there are "no material factual dynamics involved in evaluating the validity" of the Department's interpretation of the Act, and that the Regulations will have a profound effect on Petitioners and Pennsylvania's entire medical marijuana industry. (Petitioners' Reply Brief at 5) (quoting *EQT Production Co.*, 130 A.3d at 759).

In *EQT Production Co.*, the Supreme Court outlined a history of its holdings with regard to pre-enforcement review:

> [I]n *Arsenal Coal*, a group of coal mine operators and producers were permitted to proceed with a pre-enforcement challenge to comprehensive regulatory requirements promulgated by the Environmental Quality Board, so as to clarify the operators' and producers' obligations under the law and avoid unnecessarily protracted proceedings. *See Arsenal Coal*, 477 A.2d at 1339–40. In *Bayada Nurses*[*v. Department of Labor and Industry*], 8 A.3d 866 (Pa. 2010), **a pre-enforcement challenge** advanced by a home health care provider was found to be **justiciable, since judicial review would eliminate substantial expense and uncertainty in the day-to-day operations of such providers and alleviate costly and inefficient piecemeal enforcement measures.** *See Bayada Nurses*, 8 A.3d at 876. In [*Commonwealth v.*] *Donahue*, [98 A.3d 1223 (Pa. 2014),] the Office of the Governor appropriately pursued declaratory relief in challenging the Office of Open Records' interpretation of statutory provisions governing the submission of open-records requests, in light of the adverse, direct, and immediate impact of that interpretation on Commonwealth agencies. *See Donahue*, 98 A.3d at 1230–31. And, in the present case, EPC will be permitted to pursue its substantial challenge to the Department's continuing-violation interpretation in the Commonwealth Court, given the company's potential exposure to potent, ongoing civil penalties for which DEP maintains the company is liable.

EQT Production Co., 130 A.3d at 758 (emphasis added).

Upon review, the Court agrees that the matter is sufficiently ripe in that there are no "material factual dynamics" involved in the evaluation of the validity of the Department's interpretation of the Act expounded in the Regulations and, thus, pre-enforcement review is appropriate in this case. Further, the Court agrees with Petitioners that it is prudent for the Court to resolve the issue of the validity of the Regulations prior to their implementation "since judicial review would eliminate

substantial expense and uncertainty in the day-to-day operations" of potential CRs and Petitioners alike. Moreover, should the Court ultimately deem the Regulations invalid, pre-enforcement review prior to the Department's grant of CR permits will eliminate the need for CRs to rescind or invalidate contracts they negotiated based upon the invalid Regulations.[13] Thus, the Court agrees that, in this instance, it is preferable to stay the implementation of the Regulations pending their review, rather than to allow interested parties to attempt to "unwind" the Regulations after they have already been implemented. (Petitioners' Reply Brief at 8.)

3. Exhaustion of Administrative Remedies

Finally, the Department argues that the Court lacks subject matter jurisdiction over this action because Petitioners failed to exhaust their administrative remedies. Although the Act contains no provision that requires or permits Petitioners to seek redress, the Department asserts that Petitioners could have sought review of the Regulations under section 35.9 of the General Rules of Administrative Practice and Procedure (GRAPP), which states that a party "complaining of anything done or omitted to be done by a person subject to the jurisdiction of an agency, in violation of a statute or regulation administered or issued by the agency may file a complaint with the agency." 1 Pa. Code §35.9. The Department further asserts that Petitioners could have filed a formal petition for a declaratory order with the Department under section 35.19 of GRAPP, which states,

[13] During argument on MLH's application to intervene, counsel for MLH stated that it had already located and negotiated leases for its dispensary operations; however, under questioning by the Court, MLH's counsel acknowledged that its "real estate deals" and "equipment purchase orders and the like" were *contingent upon* the Department's approval of its CR application. (Notes of Testimony (N.T.), 5/2/18, at 19.)

> Petitions for the issuance, in the discretion of an agency, of a declaratory order to terminate a controversy or remove uncertainty, shall state clearly and concisely the controversy or uncertainty which is the subject of the petition, shall cite the statutory provision or other authority involved, shall include a complete statement of the facts and grounds prompting the petition, together with a full disclosure of the interest of the petitioner.

1 Pa. Code §35.19.

In response, Petitioners argue that they lack an adequate statutory or administrative remedy. Citing *Fletcher v. Pennsylvania Property and Casualty Insurance Guarantee Association*, 985 A.2d 678, 692 (Pa. 2009), Petitioners state that litigants are only required to exhaust administrative remedies where such remedies are capable of providing the relief sought and note that, where there is no adequate statutory procedure, there is no basis for a claim of failure to exhaust.

With regard to this issue, "[t]he courts of this Commonwealth have long held that a party challenging administrative decision-making must first exhaust administrative remedies before seeking judicial review; where such remedies exist, courts lack jurisdiction. This doctrine is not inflexible, and it is not applied where administrative remedies are not available or are not adequate." *Pennsylvania Pharmacists Association v. Department of Public Welfare*, 733 A.2d 666, 672 (Pa. Cmwlth. 1999) (internal citations omitted) (holding that the petitioners, who sought a declaration that certain rates implemented under a managed care program were invalid and who had already commenced the administrative process under 1 Pa. Code §35.9, had failed to exhaust their administrative remedy). Further, "[c]ourts should not lightly assume the futility of a party's pursuing an administrative remedy; instead, it is to be assumed that the administrative process, if given the opportunity, will discover and correct its errors." *Pennsylvania Pharmacists Association*, 733 A.2d at 673.

However, courts have also noted,

> A remedy is not adequate if it does not allow for adjudication of the issue raised or if it permits irreparable harm to occur to the plaintiffs during the pursuit of the statutory remedy. In addition, exhaustion has not been required in some cases where a complaint stated a direct constitutional attack upon a statute, such that administrative proceedings would contribute little to the ultimate adjudication, or where pursuit of an existing remedy would be futile.

Id. at 672 (internal citations omitted).

Here, unlike in *Pennsylvania Pharmacists Association*, Petitioners have not already commenced administrative proceedings under section 35.9 of GRAPP. Further, Petitioners are not challenging the Department's decision making, but instead challenge the validity of certain portions of the Regulations. Finally, Petitioners have also alleged a constitutional challenge to the Regulations. *Pennsylvania Pharmacists Association*, 733 A.2d at 672. Thus, in this case Petitioners' recourse necessarily lies with the courts.

B. Preliminary Injunction

We turn now to the merits of Petitioners' application for a preliminary injunction. A party seeking a preliminary injunction must show that each of the following essential elements are met:

> (1) an injunction is necessary to prevent immediate and irreparable harm that cannot be adequately compensated by damages; (2) greater injury would result from refusing an injunction than from granting it, and, concomitantly, that issuance of an injunction will not substantially harm other interested parties in the proceedings; (3) a preliminary injunction will properly restore the parties to their status as it existed immediately prior to the alleged wrongful conduct; (4) the activity sought to be restrained is actionable, that the right to relief is clear, and that the wrong is manifest, or, in

> other words, must show that it is likely to prevail on the merits; (5) the injunction is reasonably suited to abate the offending activity; and (6) a preliminary injunction will not adversely affect the public interest.

Summit Towne Centre, Inc. v. Shoe Show of Rocky Mount, Inc., 828 A.2d 995, 1001 (Pa. 2003). "A preliminary injunction may only be granted if each element is fully and completely established." *McClusky v. Washington Township*, 700 A.2d 573, 576 (Pa. Cmwlth. 1997).

Furthermore, a preliminary injunction is intended to preserve the *status quo* and prevent imminent and irreparable harm that might occur before the merits of the case can be heard and determined. After a preliminary injunction is awarded or denied, the case proceeds for a final hearing on the merits. *Soja v. Factoryville Sportsmen's Club*, 522 A.2d 1129, 1131 (Pa. Super. 1987). The preliminary injunction proceeding is distinct from the final hearing on the merits. *Kee v. Pennsylvania Turnpike Commission*, 743 A.2d 546, 549 (Pa. Cmwlth. 1999). Indeed,

it is well established that separate standards govern a request for a preliminary injunction and a request for permanent injunctive relief: a preliminary injunction looks for the presence of imminent, irreparable harm, whereas a permanent injunction is warranted if no adequate remedy at law exists for a legal wrong.[14] *City of Chester v. Chester Redevelopment Authority*, 686 A.2d 30, 35 (Pa. Cmwlth. 1996). Consequently, this Court has held that it is inappropriate for a court to treat a hearing for a preliminary injunction as a final hearing and as a basis for a permanent injunction, unless the parties stipulate to the contrary. *Kee*, 743 A.2d at 549; *Berger by and Through Berger v. West Jefferson Hill School District*, 669 A.2d 1084 (Pa. Cmwlth. 1995).

---

[14] A court's final disposition of a request for permanent injunctive relief is independent of its determination relating to preliminary injunctive relief and the denial of the latter does not foreclose an order for a permanent injunction. *Soja*, 522 A.2d at 1131.

The Court will address each of these requisites for a preliminary injunction in turn, but will begin with Petitioners' argument regarding a clear right to relief.

1. Clear Right to Relief

Petitioners state that they have a clear right to relief because the Regulations are contrary to the Act's prescribed structure for CR/ACRC authorizations in four key respects and because the Regulations, as interpretative regulations, fail to track the meaning of the Act, are unwise, and are violative of legislative intent.

Petitioners begin by highlighting that one of the Act's central legislative goals is to "**[p]romote high quality research** into the effectiveness and utility of medical marijuana." 35 P.S. §10231.102(3)(iii) (emphasis added). To that end, Petitioners assert that the legislature implemented Chapter 20 of the Act to accomplish that particular goal.

With regard to alleged discrepancies between the Act and the Regulations, Petitioners first argue that the Regulations allow entities that are not existing permit holders to apply for CR status in violation of the plain language of the Act. Petitioners note that under section 2001, a CR is defined as one who "(1) holds a permit as both a grower/processor and a dispensary" (First Requirement), and "(2) has a contractual relationship with an [ACRC] under which the [ACRC] or its affiliate provides advice to the entity, regarding, among other areas, patient health and safety, medical applications and dispensing and management of controlled substances" (Second Requirement). 35 P.S. §10231.2001. Petitioners state that, despite these two items being prerequisites to applying for CR status under the Act, section 1210.27 of the Regulations does not treat the First Requirement as a prerequisite. As noted above this section, *inter alia*, requires the Applicant to provide the name of the ACRC with which it intends to partner, a copy of the contract with the ACRC, evidence that the applicant

is capable of operating as a CR, and applications for grower/processor and dispensary permits. 28 Pa. Code §1210.27. Petitioners argue that the omission of the First Requirement as a prerequisite is contrary to the plain words of the Act and that the Department cannot "treat one as a pre-requisite [sic] but not the other." (Petitioners' Application for Preliminary Injunction at 13.)

Further on this point, Petitioners argue that the notion that the General Assembly intended only existing permittees to be able to apply for CR status is supported by the fact that it strictly limited the number of grower/processor and dispensary permits, which created competition and resulted in a rigorous application process and the selection of the best applicants. Petitioners state that it would be "an absurd result" for the General Assembly to make high quality medical marijuana research the goal of the Act, only to allow entities other than ones that "emerged victorious" from that competitive permitting process to partner with ACRCs to do the "high quality" research. *Id.*

Second, Petitioners argue that the Regulations create a CR/ACRC structure that violates the Act in numerous ways. Petitioners assert that the Regulations' requirement that the applicant have a contractual relationship with an ACRC as a prerequisite creates a situation in which the ACRC, not the Department, vets and chooses medical marijuana permittees, in violation of the Act and Article 2, section 1 of the Pennsylvania Constitution, which requires governmental functions to be conducted by governmental bodies.[15] Specifically, Petitioners state that by making the Second Requirement a prerequisite for a CR application but not the First Requirement—that applicants hold a permit—the Regulations arbitrarily delegate to

[15] This section states: "The legislative power of this Commonwealth shall be vested in a General Assembly, which shall consist of a Senate and a House of Representatives." PA. CONST. art. 2, §1.

each ACRC the Department's governmental duty to vet and approve medical marijuana grower/processor and dispensary applicants for permits, which is unconstitutional. Petitioners explain that, under the Regulations, the primary criterion for CR status is that the CR applicant have a contract with an ACRC, and note that the CR applicant need only include one ACRC in its application. 28 Pa. Code §1210.27.

Thus, Petitioners contend that the result is that the ACRC determines, by privately-negotiated contract, the single entity that may apply to be that ACRC's CR, and the CR applicant need not already be vetted and permitted by the Department as a grower/processor and dispensary. Petitioners observe that the Department has provided no criteria to evaluate the quality of a CR, which leaves that determination to the ACRCs and equates to an unconstitutional delegation of authority. Further, according to Petitioners, this would result in the Department being faced with a *fait accompli* with regard to CR applicants that are not existing grower/processor and dispensary permittees under Chapter 6—either accept the ACRC's choice or deny the CR's application—instead of the Department exercising its discretion to select the best applicant from a pool. Petitioners also assert that nothing in the Regulations allows the Department to reject a CR application based upon the conclusion that a CR is not fit to operate a grower/processor or dispensary facility.[16]

The third way in which Petitioners argue that the Regulations are inconsistent with the Act is that the Regulations permit CRs to engage in the

[16] Petitioners contend that the only reason listed in the Regulations for rejecting a CR applicant is under section 1210.30(b), which permits the Department to deny a CR application for failure to comply with the Department's measures designed to eliminate "pay to play" concerns—specifically, according to Petitioners, the concern that an applicant or its affiliates would circumvent the application process by "buying" its way into permits via direct or indirect financial payments to ACRCs in order to secure the prerequisite ACRC contract. *See* 28 Pa. Code §1210.30.

unrestricted sale of medical marijuana products, whereas the Act limits a CR to growing and dispensing medical marijuana for research purposes only. Petitioners argue, "**Titles matter in statutory construction**, 1 Pa. C.S. § 1924, and the title the General Assembly chose for **Chapter 20** speaks volumes: '**Academic Clinical Research Centers.**'" (Petitioners' Brief at 24) (emphasis added). Petitioners contend that 28 Pa. Code §1210.23(b),[17] which permits CRs to dispense medical marijuana products to those presenting a valid identification card, violates the text and intent of the Act because section 2002 does not state that a CR is permitted to provide medical marijuana for non-research purposes. In this instance, Petitioners state that it is just as important to "listen attentively to what [the Act] does not say." (Petitioners' Brief at 25) (quoting *Hanaway v. Parkesburg Group, LP*, 168 A.3d 146, 154 (Pa. 2017)).

Petitioners observe that section 2003 of the Act "expressly acknowledges and reserves" to the CR and ACRC the confidentiality and value of intellectual property acquired through research authorized under the Regulations, thereby recognizing that the economic value of intellectual property that can be acquired through research is sufficient to justify the investment required for a medical marijuana grower/processor

---

[17] This portion of the Regulations states:

> A dispensary permit held by an approved clinical registrant for use under this chapter may be used to dispense medical marijuana products at no more than six separate locations as approved by the Department. **An approved clinical registrant may dispense medical marijuana products to a patient or caregiver who presents a valid identification card** to an employee who is authorized to dispense medical marijuana products at a dispensary location operated by an approved clinical registrant under this chapter.

28 Pa. Code §1210.23(b) (emphasis added).

facility dedicated solely to research. (Petitioners' Application for Preliminary Injunction at 16.) Here, Petitioners cite to a fiscal note by the House Appropriations Committee accompanying the passage of the Act on April 13, 2016, which states, in pertinent part, "A clinical registrant is an entity registered as a grower/processor and a dispensary that has a contractual relationship with a hospital/medical school. The clinical registrant, upon approval the of rhw Department, may dispense medical marijuana to the hospital/medical school in order to conduct research projects." Ann Bertolino, House Committee on Appropriations Fiscal Note, available at http://www .legis.state.pa.us/WU01/LI/BI/FN/2015/0/SB0003P1690.pdf.[18]

Finally, Petitioners argue that the Regulations[19] ignore the text and intent of the Act by impermissibly expanding the Act's limited permission for CRs to "exchange . . . medical marijuana seed" amongst themselves for "the conduct of research" by permitting unrestricted commerce unrelated to research in all medical marijuana products, including immature plants, mature plants, and medical marijuana products, between and amongst CRs and other medical marijuana growers and dispensaries. 35 P.S. §10231.2003(3). Petitioners argue that the Act is "unequivocal" in limiting these exchanges to seed only, noting that the only reference to a CR's sales outside of the confines of the CR relates exclusively to research, and the Regulations directly flout that restriction. (Petitioners' Application for Preliminary Injunction at 17.)

[18] It is unclear, however, what precedential value the fiscal note has with regard to this Court's interpretation of the Act.

[19] 28 Pa. Code §1210.36 allows the grower/processor of an approved CR to sell or exchange seeds, immature and mature marijuana plants, and medical marijuana products with other grower/processors of approved CRs for the purposes of conducting research.

In sum, Petitioners argue that the first reason they are likely to succeed on the merits is because the Act created CRs as research laboratories, which would recoup their investments by creating valuable intellectual property; however, Petitioners state that the Regulations "turn CRs into super-permittees chosen by ACRCs in privately-negotiated contracts that compete directly with Petitioners and other existing permittees to produce and sell medical marijuana products to patients." (*Id.* at 5.) Thus, Petitioners conclude that the Regulations have "little relation" to the language or intent of the Act. (Petitioners' Brief at 27.)

With regard to Petitioners' second argument regarding likelihood of success on the merits, Petitioners argue that the Regulations fail to track the meaning of the Act, are unwise, and are violative of legislative intent. Petitioners contend that the Regulations, as interpretative regulations rather than legislative, are entitled to less deference, and in this case, are entitled to no deference at all because of their inconsistency with the Act under which they were promulgated.

Petitioners also argue that the manner in which the Department promulgated the Regulations is likewise troubling. Petitioners assert that, although section 1107 of the Act provided that the Department may promulgate temporary regulations without regard to the Commonwealth Documents Law, the Regulatory Review Act, and the Commonwealth Attorneys Act, the Department could have utilized the process required under those laws and "arrived at the same point with regulations adopted using the appropriate procedural requirements." (Petitioners' Brief at 30.)

The Court concludes that, at this preliminary point in the proceedings, Petitioners have presented sufficient evidence demonstrating a reasonable likelihood of success on the merits in at least two aspects. First, based upon the arguments advanced by Petitioners, the Regulations appear to be inconsistent with the legislative

intent of Chapter 20, which was to permit distribution of medical marijuana for purposes of and in conjunction with research studies conducted jointly with ACRCs. This is supported by the titles the legislature chose for Chapter 20, "Academic Clinical Research Centers," and for section 2003, "Research study." Further section 2003 specifically states, "[T]he [D]epartment may, upon application, **approve the dispensing of medical marijuana by a [CR] to the [ACRC] for the purpose of conducting a research study.**" 35 P.S. §10231.2003 (emphasis added). Nothing in Chapter 20 of the Act appears to contemplate the sanctioning of commercial distribution of medical marijuana on a level that surpasses that which is permitted under Chapter 6.

It is of note that under Chapter 6, permittees are limited to dispensing at a maximum of **three separate locations**, with a restriction of no more than two grower/processor permits in each of the medical marijuana regions, whereas, under the Regulations, Chapter 20 permittees are permitted to distribute medical marijuana at up to **six locations**, with no more than three of its dispensaries to be located in the same medical marijuana region or county. *Compare* 28 Pa. Code §1141.23 (limitations on permits under Chapter 6), *and* Department of Health, Office of Medical Marijuana Bulletin No. 17-21, at 73 (Issued Jan. 7, 2017) (announcing Phase I), *with* 28 Pa. Code §1210.23(c) (limitations on permits under Chapter 20).

The Court also notes Petitioners' observation that, despite Chapter 20's apparent goal of research, the Regulations appear to require only a minimal commitment to research in order for a CR to obtain and retain a permit. Specifically, with regard to its plan for research, a CR applicant need only include a copy of its contract with a certified ACRC and a "description of the research projects the applicant and the certified ACRC intend to conduct." 28 Pa. Code §1210.27(7)(i)-(ii).

Moreover, under section 1210.31 of the Regulations, the only instance listed in which the Department will not renew a CR's approval is

> if the Department determines that **none** of the dispensary locations under the dispensary permit held by the approved [CR] are participating in an approved research project and the approved [CR] does not intend to commence any additional approved research projects within the first 6 months following the approval of its application for renewal.

28 Pa. Code §1210.31 (emphasis added). As Petitioners note in their application for a preliminary injunction, "[s]tated differently, the Chapter 20 Regulations as adopted required a CR to focus only 8% of its efforts on research (that is, during a one-year operating horizon, it must state that it 'intends' to conduct research over a 6-month period at 16% of its dispensary locations)." (Petitioners' Application for Preliminary Injunction at 11.)

Additionally, the legislature's choice to include a specific provision in section 2003(1)(v) of the Act regarding the reservation of intellectual property rights further supports the notion that Chapter 20 permittees were designed as research facilities and were not intended to engage in commercial distribution. Section 2003(1)(v) states that "the department may not require disclosure of any information that would infringe upon the [ACRC]'s exclusive right to intellectual property or legal obligations for patient confidentiality." 35 P.S. §10231.2003(1)(v). The Court finds meritorious Petitioners' argument that this section could be construed as the legislature's recognition that "the economic value of intellectual property that can be acquired through medical marijuana research studies and clinical trials is sufficient to justify the investment required for a medical marijuana grower/processor facility and related dispensaries dedicated solely to research, without any additional income stream

from the commercial sale of medical marijuana products outside of research studies and clinical trials." (Petitioners' Application for Preliminary Injunction at 16.)

In sum, it appears to the Court that the legislature did intend for CRs to exist exclusively for research purposes, since, otherwise, Chapter 20 would serve no purpose. If the legislature desired to simply increase the number of grower/processor and dispensary permits in urban areas, as Mr. John J. Collins, Director of the Office of Medical Marijuana testified, it could have done so by adding such a provision with specific geographical restrictions in Chapter 6. Likewise, if, as the Department contends, the legislature intended for some commercial medical marijuana entities to *also* conduct research, it could have added such a provision in Chapter 6. However, as Petitioners observe, since the legislature did neither of these things and instead chose to create a separate Chapter 20, this would suggest that it desired for these organizations to perform a function separate and unlike that of the organizations set forth in Chapter 6—namely, research, as the title of the chapter suggests. This interpretation is corroborated by the remarks of representatives of the General Assembly during floor debate. *See* Pa. Legislative Journal, Session of 2016, 200th of the General Assembly, No. 12, at 370 (Mar. 16, 2016) (Representative Joseph A. Petrarca) ("[The Act] creates a serious research component as has been asked for by many."); Pa. Legislative Journal, Session of 2016, 200th of the General Assembly, No. 23, at 636 (Apr. 13, 2016) (Representative Ron Marsico) ("**[The Senate's amendments did not change] the robust research component, one run by the Department of Health and the other by medical schools and hospitals.**" (emphasis added)). The two types of research programs Representative Marsico referred to are those set forth in Chapters 19 and 20, as outlined above.

In her amicus brief in support of the Department, Representative Watson makes several points, including that Chapter 20 was passed with two important goals in mind:

> First, to build an unprecedented collaboration between the most important research institutions in the Commonwealth and medical cannabis organizations with a research-based, clinically-oriented focus. Second, to make Pennsylvania a pioneer by mandating the development and execution of meaningful research on the efficacy of medical marijuana, the measurement of public health outcomes and patient quality of life.

(Rep. Watson's amicus brief at 2.) Representative Watson also states that the requirement that CRs have a minimum of $15,000,000 in capital is evidence "that the General Assembly meant to promote a separate pool of applicants for CRs with sufficient resources to invest in state-of-the art [sic] facilities and mechanisms to provide research." *Id.* at 8. These arguments, however, provide further support for the notion that the Department exceeded the scope of the Act by permitting CRs, *which were designed to conduct research*, to commercially sell medical marijuana on a scale that exceeds that which is authorized under Chapter 6.

Representative Watson observes that the Regulations require an entity possessing commercial permits under Chapter 6 that desires to become registered as a CR under Chapter 20 to surrender its permits, which are then placed back into the pool of available commercial permits. 28 Pa. Code §1210.28. However, this would suggest that CRs are not to conduct "commercial" activity and supports the point that CRs were designed to make their profits from intellectual property rather than commercial sales.

Representative Watson goes on to address Chapter 19 of the Act, stating, "In contrast [to Chapter 20], Chapter 19 establishes a medical marijuana research program for commercial permittees to engage in research if desired." (Rep. Watson's

amicus brief at 12.) She states that Chapter 19 directs the Department to develop the research program "to study the impact of medical marijuana on the treatment and symptom management of serious medical conditions," but notes that the program "shall not include a [CR] or [ACRC] under Chapter 20." *Id.* (quoting 35 P.S. §10231.1902). Representative Watson then cites to a February 13, 2018 letter to Mr. Collins that she authored along with Senator Mike Folmer, the "prime sponsor of Senate Bill 3":

> [C]linical registrants are medical marijuana organizations and are therefore allowed to sell medical marijuana products to any dispensary. This is because clinical registrants hold both a permit as a grower/processor and as a dispensary and because the exception to the definition of "medical marijuana organization" only includes a health care medical marijuana organization under Chapter 19. Under the act, a dispensary may obtain medical marijuana products from any grower/processor.

(Rep. Watson's amicus brief at 13.)[20] She contends that, had it been the legislature's intent, it could have included a provision limiting the ability of a CR to dispense medical marijuana, similar to that in Chapter 19, which excepts CRs and ACRCs from that research program.

Representative Watson is correct that Chapter 6 of the Act provides that both grower/processors and dispensaries "shall be authorized to receive a permit to operate as a medical marijuana organization to grow, process or dispense medical marijuana." 35 P.S. §10231.601. However, Representative Watson's point that the Act implicitly designates CRs as medical marijuana organizations authorized to commercially dispense medical marijuana is not supported by the Act. Only section

[20] Notably, this letter does not constitute legislative history and it is unclear what precedential value the letter has, if any, upon this Court.

1210.30(d) of the Regulations raises this issue, where it states that CRs shall have the same rights and obligations as "medical marijuana organizations." 28 Pa. Code §1210.30(d).[21] The Act does not make reference to nor designate CRs as medical marijuana organizations, which is simply further evidence that the Regulations do not track the language of the Act.

Thus, for the foregoing reasons, the Court cannot agree with the Department that, at this juncture, Petitioners have not demonstrated any likelihood of success on the merits because the "[R]egulations at issue in this case merely mirror the requirements of the [Act]." (Department's Brief at 18.)

Petitioners have also demonstrated a reasonable likelihood of success on their argument that the Regulations, by delegating the choice of CRs to ACRCs, may run afoul of Article 2, section 1 of the Pennsylvania Constitution. Pursuant to Article II, section 1 of the Pennsylvania Constitution, legislative power rests solely with the legislature. "Legislative power is the power to make a law and, thus, the General Assembly 'cannot constitutionally delegate the power to make law to any . . . other body or authority.'" *Washington v. Department of Public Welfare*, 71 A.3d 1070, 1087 (Pa. Cmwlth. 2013) (quoting *Blackwell v. State Ethics Commission*, 567 A.2d 630, 636 (Pa. 1989)).

---

[21] This section states:

> An approved clinical registrant shall have the same rights and obligations as a medical marijuana organization that holds a grower/processor permit or a dispensary permit under sections 601-616 of the [A]ct (35 P.S. §§ 10231.601-10231.616) and Chapters 1141, 1151 and 1161 (relating to general provisions; growers/processors; and dispensaries), as applicable, subject to any modifications or limitations in sections 2001-2003 of the [A]ct (35 P.S. §§ 10231.2001-10231.2003) and this chapter.

28 Pa. Code §1210.30(d).

> Nevertheless, the legislature can make a law to delegate a power to determine some fact or state of things upon which the law makes, or intends to make, its own action depend. The legislature must make the basic policy choices, but it can impose upon others the duty to carry out the declared legislative policy in accordance with the general provisions of the statute. In that situation, it is the legislature which has legislated and not the administrative body.

Washington, 71 A.3d at 1088 (internal citations and quotation marks omitted). However, when the legislature delegates such power, it "must surround such authority with definite standards, policies and limitations to which such administrative officers, boards or commissions, must strictly adhere and by which they are strictly governed. If the legislature fails . . . to prescribe with reasonable clarity the limits of the power delegated or if those limits are too broad its attempt to delegate is a nullity." *Bell Telephone Co. of Pennsylvania v. Driscoll*, 21 A.2d 912, 915-16 (Pa. 1941).

In her amicus brief, Representative Watson argues that the Regulations do not delegate to ACRCs the authority to approve CRs and emphasizes that the requirement for a CR to have a contractual relationship with an ACRC is "one of *many* requirements imposed on the CR for registration under the Act." (Rep. Watson's amicus brief at 10.) However, the Court observes that, under the current Regulations, ACRCs apply for and receive approval *prior* to CRs. Within its application, an ACRC must list any payments it received from the CR with which it intends to partner. 28 Pa. Code §1210.25(c)(3). Moreover, under the Regulations, a CR applicant must produce a copy of its contract with the ACRC in conjunction with its application form. As Petitioners note, this may raise constitutional concerns in that it creates the appearance that the Department has delegated its duty to regulate the medical marijuana program by allowing ACRCs, at the very least, to narrow the field of CR applicants, given that ACRCs must already have selected the CR with which they intend to partner by the

time they submit their applications. Prospective CRs who have not, at that point, partnered with an ACRC seem to be *per se* disqualified from obtaining CR approval.[22] This is of particular concern in light of the fact that, during the hearing, the Court heard testimony that some of the potential CRs with which ACRCs have partnered were previously rejected by Department under Phase I.[23] Accordingly, for the these reasons, the Court concludes that Petitioners have demonstrated a reasonable likelihood of success on the merits.

2. Immediate and Irreparable Harm

Petitioners argue they will be irreparably harmed if the Regulations remain in effect pending resolution of this litigation because, by permitting non-permit winners to apply for CR status based solely upon the ability to secure a contract with an ACRC, the Regulations "rob Petitioners, who are existing permit winners, of significant value that will be lost forever" if the Regulations are implemented and the CR application process commences. (Petitioners' Application for Preliminary

---

[22] In their applications, a potential CR must list the name of the certified ACRC with which it intends to partner, any payments made by the applicant to the ACRC, and a copy of its research contract with a certified ACRC, as well as a description of the research projects it intends to conduct with the certified ACRC. 28 Pa. Code. §1210.27(b)(2), (4), (7)(i), 7(ii). Thus, if a CR applicant is unable to form a partnership with an ACRC, it would not be able to include those required sections in its application and, as such, would presumably be denied approval. *See* 28 Pa. Code §1210.27(b) (stating that "[a]n application for approval of a [CR] submitted under this section **must include**" all of the listed items (emphasis added)).

[23] The Court is specifically referencing the testimony of Mr. Goldrath, who testified that Palliatech PA LLC, a company that applied for and was rejected during Phase I having been ranked 105 out of 177 applicants, has partnered with an ACRC. *See also* PENNSYLVANIA DEPARTMENT OF HEALTH, "Phase 1 Grower/Processor Applicant Evaluation Category Score Cards," at 9, http://www.health.pa.gov/My%20Health/Diseases%20and%20Conditions/M-P/MedicalMarijuana/Documents/PA%20DOH%20Phase%201%20Grower-Processor%20Evaluation%20Category%20Score%20Cards.pdf. The Court found Mr. Goldrath's testimony credible in its entirety.

Injunction at 4.) Additionally, Petitioners state that expanding the universe of potential CR applicants beyond existing permittees to include entities that have not already been approved as "worthy permit holders" by the Department—including entities who sought and were denied permits—dilutes Petitioners' hard-won rights as permittees and diminishes the value of their permits and, further, violates section 2001 of the Act, which defines a CR as an entity possessing both a grower/processor and dispensary permit. *Id.*

Petitioners further argue that the Regulations will cause immediate and irreparable harm to Petitioners because the "super-permits" they create will allow what the Act intended as research-only CR assets to be used to flood the commercial market for medical marijuana with products from up to 8 additional grower/processors and 48 additional dispensary locations. *Id.* Additionally, Petitioners state that, if non-permit holders are permitted to compete with Petitioners for CR status, Petitioners will be irreparably harmed because the pool of potential CR applicants will increase dramatically and their chances of securing CR status will decrease—a scenario, Petitioners state, they were not aware of when they invested in the permit process under Chapter 6 of the Act. Finally, Petitioners state that the CR process the Regulations initiate, once underway, will not be easily halted, reversed, or unwound even with a future ruling on the merits that invalidates the Regulations.

In response, the Department asserts that increased competition in a free market and potential lost profits due to that increased competition does not equate to irreparable harm. The Department cites *County of Luzerne v. Luzerne County Retirement Board*, 882 A.2d 531, 535 (Pa. Cmwlth. 2005), in which this Court held that the county did not demonstrate immediate and irreparable harm because the payment of current and prospective legal fees would not have impaired the actuarial soundness of a retirement fund.

The Department is correct that courts have held that there is no immediate and irreparable harm where a solely monetary injury is able to be adequately compensated by money damages, *id.*, or where the nature of the irreparable harm is speculative, *Novak v. Commonwealth*, 523 A.2d 318, 320 (Pa. 1987). However, courts have also held that, "[w]ith respect to equitable relief, the impending loss of a business opportunity is considered to be irreparable harm. An irreparable injury causes damage which can be estimated only by conjecture and not by an accurate pecuniary standard." *Carlini v. Highmark*, 756 A.2d 1182, 1188 (Pa. Cmwlth. 2000) (internal citations and quotation marks omitted).

Here, Petitioners have alleged an immediate loss of business value when the Regulations were implemented, as well as an imminent erosion of their market share when the permits are granted. Given that neither of these types of losses appear to lend themselves to precise valuation by an accurate pecuniary standard, Petitioners' imminent harm is fairly classified as immediate and irreparable.[24]

---

[24] Here, the Court relies on Mr. Mooney's testimony during the hearing that Petitioners' "[m]arket share is going to go down relative to what it would be absent [the increase in supply of medical marijuana created by the Regulations]. So while we can't quantify that necessarily, it is . . . going to happen." (N.T., 5/3/18, at 93-94.) Mr. Mooney further testified,

> [Petitioners] would not [be able to realize the return that they originally anticipated] because, again, the volume of sales which all flows into the model of returns and [] value of a company, that all feeds the profits that investors value companies off of. That volume of sales will decrease and it will never come back. And these companies have not been able to establish themselves in the market to the level where they know, I've achieved this level of sales and then I know what it's going to drop to. That is—this is a new market, again. It's unknown what their sales record is going to be. They just started.

Id. at 94. The Court found Mr. Mooney's testimony, which establishes that it is not possible at this stage to assign an economic value to Petitioners' impending loss, credible in full.

Furthermore, courts of this Commonwealth have held that irreparable harm is demonstrated where a party credibly alleges violation of a statute and/or the Pennsylvania Constitution. *See SEIU Healthcare Pennsylvania v. Commonwealth*, 104 A.3d 495 (Pa. 2014) (reversing this Court's denial of a preliminary injunction holding that irreparable harm was demonstrated where the offending conduct was alleged to have violated both state statute and the Pennsylvania Constitution); *Milk Marketing Board v. United Dairy Farmers Co-op Association*, 299 A.2d 191 (Pa. 1973) (plurality) (affirming a finding of irreparable harm where the petitioners violated a state statute by selling milk below the minimum prices mandated by state law); *Pennsylvania Public Utility Commission v. Israel*, 52 A.2d 317 (Pa. 1947) (affirming the issuance of a preliminary injunction where the petitioners violated a state statute requiring taxicabs to have a certificate of public convenience); *Commonwealth ex rel Corbett v. Snyder*, 977 A.2d 28 (Pa. Cmwlth. 2009) (affirming the issuance of a preliminary injunction and a finding that irreparable harm is presumed where there was a credible violation of the consumer protection law).

Here, the Court finds that Petitioners have also sufficiently demonstrated immediate and irreparable harm where they have credibly alleged that the Department has adopted Regulations that violate the Act under which they were promulgated and violate the Pennsylvania Constitution. Accordingly, the Court concludes that Petitioners have met the immediate and irreparable harm requisite.

3. Greater Harm from Refusing Injunction

Petitioners contend that the harm they will suffer if refused a preliminary injunction is greater than the harm that would result for the Department or any other party if the injunction were granted. Specifically, Petitioners allege that neither the Department, nor potential CR applicants, will suffer harm if the process is put on hold

until the disparity between the Act's research-only intent for CRs and the Regulations' permit implementation is resolved. Petitioners state that if the CR/ACRC process is put on hold pending resolution of the fundamental CR/ACRC issues Petitioners raise, the only effect will be to delay implementation of the Regulations' "watered-down" research program while the Court considers whether the Act requires, as Petitioners contend, a much more robust research-only CR program to be conducted by permittees that the Department has already found to be most qualified. (Petitioners' Application for Preliminary Injunction at 20.)

Further, Petitioners state that a stay of the Regulations will provide existing permittees that desire CR status clarity on the issue of whether CR status is research-only, which may have a determinative effect on their decision to seek CR status at all. Likewise, Petitioners argue that entities seeking CR status that are not existing permittees will benefit from that determination. Thus, overall, Petitioners urge that the balancing of harms weighs heavily in favor of granting a preliminary injunction.

The Department responds by arguing that "[a]ny delay in implementation of the research provisions of the Act will result in grave harm to the public, which will face a delay in receiving the fruits of that research." (Department's Brief at 28.)

The Court takes particular note of the testimony of Mr. Collins at the hearing that it will take the Office of Medical Marijuana "a considerable amount of time" to review the CR applications, which are due July 12, 2018, and that, based upon what the Department observed during Phase I of the Chapter 6 process, it will take approximately one year from receipt of a permit for a CR to be able to release medical marijuana product and to "hav[e] it available for sale." (N.T., 5/2/18, at 124-25.) Mr. Collins' testimony was that the grant of a preliminary injunction in this case would be "quite simply, horrific" in that it would be "extremely disruptive to the patients that are

suffering in Pennsylvania." *Id.* at 125.[25] However, Mr. Collins' testimony overlooks the fact that Chapter 6 permittees already are currently dispensing medical marijuana to patients in Pennsylvania with a valid identification card. Moreover, notwithstanding Mr. Collins' testimony, nothing in the Act provides that CRs are permitted to dispense directly to patients or to "have it available for sale." Rather, they are permitted under section 2003 to dispense to ACRCs. 35 P.S. §10231.2003.

Thus, the Court finds Petitioners have satisfied this requisite because the potential harm Petitioners would suffer from the denial of a preliminary injunction is greater than that of the Department should the preliminary injunction be granted.

4. Restoration of *Status Quo*

The Court must also inquire as to whether a preliminary injunction will properly restore the parties to their status as it existed immediately prior to the alleged wrongful conduct. *Summit Towne Center, Inc.*, 828 A.2d at 1001. Petitioners assert that a preliminary injunction will restore all interested parties to the *status quo* that existed prior to the Regulations' implementation, noting that (1) the Regulations were implemented on March 17, 2018; (2) ACRC applications were available on April 5, 2018, and filed as of May 3, 2018; and (3) CR applications will be made available on May 24, 2018, and filed as of July 12, 2018. The Court agrees with Petitioners that a preliminary injunction issued now, enjoining the Department from applying the

[25] Relatedly, in her amicus brief, Representative Watson acknowledges that "like the *entirety* of Chapter 19, the provisions contained in Section 2003 (relating to research study) are not yet operative. This section only becomes operative when [the Department] approves the dispensing of medical marijuana by a CR to an ACRC." (Rep. Watson's Amicus Brief at 12) (emphasis in original). This point reinforces that there is no public harm in granting a preliminary injunction, given that the harm the Department contends the public will suffer—lack of research and commercial availability of medical marijuana under Chapter 20—is *already* occurring in that section 2003 is *not presently* operative and, according to Mr. Collins' testimony, is not likely to be for approximately one year, even under the best of circumstances.

Regulations, will leave all parties as they were until the underlying issues are resolved. As such, the Court concludes that Petitioners have satisfied this requisite.

5. Reasonably Suited to Abate Offending Activity

The Court must also determine whether the preliminary injunction Petitioners seek is "reasonably suited to abate the offending activity." *Id.* Here, the issuance of a preliminary injunction enjoining the Department from applying the Regulations is reasonably suited to abate the Department's offending conduct because it will prohibit the Department from awarding permits under the alleged unconstitutional Regulations.

6. Not Contrary to Public Interest

Finally, the Court must determine whether Petitioners have demonstrated that a preliminary injunction will not adversely affect the public interest. *Id.* Petitioners argue that it is in the public's interest to foster "high quality" research in medical marijuana and its uses. 35 P.S. §10231.102(3)(iii). However, Petitioners contend that the Regulations, as promulgated, "will do little to advance that goal" because they impose only a *de minimis* obligation on CRs to undertake research, despite Chapter 20's exclusive focus on research and intention to authorize the production and dispensing of medical marijuana for use only in clinical trials and other research purposes. (Petitioners' Application for Preliminary Injunction at 5.) Petitioners contend that the public's interest lies in "taking the time to get it right" before the Regulations go into effect and the CR application process commences because the short wait that will be occasioned by a preliminary injunction will be worth the properly-structured formal CR/ACRC program. *Id.* at 6.

The Court finds that Petitioners have satisfied this final requisite for a preliminary injunction. As noted above, should it be determined that the Regulations

are in violation of either the Act or the Constitution, their application is *per se* injurious to the public. As such, maintenance of the *status quo* will protect, rather than harm, the public.

C. Bond and Automatic Supersedeas

Finally, Petitioners request that the bond required by Pa.R.C.P. No. 1531[26] be set at the nominal amount of $100.00, arguing that no entity will sustain reasonably foreseeable damages in the event that it is later determined that the requested preliminary injunction was wrongfully issued. Further, Petitioners request relief from an automatic supersedeas pursuant to Pa.R.A.P. 1736(b),[27] given that the standards for

---

[26] Rule 1531(b) provides,

> Except when the plaintiff is the Commonwealth of Pennsylvania, a political subdivision or a department, board, commission, instrumentality or officer of the Commonwealth or of a political subdivision, a preliminary or special injunction shall be granted only if
>
> > (1) the plaintiff files a bond in an amount fixed and with security approved by the court, naming the Commonwealth as obligee, conditioned that if the injunction is dissolved because improperly granted or for failure to hold a hearing, the plaintiff shall pay to any person injured all damages sustained by reason of granting the injunction and all legally taxable costs and fees, or
> >
> > (2) the plaintiff deposits with the prothonotary legal tender of the United States in an amount fixed by the court to be held by the prothonotary upon the same condition as provided for the injunction bond.

Pa. R.C.P. No. 1531(b).

[27] This rule provides:

vacating an automatic supersedeas are substantially similar to those required for granting a preliminary injunction.

In order for the Court to vacate automatic supersedeas under Pa.R.A.P. 1736, Petitioners "must make a substantive case on the merits, demonstrating the stay will prevent [P]etitioner[s] from suffering irreparable injury, and establishing other parties will not be harmed and the grant of the stay is not against the public interest." *Department of Environmental Resources v. Jubelirer*, 614 A.2d 199, 203 (Pa. 1989). Petitioners have met this standard for the reasons set forth in the preceding analysis regarding the application for preliminary injunction, and Petitioners' request to vacate the automatic supersedeas, should the Department appeal this order, is hereby granted. Likewise, the Court grants Petitioners' request to set the bond at the nominal amount of $100.00, as no party is likely to be monetarily harmed in the event it is later determined that the preliminary injunction was improperly granted.

Conclusion

In conclusion, this matter is justiciable because Petitioners have standing, the matter is sufficiently ripe, Petitioners' remedy lies with this Court, and pre-enforcement review is appropriate in this case given that Petitioners have alleged a constitutional violation, for which administrative proceedings would do little to resolve. Further, Petitioners have satisfied the stringent criteria for the grant of a preliminary injunction by sufficiently demonstrating at this stage of the proceedings a

---

> Unless otherwise ordered pursuant to this chapter the taking of an appeal by any party specified in Subdivision (a) of this rule shall operate as a supersedeas in favor of such party, which supersedeas shall continue through any proceedings in the United States Supreme Court.

Pa.R.A.P. 1736.

likelihood to succeed on the merits in that the Regulations apparently fail to genuinely track the meaning of the Act or to uphold the legislature's intent to implement a robust research program and, instead, appear to authorize commercial activity not provided for in the Act. In addition to the above, the Regulations appear to unlawfully delegate the Department's duty to issue the CR permits instead to ACRCs by first requiring from the CR applicant a contract with an ACRC, in violation of the non-delegation clause of the Pennsylvania Constitution. PA. CONST. art. 1, §2. There is *per se* harm when the Regulations violate the Act and Article 2, section 1 of the Pennsylvania Constitution. The issuance of the preliminary injunction will restore the parties to their prior *status quo* and promote the public interest by allowing a determination on the merits of this claim as to whether the Chapter 20 Regulations are consistent with the General Assembly's expressed intent to create a "high quality research" program for Pennsylvania's residents as opposed to another commercial component. The preliminary injunction will not impact current dispensation under Chapter 6 of the Act, nor research conducted pursuant to Chapter 19.[28]

Accordingly, the Court hereby grants Petitioners' application for a preliminary injunction enjoining the Department from applying the Regulations set forth in 28 Pa. Code §§1210.21-1210.37.

Patricia A. McCullough

PATRICIA A. McCULLOUGH, Judge

[28] Mr. Collins testified that, as of the date of the hearing, there were approximately "34,500 patients [] registered [for patient identification cards]" and "almost 15,000 [patient identification] cardholders." (N.T., 5/2/18, at 127.) Mr. Collins further testified that "24,800 dispensing events have occurred since February 15th [2018]." *Id.*

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

AES Compassionate Care, LLC, BAY, LLC, Chamounix Ventures, LLC, Cresco Yeltrah, LLC, GTI Pennsylvania, LLC, GuadCo, LLC, Ilera Healthcare, LLC, Keystone Center of Integrative Wellness, LLC, Pennsylvania Medical Solutions, LLC, Standard Farms, LLC, and The Healing Center, LLC, Petitioners	:	
	:	No. 233 M.D. 2018
v.	:	
Rachel L. Levine, MD, Acting Secretary, Pennsylvania Department of Health, Respondent	:	

ORDER

AND NOW, this 22nd day of May, 2018, the Court hereby orders the following:

1. The application for special relief in the nature of a preliminary injunction enjoining the Pennsylvania Department of Health (Department) from applying its March 17, 2018 temporary regulations, 28 Pa. Code §§1210.21-1210.37 (Regulations), relating to implementation of the academic research provisions of Chapter 20 of the Medical Marijuana Act (Act), Act of April 17, 2016, P.L. 84, 35 P.S. §§10231.2001-10231.2003, filed by AES Compassionate Care, LLC, BAY, LLC, Chamounix Ventures, LLC, Cresco Yeltrah, LLC, GTI Pennsylvania, LLC, GuadCo, LLC, Ilera Healthcare, LLC, Keystone Center of Integrative Wellness, LLC, Pennsylvania Medical Solutions, LLC,

Standard Farms, LLC, and The Healing Center, LLC (Petitioners) is hereby granted.

2. Petitioners shall post a bond pursuant to Pa.R.C.P. No. 1531 in the amount of $100.00.

3. In the event that Dr. Rachel Levine, Acting Secretary of Health, appeals this order, such appeal shall not act as an automatic supersedeas pursuant to Pa.R.A.P. 1736(b).

Patricia A. McCullough

PATRICIA A. McCULLOUGH, Judge

Certified from the Record

MAY 22 2018

and Order Exit

EXHIBIT C

2018 Act 43

MEDICAL MARIJUANA ACT - LEGISLATIVE FINDINGS AND DECLARATION OF POLICY, ACADEMIC CLINICAL RESEARCH CENTERS, CLINICAL REGISTRANTS, RESEARCH STUDY AND TEMPORARY REGULATIONS

Act of Jun. 22, 2018, P.L. 322, No. 43 **Cl. 35**

Session of 2018
No. 2018-43

HB 2477

AN ACT

Amending the act of April 17, 2016 (P.L.84, No.16), entitled "An act establishing a medical marijuana program; providing for patient and caregiver certification and for medical marijuana organization registration; imposing duties on the Department of Health; providing for a tax on medical marijuana organization gross receipts; establishing the Medical Marijuana Program Fund; establishing the Medical Marijuana Advisory Board; establishing a medical marijuana research program; imposing duties on the Department of Corrections, the Department of Education and the Department of Human Services; and providing for academic clinical research centers and for penalties and enforcement," in academic clinical research centers, further providing for chapter heading, providing for legislative findings and declaration of policy, further providing for definitions, providing for academic clinical research centers, further providing for clinical registrants and for research study and providing for temporary regulations.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Chapter 20 heading of the act of April 17, 2016 (P.L.84, No.16), known as the Medical Marijuana Act, is amended to read:

CHAPTER 20
ACADEMIC CLINICAL RESEARCH CENTERS **AND CLINICAL REGISTRANTS**

Section 2. The act is amended by adding a section to read:

Section 2000. Legislative findings and declaration of policy.

(a) Legislative findings.--It is determined and declared as a matter of legislative finding:

(1) Patients suffering from serious medical conditions deserve the benefit of research conducted in conjunction with the Commonwealth's medical schools to determine whether medical marijuana will improve their conditions or symptoms.

(2) The Commonwealth has an interest in creating a mechanism whereby the Commonwealth's medical schools and hospitals can help develop research programs and studies in compliance with applicable law.

(b) Declaration of policy.--The General Assembly declares as follows:

(1) It is the intention of the General Assembly to create a mechanism whereby this Commonwealth's medical schools and

hospitals may provide advice to grower/processors and dispensaries in the areas of patient health and safety, medical applications and dispensing and management of controlled substances, among other areas. It is the further intention of the General Assembly to create a mechanism whereby the Commonwealth may encourage research associated with medical marijuana.

(2) It is the policy of the Commonwealth to allow, in addition to the 25 grower/processors and 50 dispensaries initially authorized under section 616, the operation of additional grower/processors and dispensaries which will be approved by the department as clinical registrants. A clinical registrant is a grower/processor and a dispensary which has a contractual relationship with a medical school that operates or partners with a hospital to provide advice about medical marijuana so that patient safety may be enhanced.

Section 3. Section 2001 of the act is amended to read:

Section 2001. Definitions.

The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Academic clinical research center." An accredited medical school within this Commonwealth that operates or partners with an acute care hospital licensed within this Commonwealth **that has been approved and certified by the department to enter into a contract with a clinical registrant.**

"Clinical registrant." An entity that:

(1) [holds a permit as both a grower/processor and a dispensary; and] **is approved by the department as a clinical registrant;**

(2) has a contractual relationship with an academic clinical research center under which the academic clinical research center or its affiliate provides advice to the entity, regarding, among other areas, patient health and safety, medical applications and dispensing and management of controlled substances[.]; **and**

(3) is approved by the department to hold a permit as both a grower/processor and a dispensary.

Section 4. The act is amended by adding a section to read:

Section 2001.1. Academic clinical research centers.

(a) General rule.--An academic clinical research center must be approved and certified by the department before the academic clinical research center may contract with a clinical registrant. The accredited medical school that is seeking approval and certification from the department as an academic clinical research center must provide all information required by the department, including information for the individual who will be the primary contact for the academic clinical research center during the department's review of the application. The accredited medical school must also provide all information required by the department for any licensed acute care hospital that the accredited medical school will operate or partner with during the time that it may be approved and certified as an academic clinical research center by the department.

(b) Posting and publication of list.--The department shall post a list containing the name and address of each certified academic clinical research center on the department's publicly accessible Internet website and publish the list in the Pennsylvania Bulletin.

Section 5. Sections 2002 and 2003 of the act are amended to read:

Section 2002. Clinical registrants.

[Notwithstanding the limitations in section 616, the] **(a) Approval.--The** department may [register] **approve** up to eight clinical registrants. Each [entity] **clinical registrant** may provide medical marijuana at not more than six separate locations. The total number of locations authorized to dispense medical

The total number of locations authorized to dispense medical marijuana under this section shall not exceed 48. [The following apply with respect to this category of clinical registrant:

(1) A] **The grower/processor and dispensary permits issued to clinical registrants approved under this section shall be in addition to the 25 grower/processor and 50 dispensary permits issued by the department in accordance with section 616(1) and (2). The limitations relating to number and location in sections 616(1) and (2) and 603(d) do not apply. A clinical registrant may not hold more than one grower/processor and one dispensary permit. Once the department approves the entity as a clinical registrant, the entity shall comply with this chapter.**

(b) Requirements.--The following shall apply to clinical registrants:

(1) An entity seeking approval as a clinical registrant shall submit an application to the department in such form and manner as the department prescribes. The department shall ensure that the applicant meets the requirements of this act before approving the application to become a clinical registrant.

(2) An entity may be issued a permit as a grower/processor or dispensary before seeking approval as a clinical registrant. An entity may also apply for a permit as a grower/processor or a dispensary at the same time the entity seeks approval from the department as a clinical registrant.

(3) An entity seeking approval as a clinical registrant that does not already hold a permit as a grower/processor or a dispensary shall submit the applications required under Chapter 6. In reviewing an application, the department shall ensure that the entity meets all of the requirements for the issuance of a grower/processor permit or a dispensary permit, as applicable.

(4) When the department issues a permit as a grower/processor or a dispensary to an entity seeking approval as a clinical registrant, the issuance shall not be construed to reduce the number of permits for growers/processors and dispensaries authorized under section 616(1) and (2).

(5) Except as provided in section 607(1)(vi) and (2)(vi), an entity seeking approval as a clinical registrant must pay the fees and meet all other requirements under this act for obtaining a permit as a grower/processor and a dispensary.[, except as provided under section 607(1)(vi) and (2)(vi).

(2)] **Upon approval of the department, a clinical registrant shall be issued a grower/processor permit and a dispensary permit and shall be a medical marijuana organization. As a medical marijuana organization, a clinical registrant must comply with all the provisions of this act relating to medical marijuana organizations except as otherwise provided in this chapter.**

(6) The clinical registrant must have a minimum of $15,000,000 in capital. The department shall verify the capital requirement.

[(3)] **(7)** The clinical registrant must comply with all other requirements of this act regarding growing, processing and dispensing medical marijuana.

(8) A grower/processor facility owned by a clinical registrant may sell its medical marijuana products only to the clinical registrant's dispensary facilities and the dispensary facilities of other clinical registrants. The facility may sell seeds, medical marijuana plants and medical marijuana products to, or exchange seeds, medical marijuana plants and medical marijuana products with, any other grower/processor facility holding a permit under Chapter 6 or this chapter.

(9) A clinical registrant may petition the department, on a form prescribed by the department, for approval to sell certain of the medical marijuana products grown and processed by its grower/processor facility to other medical marijuana

organizations holding dispensary permits under Chapter 6. The petition must be accompanied by a written report of the clinical registrant's research findings with respect to the medical marijuana products which are the subject of the petition. The department shall approve the petition if it has been demonstrated that the medical marijuana products have a practical effect on patients which changes a recommendation within the medical field as indicated in the report submitted by the clinical registrant.

(10) A dispensary owned by a clinical registrant may dispense medical marijuana products to a patient or caregiver who presents a valid identification card to an employee who is authorized to dispense medical marijuana products at a dispensary location operated by the clinical registrant, regardless of whether the patient is a participant in a research study or program.

Section 2003. Research study.

[Notwithstanding any provision of this act to the contrary, the] **(a) Applicability.--The provisions of this section shall apply upon publication of the notice under section 2108.**

(b) Procedures.--The department may, upon application, approve the dispensing of medical marijuana by a clinical registrant to the academic clinical research center for the purpose of conducting a research study. The department shall develop the application and standards for approval of such dispensing by the clinical registrant. The following apply to the research study:

(1) The clinical registrant shall disclose the following information to the department in its application:

(i) The reason for the research project, including the reason for the trial.

(ii) The strain **and strength** of medical marijuana to be used [and the strength of the medical marijuana to be used] in the research study.

(iii) The anticipated duration of the study.

(iv) Evidence of approval of the trial by an accredited institutional review board[, including] **and** any other required regulatory approvals.

(v) Other information required by the department, except that the department may not require disclosure of any information that would infringe upon the academic clinical research center's exclusive right to intellectual property or legal obligations for patient confidentiality.

(2) The academic clinical research center shall provide its findings to the department within 365 days of the conclusion of the research study or within 365 days of publication of the results of the research study in a peer-reviewed medical journal, whichever is later.

(3) The department shall allow the exchange of medical marijuana seed between clinical registrants for the conduct of research.

Section 6. The act is amended by adding a section to read:

Section 2004. Temporary regulations.

(a) Promulgation.--In order to facilitate the prompt implementation of this chapter, the department shall promulgate temporary regulations that shall expire not later than two years following the publication of the temporary regulations. The temporary regulations shall not be subject to:

(1) Sections 201, 202, 203, 204 and 205 of the act of July 31, 1968 (P.L.769, No.240), referred to as the Commonwealth Documents Law.

(2) The act of June 25, 1982 (P.L.633, No.181), known as the Regulatory Review Act.

(3) Sections 204(b) and 301(10) of the act of October 15, 1980 (P.L.950, No.164), known as the Commonwealth Attorneys Act.

(b) Expiration.--The department's authority to adopt temporary regulations under subsection (a) shall expire six months after the

effective date of this section. Regulations adopted after this period shall be promulgated as provided by law.

(c) Publication.--The department shall begin publishing temporary regulations in the Pennsylvania Bulletin no later than 90 days after the effective date of this section.

Section 7. This act shall take effect immediately.

APPROVED--The 22nd day of June, A.D. 2018.

TOM WOLF

EXHIBIT D

NOTICES

DEPARTMENT OF HEALTH

Medical Marijuana Program; Availability of Academic Clinical Research Center and Clinical Registrant Applications; Time Period to Submit Applications

[48 Pa.B. 5423]
[Saturday, August 25, 2018]

The purpose of this notice is to announce implementation of sections 2000—2004 of the Medical Marijuana Act (act) (35 P.S. §§ 2000—2004), to give information regarding the availability of applications to be completed to become a certified academic clinical research center (ACRC) or a clinical registrant (CR) as described under 28 Pa. Code §§ 1211.25(b) and 1211.27(a) (relating to certifying ACRCs; and application for approval of a clinical registrant), respectively, and to establish the time period during which applications will be accepted by the Department of Health (Department).

Availability of Applications to be Approved as a Certified ACRC and Submission Deadline

Notice is hereby given, as required by section 2001.1(b) of the act (35 P.S. § 10231.2001.1(b)) and 28 Pa. Code § 1211.25(b) promulgated thereunder, that on September 6, 2018, the Department intends to make available, on its web site at www.health.pa.gov, the form of the application to be completed and submitted to the Department to be approved as a certified ACRC. The Department will accept applications until September 20, 2018. The Department will consider any application sent by mail to have been received on the date it is deposited in the mail as long as the postmark on the outside of the package is clear and legible. The Department will not consider and will return an application that is postmarked after the September 20, 2018, deadline. An applicant must submit an application by mail in an electronic format that is listed in the instructions portion of the application to the Office of Medical Marijuana, Department of Health, Room 628, Health and Welfare Building, 625 Forster Street, Harrisburg, PA 17120.

Availability of Applications for Approval of a CR and Submission Deadline

Notice is hereby given, as required by 28 Pa. Code § 1211.27(a), that on October 4, 2018, the Department intends to make available, on its web site at www.health.pa.gov, the form of the application required to be submitted to be approved as a CR. The Department will accept applications until November 8, 2018. The Department will consider any application sent by mail to have been received on the date it is deposited in the mail as long as the postmark on the outside of the package is clear and legible. The Department will return an application that is postmarked after the November 8, 2018, deadline. An applicant must submit an application by mail in an electronic format that is listed in the instructions of the application to the Office of Medical Marijuana, Department of Health, Room 628, Health and Welfare Building, 625 Forster Street, Harrisburg, PA 17120.

Interested persons are invited to submit written comments, suggestions or objections regarding this notice to John J. Collins, Office of Medical Marijuana, Department of Health, Room 628,

Health and Welfare Building, 625 Forster Street, Harrisburg, PA 17120, (717) 547-3047, RA-DHMedMarijuana@pa.gov.

Persons with a disability who wish to submit comments, suggestions or objections regarding this notice or who require an alternative format of this notice (for example, large print, audiotape or Braille) may do so by using the previously listed contact information. Speech and/or hearing-impaired persons may call the Pennsylvania AT&T Relay Service at (800) 654-5984 (TDD users) or (800) 654-5988 (voice users).

RACHEL L. LEVINE, MD,
Secretary

[Pa.B. Doc. No. 18-1328. Filed for public inspection August 24, 2018, 9:00 a.m.]

The Pennsylvania BULLETIN BULLETIN TOC • PREV • NEXT • NEXT BULLETIN • SEARCH • HOME

webmaster@PaBulletin.com

EXHIBIT E

Business (Http://Www.Philly.Com/Business) — Cannabis Coverage (http://www.philly.com/philly/business/cannabis)

He gave a $125k gift to Jefferson, expecting it would help get a marijuana growing license. Was it pay-to-play?

Updated: JUNE 22, 2018 — 12:10 PM EDT

(http://philly.reprintmint.com/006-default.html?src=http%3A%2F%2Fmedia.philly.com%2Fimages%2F250*250%2Fdixon-573229-f-wp-content-uploads-2018-06-1083355_81d65adb0c40182-e1529683805629-1077x717.jpg&verification=http%3A%2F%2Fmedia.philly.com%2Fimages%2Fdixon-573229-f-wp-content-uploads-2018-06-1083355_81d65adb0c40182-e1529683805629-1077x717.jpg&source=006&title=weed26-23032018-0001&caption=Thomas Jefferson University took a $125,000 donation for the Lambert Center for the Study of Medicinal Cannabis and H[illegible] from an aspiring marijuana grower.)

Buy Photo

STAFF

Thomas Jefferson University took a $125,000 donation for the Lambert Center for the Study of Medicinal Cannabis and Hemp from an aspiring marijuana grower.

by **Sam Wood**, Staff Writer @samwoodiii (http://twitter.com/samwoodiii) | samwood@phillynews.com (mailto:samwood@phillynews.com)

When Matthew Mallory promised to donate $250,000 to Thomas Jefferson University (https://www.jefferson.edu/)he expected something in return — an alliance with a major research university that would put him on an inside track to launch a business growing and selling marijuana.

Mallory made an initial payment of $125,000 to Jefferson in December 2016. He was bitterly disappointed two weeks later when "it was discovered that Thomas Jefferson would not be able to assist in securing the affiliation with a medical facility," Mallory's lawyer wrote to Jefferson's attorneys.

Mallory demanded his money back. He filed a complaint with the state Attorney General, which said Jefferson wasn't obliged to return the money because, as a charitable gift, it had been donated for the public good.

Now critics of Pennsylvania's novel marijuana research program are citing Mallory's payment to Jefferson as evidence of what they say is a form of "pay-to-play" infecting the state's embryonic plan to turn the Keystone State into a Silicon Valley of cannabis research and development. They are touting emails from Mallory's lawyer to Jefferson's attorney as demonstrating a crass exchange in which money was solicited to buy into the ground floor of a new pharmaceutical industry.

Mallory was told that "in order to receive support from Thomas Jefferson for the licenses, it would be necessary to make a $250,000 donation to Thomas Jefferson," his lawyer Mark M. Lyman wrote.

The emails were provided to the Inquirer and Daily News and are circulating widely among legislators in Harrisburg.

In his letter to the Attorney General, Mallory's attorney said a connection to Jefferson would help cement Mallory's relationship with an academic medical facility. People with knowledge of the matter identified the facility as Lake Erie College of Osteopathic Medicine in Erie. But LECOM dropped Mallory's company in January 2017 to align itself with Franklin Labs, a marijuana conglomerate that includes former Gov. Wolf adviser John Hanger (http://www.philly.com/philly/business/cannabis/wolf-admin-threatens-to-revoke-former-advisers-marijuana-permit-20171016.html) as its board chairman.

"If you look at it, [the accusations] certainly look like circumstantial pay-to-play," said Justin Moriconi, whose Elkins Park law firm Moriconi-Flowers (http://moriconiflowers.com/) represents several commercial marijuana companies. "It's caused a chilling effect."

Jefferson officials pinned the incident on a national consultant, Scott Hawkins, working for the Jefferson University's Lambert Center for the Study of Medicinal Cannabis and Hemp (https://www.jefferson.edu/university/emerging-health-professions/lambert-center.html).

But Hawkins, who was involved with soliciting the contribution, said "there was never a promise of special favor with the Commonwealth or any institution." Many groups approached the Lambert Center "to engage with the research community in Pa., better understand research protocols and expand their profile," he said, and some chose voluntarily to contribute.

Jefferson, for its part, said it made no promises to Mallory. The donation only gave Mallory's Pittsburgh-based company, Commonwealth Alternative Medicinal Options (http://camomedical.com/) (CAMO), the right to label itself a "founding supporter" of Jefferson's Lambert Center (https://www.jefferson.edu/university/emerging-health-professions/lambert-center.html), which its director describes as "the nation's first and only comprehensive academic resource for research and practice in the therapeutic use of cannabinoids."

The alliance with Jefferson, said Lambert Center Director Charles Pollack, would have shown Mallory's commitment to fund research into the drug. The affiliation might lend CAMO credibility on its applications to grow and distribute marijuana in the state, he said.

"But there was never a guarantee" to give Mallory a license, Pollack said."We had nothing we could promise. We felt we did nothing wrong."

Other founding supporters of the Lambert Center included The Tuttleman Family Foundation, PharmaCannis, PA Options for Wellness, and Keystone Wellness Research Fund, LLC. Oha Wellness, a group headed by former Philadelphia city solicitor Kenneth Trujillo, signed a pledge to support Lambert but did not write a check. None of the Lambert founding supporters has yet to win a permit from the state.

Mallory himself could not be reached for comment. His attorney, Mark M. Lyman (http://lymanlawus.com/attorneys/mark-lyman/), said he had little recollection of the complaint.

Accounts of the incident surfaced this week as the state House approved a rewrite of a key provision — called Chapter 20 (http://www.legis.state.pa.us/cfdocs/legis/LI/uconsCheck.cfm?txtType=HTM&yr=2016&sessInd=0&smthLwInd=0&act=016&chpt=20) — of the state's medical marijuana law.

Jefferson has long presented itself as a major player and prime mover behind the state's medical marijuana program.

The Chapter 20 provision — originally drafted in part by Jefferson University Hospital's former board chairman William Landman (http://mainlineco.com/team/) — created the nation's first state-sanctioned research program. The program is novel because it pairs university health systems with marijuana companies.

Bucks County Republican Rep. Kathy Watson (http://www.kathywatson144.com/) sponsored the original bill and said her caucus would not have voted to approve medical marijuana if the research component had not been included. Watson is also the author and sponsor of the rewritten law.

Landman, who remains on the Jefferson board, is a principal in Main Line Investment Partners (http://mainlineco.com/), a private equity group that created a company called MLH Explorations LLC to grow and sell marijuana in an alliance with Jefferson Health. In August, MLH Explorations (https://www.fallstwp.com/media/107479/1-23-18-pc-minutes.pdf) signed an agreement to build a state-of-the-art marijuana growing facility at the former U.S. Steel plant in Fairless Hills in the Keystone Industrial Port Complex. MLH's plan to operate at the Bucks County plant still awaits approval by the state Department of Health.

The state's once-heralded research program (http://www.philly.com/philly/business/cannabis/medical-marijuana-pennsylvania-research-jefferson-amendment-medical-schools-drexel-temple-20180326.html)is in legal limbo, the result of a lawsuit filed (http://www.philly.com/philly/business/marijuana-research-pennsylvania-growers-cr-acrc-jefferson-drexel-lecom-penn-20180419.html) by a group of commercial marijuana growers and dispensary owners who say the provision gives an unfair advantage to the hospital-aligned growers. The existing commercial marijuana businesses say the bill will formalize a second marijuana market that will put them out of business.

The state House of Representatives approved a rewrite of the law on Tuesday. The state Senate is expected to approve the bill on Friday. If Gov. Wolf signs it, the law will render the commercial growers' lawsuit moot. The new law explicitly grants the hospital-aligned marijuana companies the ability to enter the commercial market and sell marijuana to any patient with a state-issued medical marijuana card.

Watson says the rewritten bill represents a compromise and is a way of guaranteeing that some of the nation's best medical schools have a hand in conducting high-level research on marijuiana. "The four caucuses went over this forever to craft rules that would satisfy everybody," she said.

Judith Cassel, a Harrisburg attorney who is representing the commercial growers, says the rewritten law continues to include loopholes that "treat research as an afterthought" and that her clients, who were the highest scorers in the state's competitive application process, are willing and able to collect whatever research data any academic institution might need.

Andrew Sacks (http://www.sackswestondiamond.com/Attorneys/Andrew-Sacks.aspx), who also represents commercial growers, said the rewritten law leaves too many questions unanswered. And most of those questions revolve around how the university health systems have chosen their marijuana company partners.

Under the law, the hospital-aligned marijuana companies don't have to submit to the same competitive scoring process that the state subjected on the commercial growers, he said.

"We don't know the terms of the agreements, how much money exchanged hands," Sacks said. "The new statute doesn't provide for making that information public."

Keith Morgan (https://www.linkedin.com/in/keith-morgan-50b10084/), chairman of Holistic Farms and Pharma, operates a marijuana growing facility in New Castle in western Pennsylvania. Morgan, whose company is a plaintiff in the lawsuit, said he would "be very happy to participate in research on all levels."

"The state has defined policies for construction contracts," Morgan said. If you want to build a $20 million stadium, there's an open bidding process designed to avoid favoritism. It's pretty extreme. I don't know why that wouldn't apply to Temple, Pitt and Penn State, which are state universities. Why wouldn't they do a fully open bidding process for the marijuana partners?"

Published: June 22, 2018 — 12:20 PM EDT

EXHIBIT F

Curaleaf Holdings, Inc.

CSE FORM 2A

LISTING STATEMENT

DATED AS OF OCTOBER 26, 2018

Curaleaf Holdings, Inc. will derive a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Curaleaf Holdings, Inc. will be directly involved (through its licensed subsidiaries) in the cannabis industry in the United States where local state laws permit such activities. Currently, its subsidiaries and managed entities are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon; have a licensing application pending in the State of California; and have partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth of Pennsylvania.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C.§ 811), 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 drugunder 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 adult-use 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 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.

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 Memorandum (as defined herein). With the Cole Memorandum

rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

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 is currently legal, or if existing applicable state laws are repealed or curtailed, Curaleaf Holdings, Inc.'s business, results of operations, financial condition and prospects would be materially adversely affected. See Section 18 of this Listing Statement – Risk Factors for additional information on this risk.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators published a staff notice ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 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.

TABLE OF CONTENTS

SCHEDULES

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Listing Statement 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 Listing Statement that address activities, events or developments that the Resulting Issuer 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", "project", "expect", "target", "continue", "forecast", "design", "goal" or similar expressions and includes, among others, information regarding: expectations for the effects of the Business Combination; the potential benefits of the Business Combination; statements relating to the business and future activities of, and developments related to, the Resulting Issuer after the date of this Listing Statement, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Resulting Issuer's business, operations and plans, including new revenue streams; the completion of contemplated acquisitions by the Resulting Issuer of additional real estate assets or other possible acquisitions or dispositions (directly or indirectly) of businesses which may or may not be material and/or investment opportunities; the prepayment of debt; the roll-out of new dispensaries; the application for additional licenses and the grant of licenses that have been applied for; the renewal of licenses; the limitation on the ownership of licenses; 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 into additional United States, Canadian 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 Resulting Issuer operates; additional funding requirements; the payment of dividends; the Resulting Issuer's listing on the CSE under the symbol "CURA"; the grant of incentive stock options or other applicable awards; the entry into employment agreements with the Resulting Issuer's NEOs following the closing of the Business Combination; the payment of director compensation, the obtaining of customary insurance for the benefit of the Resulting Issuer's directors and the entry into indemnification agreements with the Resulting Issuer's directors; expectations for other economic, business, regulatory and/or competitive factors related to the Resulting Issuer or the cannabis industry generally; and other events or conditions that may occur in the future.

Resulting Issuer Shareholders 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 Resulting Issuer at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer, 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, but are not limited to: the unpredictability caused by the capital structure; the fact that the Resulting Issuer is a holding company; the dual-class structure that will be contained in the articles of the Resulting Issuer will have the effect of concentrating voting control and the ability to influence corporate matters with Mr. Boris Jordan, who currently holds directly or indirectly shares in the capital of Curaleaf; cannabis is a controlled substance under the *United States Federal Controlled Substances Act*; enforcement of cannabis laws could change; renewal of the Leahy Amendment would protect the medical cannabis industry; the market for cannabis could decline due to regulatory changes; risks related to additional financing; restricted access to banking; risk of civil asset forfeiture; anti-money laundering laws and regulations; lack of access to U.S. bankruptcy protection; heightened scrutiny by regulatory authorities; risk of legal, regulatory or political change; general regulatory and licensing risks; limitations on ownership of licenses; regulatory action and approvals from the *Food and Drug Administration*; litigation; difficulty in enforcing judgments and effecting service of process on directors and officers; environmental regulation; unknown environmental risks; failure to complete the contemplated minority buy-outs and committed acquisitions; risks related to Cetus Senior Debt; unproven business strategy; service providers; enforceability of contracts; reliance on management; competition; risks inherent in an agricultural business; unfavorable publicity or consumer perception; product liability; product recalls; results of future clinical research; difficulty attracting and retaining personnel; dependence on suppliers; reliance on inputs; co-investment risk; limited market data and difficulty to forecast; intellectual property risks; constraints on marketing products; fraudulent or illegal activity by employees, contractors and consultants; information technology systems, cyber-attacks and security breaches; reliance on management services agreements with subsidiaries and affiliates; website accessibility high bonding and insurance coverage; risks of leverage; future acquisitions or dispositions; management of growth; costs of being a public company; past performance not indicative of future results; financial projections may prove materially inaccurate or incorrect; tax risk related to controlled substances;

United States tax classification of the Resulting Issuer; economic environment; currency fluctuations; market price volatility risks; sales by existing shareholders; limited market for securities; global financial conditions; as well as those risk factors discussed in Section 18 of this Listing Statement below and other risks described from time to time in documents filed by the Resulting Issuer with Canadian securities regulatory authorities. Although the Resulting Issuer 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 Listing Statement and the Resulting Issuer does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

MARKET AND INDUSTRY DATA

This Listing Statement includes market and industry data that has been obtained from third-party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

CURRENCY

Unless otherwise indicated, all references to "$" in this Listing Statement refer to United States dollars and all references to "C$" in this Listing Statement refer to Canadian dollars.

1. GLOSSARY

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Listing Statement.

"**2019 Senior Unsecured Notes**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Financing Activities*".

"**2020 Senior Unsecured Notes**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Financing Activities*".

"**Affiliate**" has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators.

"**Agency Agreement**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – SR Offering*".

"**Agents**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Subscription Receipt Offering*".

"**Amalco**" means the corporation resulting from the Amalgamation.

"**Amalco Shares**" means common shares in the capital of Amalco.

"**Amalgamation**" means an amalgamation of LVI SubCo and Curaleaf FinCo pursuant to Section 269 of the BCBCA, on the terms and subject to the conditions set out in the Amalgamation Agreement and the Transaction Agreement, subject to any amendments or variations thereto made in accordance with the provisions of the Amalgamation Agreement and the Transaction Agreement.

"**Amalgamation Agreement**" means the amalgamation agreement to be entered into between LVI SubCo and Curaleaf FinCo pursuant to Section 269 of the BCBCA, to effect the Amalgamation.

"**Arizona Acquisition**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Arizona Convertible Note**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Financing Activities*".

"**Associate**" has the meaning ascribed thereto in the *Securities Act* (British Columbia).

"**ATCs**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – New Jersey – History*".

"**Audit Committee**" means the audit committee of the Resulting Issuer to be created upon closing of the Business Combination.

"**Awards**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Purpose*".

"**Bank Secrecy Act**" means the United States Currency and Foreign Transactions Reporting Act of 1970.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended.

"**Blackjack**" means Naturex II, LLC, doing business as Blackjack Collective.

"**Business Combination**" means the proposed business combination between, *inter alia*, LVI and Curaleaf pursuant to which Curaleaf will complete a reverse take-over of LVI, as more particularly described in the Transaction Agreement.

"**CBD**" has the meaning ascribed thereto under Section 18 of this Listing Statement – "*Risk Factors – Results of Future Clinical Research*".

"**CDS**" has the meaning ascribed thereto under Section 18 of this Listing Statement – "*Risk Factors – Heightened Scrutiny by Regulatory Authorities*".

"**Cetus**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Financing Activities*".

"**Cetus Senior Debt**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Financing Activities*".

"**Cetus Warrant**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Warrants*".

"**Co-Lead Agents**" means collectively, GMP Securities L.P. and Canaccord Genuity Corp., acting as co-lead agents and joint bookrunners in connection with the SR Offering.

"**Coattail Agreement**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Take-Over Bid Protection*".

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Cole Memorandum**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – History of United States Regulation of Cannabis*".

"**Company**" or "**Curaleaf**" means Curaleaf, Inc., a corporation existing under the laws of the State of Delaware (formerly, PalliaTech, Inc.).

"**Compensation Committee**" means the compensation committee of the Resulting Issuer to be created upon closing of the Business Combination.

"**Connecticut Minority Buy-Out**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Conversion Ratio**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Multiple Voting Shares – Conversion*".

"**CS-ATC**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – New Jersey – Curaleaf Licenses*".

"**CSE**" means the Canadian Securities Exchange.

"**CSE Policies**" means the rules and policies of the CSE in effect from time to time.

"**CTDCP**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – Connecticut – History*".

"**Curaleaf**" or the "**Company**" means Curaleaf, Inc., a corporation existing under the laws of the State of Delaware (formerly, PalliaTech, Inc.).

"**Curaleaf FinCo**" means 1177687 B.C. Ltd., a company existing prior to the completion of the Business Combination under the laws of the Province of British Columbia, which entity will be amalgamated with LVI Subco pursuant to the Business Combination.

"**Curaleaf FinCo Shares**" means the common shares in the capital of Curaleaf FinCo.

"**Curaleaf Florida**" means Curaleaf Florida, LLC.

"**Curaleaf LTIP**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities*".

"**Curaleaf MA**" means Curaleaf Massachusetts, Inc., a subsidiary of the Company.

"**Curaleaf Options**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities*".

"**Curaleaf Warrants**" means collectively, the Cetus Warrant and the Tranche 3 Warrants.

"**Diluted Share Count**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**DRH**" means Doubling Road Holdings, LLC, a Delaware limited liability.

"**DRH Minority Members**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**DRH Minority Membership Units**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Escrow Release Conditions**" means substantially the following conditions, collectively, and in each case, on or before the Escrow Release Deadline and in form and substance satisfactory to the Co-Lead Agents (on their own behalves and on behalf of other the Agents), all as satisfied and/or waived in form and substance satisfactory to the Co-Lead Agents:

(a) written confirmation from each of Curaleaf and LVI that all conditions to the completion of the Business Combination have been satisfied or waived, other than the release of the Escrowed Funds and the closing of the Business Combination, each of which will be completed forthwith upon release of the Escrowed Funds;

(b) the receipt of all shareholder and regulatory approvals required for the Business Combination;

(c) the distribution of: (i) the Curaleaf FinCo Shares underlying the Subscription Receipts, and (ii) the shares of the Resulting Issuer to be issued in exchange for the Curaleaf FinCo Shares pursuant to the Business Combination being exempt from applicable prospectus and registration requirements of applicable securities laws of Canada and the United States;

(d) the shares of the Resulting Issuer being conditionally approved for listing on the CSE and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of the Escrowed Funds;

(e) such other customary escrow release conditions requested by the Co-Lead Agents, on their own behalves and on behalf of the Agents, acting reasonably; and

(f) the delivery of a joint written notice from Curaleaf FinCo and the Co-Lead Agents (on their own behalves and on behalf of the other Agents) to the Subscription Receipt Agent confirming the satisfaction of the foregoing items (a) through (e).

"**Escrow Release Deadline**" means 5:00 p.m. (Toronto time) on December 31, 2018.

"**Escrowed Funds**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – SR Offering*".

"**Exchange Ratio**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Fair Market Value**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Licensing Provisions*".

"**FATCA**" means Foreign Account Tax Compliance Act.

"**FDA**" has the meaning ascribed thereto under Section 18 of this Listing Statement – "*Risk Factors – Regulatory Action and Approvals from the Food and Drug Administration*".

"**FinCEN**" has the meaning ascribed thereto under Section 18 of this Listing Statement – "*Risk Factors – Restricted Access to Banking*".

"**FIRPTA**" has the meaning ascribed thereto under Section 25 of this Listing Statement – "*Other Material Facts – Certain United States Federal Income Tax Consideration – Sale or Other Taxable Disposition*".

"**Florida Minority Buy-Out**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Gociter Contribution**" means the contribution by Gociter Holdings Ltd. of shares of Curaleaf common stock and other cash consideration to the Resulting Issuer immediately prior to the Merger, pursuant to which Gociter Holdings Ltd. will be entitled to receive 32.71 Multiple Voting Shares for each one Curaleaf share of common stock and other cash consideration contributed immediately prior to the completion of the Merger.

"**Government**" means (a) the government of Canada, the United States or any other foreign country; (b) the government of any Province, State, county, municipality, city, town, or district of Canada, the United States or any other foreign country; and (c) any ministry, agency, department, authority, commission, administration, corporation, bank, court, magistrate, tribunal, arbitrator, instrumentality, or political subdivision of, or within the geographical jurisdiction of, any government described in the foregoing clauses (a) and (b), and for greater certainty, includes the CSE.

"**Groen**" means Groen Investment Group, Inc., a Delaware corporation.

"**IRS**" means United States Internal Revenue Service.

"**ISOs**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Purpose*".

"**IT**" has the meaning ascribed thereto under Section 18 of this Listing Statement – "*Risk Factors – Information Technology Systems, Cyber-Attacks and Security Breaches*".

"**Leahy Amendment**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – History of United States Regulation of Cannabis*".

"**Licensing Provisions**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Licensing Provisions*".

"**LVI**" means Lead Ventures Inc., a corporation existing under the BCBCA, which entity will be renamed to Curaleaf, Holdings Inc. in connection with the Business Combination and for references herein following the completion of the Business Combination is referred to herein as the Resulting Issuer.

"**LVI Board**" means the board of directors of LVI.

"**LVI Shareholders**" means the holders of LVI Shares.

"**LVI Shares**" means the common shares in the capital of LVI, prior to giving effect to the Business Combination, including the Name Change and the Share Terms Amendment.

"**LVI Subco**" means 1177679 B.C. Ltd., a wholly-owned subsidiary of LVI existing under the BCBCA, created for the purpose of effecting the Business Combination.

"**LVI USCo**" means Curaleaf MergerCo, Inc., a wholly-owned subsidiary of LVI existing under the laws of Delaware, created for the purpose of merging with Curaleaf and effecting the Business Combination.

"**Maine OT**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – Maine – Curaleaf Licenses*".

"**Maryland Acquisition**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Maryland Dispensary**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Maryland Vertical Operator**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Massachusetts Acquisition**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Acquisitions*".

"**Massachusetts Minority Buy-Out**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**Meeting**" means the special meeting of LVI Shareholders held on October 12, 2018.

"**Merger**" means the merger between Curaleaf and LVI USCo, to be effected in accordance with the Business Combination pursuant to the applicable laws in the State of Delaware.

"**MMTC**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – Florida – History*".

"**Multiple Voting Shares**" means the Multiple Voting Shares in the capital of the Resulting Issuer, after giving effect to the Business Combination.

"**Name Change**" means the name change of LVI to "Curaleaf Holdings, Inc.".

"**NEO**" means a Named Executive Officer, as such term is defined in Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* under National Instrument 51-102 - *Continuous Disclosure Obligations.*

"**Nevada Acquisition**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Acquisitions*".

"**New Equity Incentive Plan**" means the new equity incentive plan approved by LVI Shareholders at the Meeting and adopted by the Resulting Issuer.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NJDOH**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – New Jersey – History*".

"**NQSOs**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Purpose*".

"**NYSDOH**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – New York – History*".

"**Options**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Purpose*".

"**Oregon Minority Buy-Out**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – Acquisitions*".

"**PADOH**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – Pennsylvania – History*".

"**PalliaTech AZ**" means PalliaTech AZ, Inc., a subsidiary of the Company.

"**PalliaTech CT**" means PalliaTech CT, Inc., a subsidiary of the Company.

"**PalliaTech Florida**" means PalliaTech Florida, LLC, a subsidiary of the Company.

"**Participants**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Eligibility*".

"**Permitted Holder**" has the meaning ascribed thereto under the articles of the Resulting Issuer.

"**person**" means any corporation, partnership, limited liability company or partnership, joint venture, trust, unincorporated association or organization, business, enterprise or other entity; any individual; and any Government.

"**Principal**" means Boris Jordan.

"**Principal Shareholders**" has the meaning ascribed thereto under Section 13 of this Listing Statement – "*Principal Shareholders*".

"**Proposed Acquisitions**" means, collectively, the Maryland Acquisition, Massachusetts Acquisition, Nevada Acquisition, Arizona Acquisition and the Proposed Minority Buy-Outs.

"**Proposed Minority Buy-Outs**" means, collectively, the Florida Minority Buy-Out, the Massachusetts Minority Buy-Out, the Oregon Minority Buy-Out and the Connecticut Minority Buy-Out.

"**PT Nevada**" means PT Nevada, Inc., a subsidiary of the Company.

"**RCC**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – Maine – Curaleaf Licenses*".

"**Remaining Florida Minority Holders**" has the meaning ascribed thereto under Section 3 of this Listing Statement - "*General Development of the Business – Acquisitions*".

"**Reorganization Share Exchange**" means the issuance of Resulting Issuer's (i) Subordinate Voting Shares in exchange for shares of Curaleaf common stock upon completion of the Merger, pursuant to which the Curaleaf shareholders will be entitled to receive 32.71 Subordinate Voting Shares for each one Curaleaf share of common stock then held, and (ii) Multiple Voting Shares in exchange for shares of Curaleaf common stock upon completion of the Gociter Contribution, pursuant to which Gociter Holdings Ltd. will be entitled to receive 32.71 Multiple Voting Shares for each one Curaleaf share of common stock and other cash consideration contributed to Resulting Issuer immediately prior to the completion of the Merger.

"**Resulting Issuer**" means Curaleaf Holdings, Inc., a corporation to exist under the BCBCA, being the resulting entity of LVI after completion of the Business Combination.

"**Resulting Issuer Board**" means the board of directors of the Resulting Issuer, as the same is constituted from time to time.

"**Resulting Issuer Options**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities*".

"**Resulting Issuer Shareholders**" means shareholders of the Resulting Issuer.

"**ROs**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – State by State Overview – New York – History*".

"**RSUs**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Purpose*".

"**SARs**" has the meaning ascribed thereto under Section 9 of this Listing Statement – "*Options to Purchase Securities – Summary of New Equity Incentive Plan – Purpose*".

"**Sessions Memorandum**" has the meaning ascribed thereto under Section 18 of this Listing Statement – "*Risk Factors – Enforcement of Cannabis Laws Could Change*".

"**Share Terms Amendment**" means the amendment of the rights and restrictions of the existing class of LVI Shares, the redesignation of such class as the class of Subordinate Voting Shares, the creation of the class of Multiple Voting Shares and the elimination of the class of preferred shares.

"**SR Offering**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – SR Offering*".

"**SR Offering Price**" has the meaning ascribed thereto under Section 3 of this Listing Statement – "*General Development of the Business – SR Offering*".

"**Staff Notice 51-352**" has the meaning ascribed thereto on the cover page of this Listing Statement.

"**State**" means a state of the United States, as the context requires.

"**Subordinate Voting Shares**" means the Subordinate Voting Shares in the capital of the Resulting Issuer, after giving effect to the Business Combination.

"**Subscription Receipt Agent**" means Odyssey Trust Company, in its capacity as subscription receipt agent in connection with the SR Offering.

"**Subscription Receipt Agreement**" means the subscription receipt agreement to be entered into among, *inter alia*, the Company , Curaleaf FinCo and the Subscription Receipt Agent in connection with the SR Offering.

"**Subscription Receipts**" means the subscription receipts of Curaleaf FinCo issued pursuant to the SR Offering.

"**subsidiary**" means with respect to a specified corporation, any corporation of which more than fifty per cent (50%) of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified corporation, and shall include any corporation in like relation to a subsidiary.

"**Swell**" means Swell Management, LLC, an Arizona limited liability company.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended.

"**THC**" has the meaning ascribed thereto under Section 3 "*General Development of the Business – History of United States Regulation of Cannabis*" of this Listing Statement.

"**Tranche 3 Warrants**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Warrants*".

"**Transaction Agreement**" means the transaction agreement dated July 25, 2018 among LVI and the Company.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"**Unsuitable Person**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Licensing Provisions*".

"**USPTO**" has the meaning ascribed thereto under Section 4 of this Listing Statement – "*Narrative Description of the Business – Intellectual Property*".

"**USRPHC**" has the meaning ascribed thereto under Section 25 of this Listing Statement – "*Other Material Facts – Certain United States Federal Income Tax Consideration – Sale or Other Taxable Disposition*".

"**USRPI**" has the meaning ascribed thereto under Section 25 of this Listing Statement – "*Other Material Facts – Certain United States Federal Income Tax Consideration – Sale or Other Taxable Disposition*".

"**Valuation Opinion**" has the meaning ascribed thereto under Section 10 of this Listing Statement – "*Description of the Securities – Licensing Provisions*".

"**VSLV**" means VSLV Management, LLC.

2. CORPORATE STRUCTURE

Corporate Name and Head and Registered Office

Curaleaf was incorporated on October 5, 2010 as a Delaware corporation pursuant to the General Corporation Law of the State of Delaware and is headquartered in Wakefield, Massachusetts. The current version of its articles of incorporation, the Fifth Amended and Restated Articles of Incorporation, were adopted on August 1, 2016 and amended on November 28, 2016 and February 12, 2018. Pursuant to its Certificate of Amendment dated August 16, 2018, PalliaTech, Inc. changed its name to Curaleaf, Inc.

Lead Ventures Inc. was incorporated in the Province of British Columbia under the BCBCA on November 13, 2014. In connection with the Business Combination, LVI filed a notice of alteration to effect the Name Change and the Share Terms Amendment. LVI had no active business operations leading up to the completion of the Business Combination.

The Resulting Issuer's head office is located at 301 Edgewater Place, Suite 405, Wakefield, Massachusetts, 01880, and registered office is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8.

Description of Business Combination and Transaction Agreement

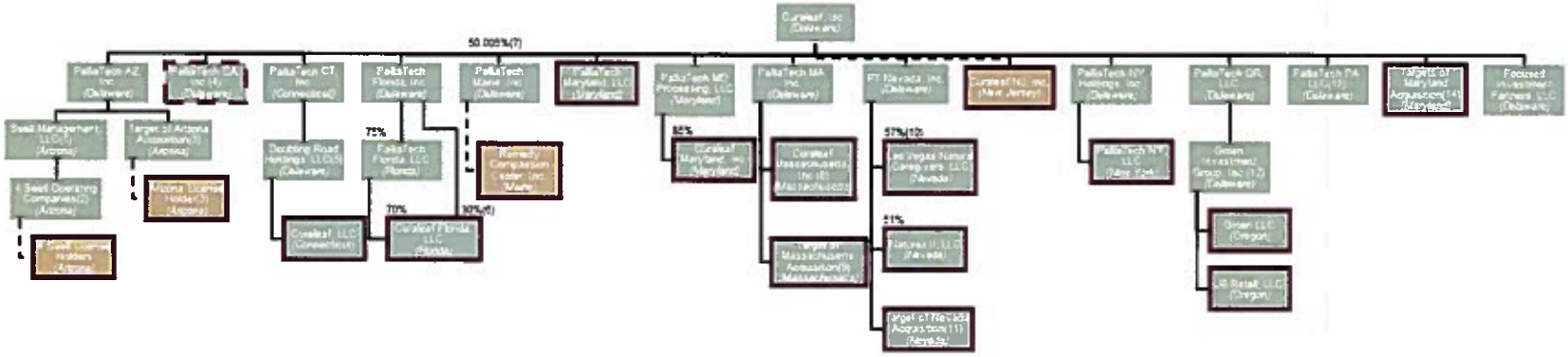
Pursuant to the Business Combination, a series of transactions will be completed as a result of which the Resulting Issuer will become the parent of the Company and, upon completion of the SR Offering for gross proceeds of $398,745,543 at a price of C$11.45 (or approximately $8.7787 assuming a 1.3043 U.S. dollar to one Canadian dollar exchange rate as of October 10, 2018) per Subscription Receipt, securityholders of the Company will become the holders of approximately 91.0% of the issued and outstanding equity of the Resulting Issuer, while holders of Subordinate Voting Shares (being former LVI Shareholders and former holders of Subscription Receipts) will become the holders of approximately 9.0% of the issued and outstanding equity of the Resulting Issuer.[1] Please refer to Schedule "A" for a summary of the transactions leading up to the Business Combination, as well as the main terms of the Transaction Agreement entered into in connection thereto.

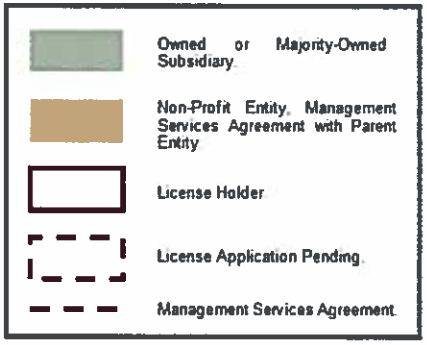
Organizational Chart of the Resulting Issuer

The Resulting Issuer will carry on the business currently carried on by Curaleaf (formerly, PalliaTech, Inc.). Set forth below is the organizational chart of the Resulting Issuer giving effect to the Proposed Acquisitions. See "*General Development of the Business – Acquisitions*". The material subsidiaries of the Company were not changed in connection with the Business Combination. Unless otherwise noted, all lines represent 100% ownership of outstanding securities of the applicable subsidiary but assuming completion of the Proposed Transactions.

---

[1] After giving effect to the completion of the Proposed Minority Buy-Outs and the issuance of the Subordinate Voting Shares in connection thereto, and the completion of the Reorganization Share Exchange.





(1) The following Swell Operating Companies have Management Services Agreements with the following Swell License Holders (format: Swell Operating Company — Swell License Holder): Swell Youngtown Management, LLC — K Group Partners, LLC ; Swell 3333 Management, LLC — Natural Herbal Remedies, Inc. ; Swell 19 Management, LLC — Devine Desert Healing, Inc. ; HH3, LLC — Healing Healthcare 3, Inc.

(2) Swell Management, LLC owns non-economic voting rights in each of the Swell License Holders, allowing it to appoint directors to each of the Swell License Holders' boards.

(3) In October 2018, Curaleaf entered into a definitive agreement to acquire 100% of the membership interests of a marijuana dispensary operating pursuant to a management services agreement with a non-profit entity holding a vertical marijuana license issued by the Arizona Department of Health Services. Closing of the transaction is expected to be completed prior to the end of the 2018 fiscal year.

(4) PalliaTech CA, LLC was granted an Administrative Use Permit for cannabis manufacturing from the City of Davis and expects to receive a State license by the end of the 2018 fiscal year.

(5) In October 2018, Curaleaf agreed with the minority holders of 49% of Doubling Road Holdings, LLC to acquire their stake upon completion of the Business Combination for a consideration consisting of cash and the issuance of Subordinate Voting Shares, which transaction remains subject to a post-closing valuation process.

(5) PalliaTech Florida, LLC currently owns 70% of Curaleaf Florida, LLC. However, in September 2018, Curaleaf entered into an agreement to acquire the remaining 30% from Pavilo CB Holdings, LLC, which stake will be held by PalliaTech Florida, Inc. The transaction is subject to the completion of the Business Combination.

(7) Joseph F. Lusardi, Curaleaf's President and Chief Executive Officer, directly or indirectly owns 49.995% of PalliaTech Maine, Inc. Cannabis license holders in Maine operate as non-profit entities. PalliaTech Maine, Inc. provides management services to Remedy Compassion Center, Inc., but has no ownership of this entity.

(8) PalliaTech MA, Inc. currently owns 50.0005% of Curaleaf Massachusetts, Inc. However, in August 2018, it entered into an agreement to acquire the remaining 49.9995% from PT Mass Holdings, LLC. The transaction is subject to the completion of the Business Combination and other customary closing conditions.

(9) In August 2018, PalliaTech MA, Inc. entered into a definitive agreement to acquire 100% of the membership interests of a registered marijuana dispensary licensed by the Massachusetts Department of Health. The transaction is subject to regulatory approval and other customary conditions and is expected to be completed prior to the end of the 2018 fiscal year.

(10) In August 2017, PT Nevada, Inc. acquired 57% of the membership interests in Las Vegas Natural Care Givers, LLC. Closing of the transaction is currently pending regulatory approval and is expected to be completed prior to the end of the 2018 fiscal year.

(11) In August 2018, PalliaTech NV, Inc. entered into a definitive agreement to acquire 100% of the membership interests of a licensed cannabis cultivation and processing operator in the State of Nevada. Closing of the transaction is currently pending regulatory approval as well as other customary closing conditions and is expected to be completed prior to the end of the 2018 fiscal year.

(12) PalliaTech OR, LLC currently owns 56.95% of Green Investment Group, Inc. However, in August 2018, it entered into an agreement to acquire the remaining 43.05% from the minority shareholders. The transaction is subject to regulatory approval and is expected to be completed prior to the end of the 2018 fiscal year.

(13) Though it is not currently licensed in Pennsylvania, Curaleaf has partnered with an accredited medical school to obtain a "clinical registrant" license in Pennsylvania. Pennsylvania's medical cannabis program has created this class of license to promote cooperation between industry and academia in the research of medical benefits of cannabis. Under the Medical Marijuana Act and the regulations governing the clinical registrant program, published on August 18, 2018, this license will permit a clinical registrant to operate a cultivation and processing center as well as up to six dispensaries (as opposed to three under the regular licenses), and that the first of such licenses will be issued in the first quarter of 2019.

(14) In August 2018, Curaleaf, Inc. entered into a definitive agreement to acquire 100% of the membership interests of a vertically integrated operator holding Stage 2 licenses to cultivate, process and dispense medical cannabis in the State of Maryland. Curaleaf, Inc. has also acquired the rights to purchase another dispensary in Maryland currently owned by the same vendors. The acquisitions are subject to regulatory approval and other customary closing conditions.

3. GENERAL DEVELOPMENT OF THE BUSINESS

Curaleaf's business is focused on owning and operating licensed cannabis businesses which cultivate, process and/or dispense cannabis and cannabis derived products in the United States. Curaleaf entered the industry through its partnership with Compassionate Sciences-ATC, Inc. (currently, Curaleaf NJ, Inc.), a non-profit company formed to participate in the tender for New Jersey's first medical cannabis licenses. Curaleaf signed a management services agreement in February 2011 to support Curaleaf NJ's application for the license, to finance its development and to manage its operations after launch. Curaleaf NJ, Inc. was awarded a conditional permit in April 2011, and a final permit to operate in October 2015. Since 2016, Curaleaf has significantly accelerated its capital-raising and acquisition pipeline.

Presently, Curaleaf's subsidiaries and managed entities are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon; have a licensing application pending in the State of California; and have partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth of Pennsylvania.

Acquisitions

Since its formation in 2010, the Company has completed, or is in the process of completing, or actively pursuing several acquisitions, as further described below. None of the Company's acquisitions would qualify as significant acquisitions or dispositions pursuant to applicable Canadian securities laws and the CSE Policies.

In the normal course of its business, the Company may have outstanding non-binding letters of intent or may otherwise be engaged in discussions with respect to possible acquisitions or dispositions (directly or indirectly) of businesses, which may or may not be material. However, there can be no assurance that any of these letters, agreements and/or discussions will result in an acquisition, disposition or investment and, if they do, what the final terms or timing of any acquisition, disposition or investment would be. As part of its normal course strategy, the Company expects to continue to actively pursue other acquisition, disposition and investment opportunities after the date hereof as well as after the Business Combination.

In October 2018, Curaleaf entered into a definitive agreement to acquire 100% of the membership interests of a marijuana dispensary operating pursuant to a management services agreement with a non-profit entity holding a vertical marijuana license issued by the Arizona Department of Health Services (the "**Arizona Acquisition**"). Consideration for the Arizona Acquisition consisted of $7.0 million in cash and $3.0 million payable through the issuance of 341,737 Subordinate Voting Shares. Closing of the Arizona Acquisition is expected to be completed prior to the end of the 2018 fiscal year.

In August 2018, Curaleaf entered into a purchase agreement to acquire 100% of the membership interests of a registered marijuana dispensary licensed by the Massachusetts Department of Health, operating a 53,600 square foot cultivation facility in Massachusetts and a medical dispensary in Massachusetts (the "**Massachusetts Acquisition**"). Consideration for the Massachusetts Acquisition consisted of $36.25 million in cash and milestone payments of up to $13.75 million. Up to two additional milestone payments of $3.125 million each are due upon the completion and permitting of each of up to two adult use dispensaries in Massachusetts. A further milestone payment of $7.5 million is due on December 31, 2019, or such later date on which all milestone conditions have been met. The Massachusetts Acquisition is subject to regulatory approval and other customary closing conditions and is expected to be completed prior to the end of the 2018 fiscal year.

In August 2018, Curaleaf entered into a definitive agreement to acquire 100% of the membership interests of a licensed cannabis cultivation and processing operator in the State of Nevada for aggregate proceeds of $4.0 million (the "**Nevada Acquisition**"). Closing of the Nevada Acquisition is currently pending regulatory approval as well as other customary closing conditions and is expected to be completed prior to the end of the 2018 fiscal year.

In August 2018, Curaleaf entered into a purchase agreement to acquire 100% of the membership interests of a vertically integrated operator holding Stage 2 licenses to cultivate, process and dispense medical cannabis in the

State of Maryland (the "**Maryland Vertical Operator**"). Curaleaf has agreed to pay a consideration of $29 million in cash for the right to acquire these assets, including $3.0 million to acquire certain assets used in the business. The final acquisition of the Maryland Vertical Operator is subject to regulatory approval and other customary closing conditions. Prior to closing, the Maryland Vertical Operator will enter into exclusive marketing and service agreements with Curaleaf. Curaleaf has also acquired the rights to purchase another dispensary in Maryland (the "**Maryland Dispensary**") currently owned by the same owners as the Maryland Vertical Operator. The purchase price for the Maryland Dispensary is $1.0 million for the Maryland Dispensary (the acquisitions of the Maryland Dispensary and the Maryland Vertical Operator, together, the "**Maryland Acquisition**") and the final acquisition of the Maryland Dispensary is subject to regulatory approval and other customary closing conditions. Prior to closing, the Maryland Dispensary will enter into exclusive marketing and service agreements with Curaleaf.

In April 2018, Curaleaf's subsidiary PalliaTech AZ, acquired 100% of the interests in Swell from JK Swell, LLC. Through its subsidiaries, Swell operates four medical cannabis dispensaries and a cultivation facility in and around Phoenix, Arizona under management services agreements with four non-profit companies which hold licenses to process, cultivate and dispense medical cannabis in Arizona. Swell also holds non-economic voting interests over these four non-profit license holders, which entitle it to appoint the directors of these entities. The total consideration for the acquisition of $27,636,000 was comprised of $20,000,000 in cash and a promissory note in an aggregate amount of $7,636,000 (the "**Arizona Convertible Note**"). Curaleaf further settled Swell's debt of $3,136,000 to third parties. The repayment of debt was additional consideration as part of the acquisition. The Arizona Convertible Note bears interest at a rate of 6.0% per annum with a maturity date of January 2019. The note is secured by a pledge of 49.7% of PalliaTech AZ's membership interests. The Arizona Convertible Note is convertible into 113,575 shares of Curaleaf, and the holder of the Arizona Convertible Note is expected to exercise this right prior to the consummation of the Business Combination, in which case, the holder of the Arizona Convertible Note would receive 3,715,038 Subordinate Voting Shares. See "*General Development of the Business - Arizona – Curaleaf Licenses*" and see "*Capitalization*".

In December 2017, Curaleaf's subsidiary, PalliaTech MD Processing, LLC, acquired 85% of the outstanding capital stock in PharmaCulture Corp., a Maryland-based processor of medical cannabis, for a consideration of $2,000,000 and a commitment to lend up to $3,000,000 to the company for operating and capital expenses. PharmaCulture Corp. was renamed Curaleaf Maryland, Inc. in 2018.

In October 2017, Curaleaf's subsidiary, PT Nevada, entered into a purchase agreement to acquire 64% of the membership interests of VSLV, which in turn owns 80% of Blackjack, a cannabis dispensary located in Las Vegas, Nevada. The consideration for the acquisition paid by Curaleaf consisted of 125,527 shares of common stock of Curaleaf issued from treasury in escrow pending receipt of regulatory approval, which were valued for purposes of the transaction at $3,001,350. Closing of the transaction is currently pending regulatory approval and is expected to be completed prior to the end of the 2018 fiscal year.

In August 2017, Curaleaf acquired 57% of the membership interests in Las Vegas Natural Care Givers, LLC, doing business as House of Herbs, a company that cultivates high-quality cannabis for Las Vegas area dispensaries. The consideration paid by Curaleaf for the acquisition consisted of 129,574 shares of common stock of Curaleaf issued from treasury, which were valued for purposes of the transaction at $3,098,114. Closing of the transaction is currently pending regulatory approval and is expected to be completed prior to the end of the 2018 fiscal year.

In October 2016, Curaleaf's subsidiary, PalliaTech OR, LLC, provided a debt facility to Groen, a Delaware corporation and Oregon-based manufacturer of high quality sustainable cannabis, which provided PalliaTech OR, LLC with certain control rights and was convertible to equity of Groen upon completion of certain conditions. In June 2017, $1,537,338 of this facility was converted into Series B preferred stock of Groen. In November 2017, Groen repurchased equity from one of its founders for $260,000, resulting in Curaleaf's interest in Groen accreting to 56.95%. In September 2018, Curaleaf entered into an agreement to acquire all of the remaining shareholders' shares in Groen (43.05%) for an aggregate amount of $525,650, payable through the issuance of 59,857 Subordinate Voting Shares (the "**Oregon Minority Buy-Out**"). See "*Capitalization*". This transaction will be completed immediately following completion of the Business Combination.

On December 15, 2016, Curaleaf's subsidiary, PalliaTech CT (formerly, PalliaTech CT, LLC), entered into a purchase agreement to acquire, through a series of transactions, 51% of all outstanding membership units in DRH, a Delaware limited liability that owns Curaleaf, LLC, a Connecticut-based medical cannabis facility that is one of the four licensed cultivators in Connecticut, for a consideration of $13,935,000, payable in cash, of which $10,835,000 was allocated towards the membership units and the balance was allocated towards working capital of the business. The acquisition closed in March 2017. In October 2018, Curaleaf agreed to acquire from the minority members of DRH (the "**DRH Minority Members**") their 49% membership interests in DRH (the "**DRH Minority Membership Units**") that Curaleaf does not currently own. This acquisition will be completed shortly after closing of the Business Combination in consideration for: (i) 4,755,548 Subordinate Voting Shares (representing 1.04% of the fully-diluted capitalization of the Resulting Issuer, without giving effect to the SR Offering, or $41,747,316) and (ii) $40,141,656 in cash (the "**Connecticut Minority Buy-Out**"). See "*Capitalization*". The number of Subordinate Voting Shares to be paid to the DRH Minority Members for the DRH Minority Membership Units may be adjusted based upon an independent valuation to be conducted within 90 days of the completion of the Business Combination. The valuation will first establish the value of DRH as a percentage of the value of Curaleaf Inc. as at March 8, 2018 (the "**Exchange Ratio**"), and then convert the Exchange Ratio into a percentage of the fully diluted equity of the Resulting Issuer as of the date of the Business Combination, not taking into account shares to be issued in connection with the SR Offering (the "**Diluted Share Count**"). Upon completion of this valuation, the number of additional Subordinate Voting Shares to be issued to DRH Minority Members shall be determined based on a prescribed formula, provided that the aggregate number of Subordinate Voting Shares issued to the DRH Minority Holders shall not exceed an additional 1.96% of the Diluted Share Count representing 8,962,380 Subordinate Voting Shares.

On December 8, 2016, Curaleaf's subsidiary, PalliaTech Florida, entered into a purchase agreement with Pavilo CB Holdings, LLC to acquire 49% voting and 70% economic interest in Curaleaf Florida, which owns a South Florida-based medical cannabis facility, for a consideration of $28,000,000. The acquisition closed in January 2017. Upon approval of the Florida Department of Health, PalliaTech Florida's interest in Curaleaf Florida converted into 70% voting and economic interest in Curaleaf Florida.

In September 2018, Curaleaf entered into an agreement with the minority owner of Curaleaf Florida to acquire such minority owner's remaining interest (equal to 30% of the membership interests), subject to the completion of the Business Combination, for total consideration of $55,000,000, $25,000,000 of which is payable in cash and $30,000,000 of which is payable through the issuance of 3,417,379 Subordinate Voting Shares (the "**Florida Minority Buy-Out**"). See "*Capitalization*". This transaction will close immediately following completion of the Business Combination.

PalliaTech Florida is owned 75% by Curaleaf and 25% by third parties (the "**Remaining Florida Minority Holders**"). In accordance with its operating agreement, PalliaTech Florida was formed to invest up to $50 million in Curaleaf Florida, including the initial consideration paid by PalliaTech Florida to acquire 70% of its membership interests. The operating agreement further provides that PalliaTech Florida is to be financed entirely by loans from its members bearing interest at 14% per annum. The Remaining Florida Minority Holders are required to contribute 5% of this debt financing. Presently, the members of PalliaTech Florida have contributed the full investment amount of $50 million provided for in the operating agreement. As of September 7, 2018, PalliaTech Florida owes approximately $55,000,000 to Curaleaf, including interest. This loan needs to be repaid before Remaining Florida Minority Holders receive distributions from PalliaTech Florida.

In January 2016, Curaleaf entered into a management service agreement and debt facility with Curaleaf MA (formerly, Mass Organic Therapy, Inc.), a vertically-integrated registered marijuana dispensary licensed by the Department of Health of the State of Massachusetts. In March 2018, Curaleaf acquired a 50% stake, plus one share, in Curaleaf MA, for a consideration of $35,500, in accordance with a plan of conversion of Curaleaf MA's predecessor, Mass Organic Therapy, Inc. PT Mass Holdings, LLC, of which Joseph F. Lusardi, Curaleaf's President and Chief Executive Officer, is a member, acquired the remaining shares of Curaleaf MA at the time of conversion for a consideration of $35,500. In August 2018, Curaleaf agreed to acquire PT Mass Holdings, LLC's stake in Curaleaf MA for $46.2 million, of which $18 million will be paid in cash and $28.2 million will be satisfied by the issuance of 3,212,337 Subordinated Voting Shares (the "**Massachusetts Minority Buy-Out**"). See "*Capitalization*". Payment of the cash portion of the consideration is subject to Curaleaf MA commencing adult use cultivation and

dispensing at three locations under the appropriate licenses in the State of Massachusetts. This transaction will be completed immediately following completion of the Business Combination.

Financing Activities

On August 24, 2018, Curaleaf issued an aggregate amount of $85 million of 15% senior secured debt due August 23, 2021 (the "**Cetus Senior Debt**") to Cetus Investments Limited ("**Cetus**"). The debt bears interest at a rate of 15% per annum – 10% payable in cash quarterly and 5% payable in kind. The Cetus Senior Debt is secured by a guarantee of each wholly-owned direct and indirect subsidiary of Curaleaf, as well as a pledge of the assets of Curaleaf and each such guarantor. In connection with the issue of the Cetus Senior Debt, Cetus was also issued warrants which are exercisable for 110,012 shares of common stock of Curaleaf for a nominal value. While the Cetus Senior Debt is outstanding, Curaleaf is subject to certain negative covenants, including restrictions on its ability to pay dividends, invest in non-wholly owned entities and to incur non-subordinated debt. The Cetus Senior Debt may be pre-paid in tranches of up to $25 million or $50 million upon 90 or 180 days' prior written notice, respectively, and not earlier than six months after completion of the Business Combination. Any amount prepaid once the outstanding principal falls below $25 million is subject to a prepayment premium. Presently, $56,500,000 of the proceeds of the Cetus Senior Debt are remaining and available to the Company.

On June 7, 2018, the Company completed an unsecured private placement bridge financing of $6,000,000 with Cetus with a maturity date of December 7, 2018, at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures. The total amount of the financing is expected to be repaid in full prior to or concurrently with the closing of the Business Combination.

Since May 2018, the Company has completed a number of unsecured private placement bridge financings with an affiliate of Mr. Boris Jordan, for aggregate proceeds of $14,300,000, in each case, with a maturity date of November 4, 2018 at an interest rate of 11% per annum. The proceeds from the financings were used for working capital and capital expenditures, and are expected to be repaid in full prior to or concurrently with the closing of the Business Combination.

On January 5, 2018, the Company completed a non-brokered private placement of 1,150,747 shares of common stock at a price of $26.07 per share for cash proceeds of $29,999,994. The proceeds were used for the acquisition of Swell, the expansion of existing operations and to fund operations.

In November 2017, the Company completed a non-brokered private placement of 836,506 shares of common stock at a price of $23.91 per share for cash proceeds of $19,944,000. The proceeds were used for acquisitions, expansion of existing operations and to fund operations.

In November 2016, the Company completed a non-brokered private placement of 2,510,197 shares of common stock at a price of $15.935 per share for aggregate proceeds of $39,999,989. The proceeds were used for the acquisitions of Curaleaf Florida and DRH.

In October 2016, the Company entered into a $500,000 note receivable with RCC. The note receivable bears interest at a rate of 12% per annum with interest payments payable monthly. The principal balance of the notes receivable is payable upon the maturity date of December 31, 2019, and the proceeds were used for general working capital purposes.

In August 2016, the Company issued unsecured promissory notes (collectively, the "**2019 Senior Unsecured Notes**") in favor of certain of its shareholders, including Mr. Boris Jordan and certain other minority shareholders, for an aggregate principal amount of $2,570,000. The 2019 Senior Unsecured Notes bear interest at a rate of 14% per annum, payable quarterly, prior to maturity on December 30, 2019. The proceeds were used for general corporate purposes. At its discretion, without penalty and prior written notice, the Company may prepay the 2019 Senior Unsecured Notes in full at any time prior to maturity. In connection with the 2019 Senior Unsecured Notes, the Company issued, the Tranche 3 Warrants on a quarterly basis, which Tranche 3 Warrants will be exercised prior to the completion of the Merger.

In July 2016, in connection with the Company's non-brokered private placement for the issuance of shares of common stock, the Company issued a promissory note (the "**2020 Senior Unsecured Note**") in favour of Cetus for a principal amount of $6,000,000. The 2020 Senior Unsecured Note bears interest at a rate of 10% per annum, payable quarterly, prior to maturity on July 29, 2020. The proceeds were used for general corporate purposes. At its discretion, the 2020 Senior Unsecured Note was repaid with interest on August 24, 2018 out of the proceeds of the Cetus Senior Debt.

In July 2016, the Company completed a non-brokered private placement of 1,520,431 shares of common stock at a price of $15.785 per share for aggregate proceeds of $24,000,000. The proceeds were used for general corporate purposes.

In January 2016, the Company issued a $2,500,000 note receivable to Curaleaf MA (formerly, Mass Organic Therapy, Inc.) payable by the Company in four tranches upon fulfilment by Curaleaf MA of certain conditions. The notes receivable bears interest at a rate of 20% per annum with interest payments payable monthly. The principal balance of the notes receivable is payable in two tranches with 10% being due upon certain conditions being met and the remaining principal balance due upon the maturity date of January 28, 2020. The proceeds were loaned to Curaleaf MA to fund the construction and expansion of its cultivation facility in Webster, Massachusetts.

Subscription Receipt Offering

The Company engaged the Co-Lead Agents on behalf of a syndicate of agents (the "**Agents**"), to act as co-lead agents and joint bookrunners in connection with a private placement of Subscription Receipts (the "**SR Offering**"), to be completed on a commercially reasonable best efforts agency basis, at a price of C$11.45 (or approximately $8.7787 assuming a 1.3043 U.S. dollar to one Canadian dollar exchange rate as of October 10, 2018) per Subscription Receipt (the "**SR Offering Price**") for gross proceeds of $398,745,543.

Each Subscription Receipt will be automatically exchanged for one Curaleaf FinCo Share, and in turn, into one Subordinated Voting Share upon completion of the Business Combination, without payment of additional consideration or further action on the part of the holder.

The net proceeds of the SR Offering, less 50% of Agents' commission, will be held in escrow by the Subscription Receipt Agent pending satisfaction of the Escrow Release Conditions on or prior to the Escrow Release Deadline. The funds held in escrow by the Subscription Receipt Agent, together with all interest and other income earned thereon, are referred to herein as the "**Escrowed Funds**".

Provided that the Escrow Release Conditions are satisfied on or prior to the Escrow Release Deadline, the Escrowed Funds will be released from escrow by the Subscription Receipt Agent as follows: (a) to the Agents, an amount equal to the 50% of the Agents' commission; and (b) to Curaleaf or Curaleaf FinCo, an amount equal to the Escrowed Funds, less the foregoing deductions.

If the Escrow Release Conditions have not been satisfied on or prior to the Escrow Release Deadline, the Escrowed Funds, together with any interest accrued thereon, shall be returned to the holders of the Subscription Receipts on a pro-rata basis and the Subscription Receipts shall thereafter be cancelled. Curaleaf FinCo shall be responsible and liable to the holders of the Subscription Receipts for any shortfall between the aggregate Subscription Receipt price paid by the original purchasers of the Subscription Receipts and the amount of the Escrowed Funds.

In connection with the SR Offering, Curaleaf has agreed to pay a cash fee to the Agents equal to 6.0% of the gross proceeds of the SR Offering (excluding the gross proceeds raised pursuant to the sale of Subscription Receipts to purchasers on the Company's president's list), in accordance with the terms and conditions of the agency agreement (the "**Agency Agreement**") to be entered into in due course by Curaleaf FinCo, Curaleaf and the Agent in connection with the completion of the SR Offering.

Curaleaf also granted to the Agents an option, exercisable in whole or in part at any time up to 48 hours prior to the closing date of the SR Offering, to arrange for the sale of such number of additional Subscription Receipts at the applicable offering price as is equal to 15% of the number of the initial Subscription Receipts sold under the SR Offering.

History of United States Regulation of Cannabis

Around the world and over many centuries, cannabis has been a primary raw material for the textile industry and a widely used ingredient in many medicinal products. While all strains of the plant are properly referred to as "cannabis", "hemp" is usually used to refer to strains that do not contain high levels of tetrahydrocannabinol ("**THC**"), a psychoactive drug, and is more typically used for its fiber. Strains with higher levels of THC are typically referred to as "cannabis" or "marijuana".[2]

In the United States, regulation and criminalization of cannabis developed in the early 20th century in connection with the move to restrict the trade of narcotics internationally. The International Opium Convention of 1925 not only banned international trade in cannabis, but required signatories to restrict use domestically[3]. Possession of cannabis, except for limited purposes, was made illegal in the U.S. in 1937 by the *Marijuana Tax Act*. The criminalization of cannabis was expanded, and its growth further restricted, by successive legislation until the adoption of the Controlled Substances Act in 1972, which established the current federal regime for regulating cannabis. Under the Controlled Substances Act, cannabis is a "Schedule I drug", which is the most tightly restricted category of drug under the act and is reserved for drugs with "no medical purpose"[4].

A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." **The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.**[5]

Despite the development of an international legal and enforcement regime restricting cannabis production and use during much of the 20th century, by the end of the century, the movement to permit regulated use began to gain momentum. In 1996, California passed the Proposition 215 ballot initiative, which allowed patients with a valid doctors' recommendation to possess and cultivate cannabis for personal medical use[6]. In 1998, Alaska, Oregon and Washington followed suit. Since 2002, medical cannabis programs have been adopted by 27 other States with varying policies and prescription directives, making some form of cannabis legal in 31 States and Washington, D.C.

In 2012, Colorado and Washington State legalized adult use of cannabis. Alaska, Oregon and Washington, D.C. followed suit and legalized adult use of cannabis in 2014. In November 2016, residents in four additional States (California, Nevada, Massachusetts and Maine) voted to legalize adult use of cannabis[7].

Over the years, through various policies and acts, enforcement of federal drug laws against businesses that operated in accordance with State cannabis programs was largely suspended. In 2013, the Department of Justice issued the Cole memorandum ("**Cole Memorandum**"), which instructs federal law enforcement agencies not to prosecute

---

[2] Borg, Maisie. "An Analysis of Cannabis: Determining the Origin of the Superlative Weed ." *Prized Writing*, UC Regents, Davis Campus, 26 July 2017, prizedwriting.ucdavis.edu/sites/prizedwriting.ucdavis.edu/files/users/snielson/102ananalysisofcannabis.pdf.

[3] Britannica, The Editors of Encyclopaedia. "Marijuana." *Encyclopædia Britannica*, Encyclopædia Britannica, Inc., 18 June 2018, www.britannica.com/science/marijuana.

[4] Gabay, Michael. "The Federal Controlled Substances Act: Schedules and Pharmacy Registration." *Advances in Pediatrics.*, U.S. National Library of Medicine, 29 June 2013, www.ncbi.nlm.nih.gov/pmc/articles/PMC3839489/.

[55] https://www.dea.gov/drug-scheduling.

[6] Shapiro, Leslie, and Katie Mettler. "A History of Marijuana Laws in the United States." *The Washington Post*, WP Company, www.washingtonpost.com/graphics/health/marijuana-laws-timeline/?noredirect=on.

[7] Hanson, Karmen, and Alise Garcia. "State Medical Marijuana Laws." *National Conference of State Legislatures*, National Conference of State Legislatures, 27 June 2018, www.ncsl.org/research/health/state-medical-marijuana-laws.aspx.

violations of federal drug laws related to cannabis where the activity is permitted and regulated under cannabis laws of the relevant State[8]. Also in 2014, following the Cole Memorandum, the Financial Crimes Enforcement Network under the U.S. Treasury Department notified banks that it would not seek enforcement of money laundering laws against banks that service cannabis companies operating under State law, provided strict due diligence and reporting standards are met. While most banks continue to decline to operate under such strict requirements, a number of local banks have undertaken to service the cannabis industry with basic financial services[9]. Since 2014, the U.S. Congress has annually passed appropriations bills that include a provision, known as the Rohrabacher-Farr Amendment, now known as the Leahy Amendment (the "**Leahy Amendment**"), which prohibits expenditure of federal budget resources on the enforcement of federal controlled substances laws that interfere with State medical cannabis programs[10].

Members of the current Trump administration have expressed support for the legal use of medical cannabis. However, some members of the administration, including Attorney General Jeff Sessions, have spoken out in support of returning to more extensive enforcement of federal drug laws with respect to cannabis[11]. Indeed, in January 2018, Attorney General Sessions rescinded the aforementioned Cole Memorandum, substituting it with a policy that assigns the enforcement of federal marijuana laws the U.S. Attorney(s) in each State. While there is a risk that these US Attorneys and the current administration at large may seek to enforce federal drug laws against use that is now permitted under State law, the Leahy Amendment remains in force, preventing the expenditure of Department of Justice budgetary resources on such enforcement against medical cannabis companies[12]. Additionally, Senators Gardner (R-CO) and Warren (D-MA) have recently introduced legislation that would amend the federal Controlled Substances Act to exempt State-legal marijuana activity from its provisions – legislation for which President Trump himself has voiced support. Public support in the U.S. for legalization of medical and adult-use cannabis continues to grow, with a majority of the public supporting legalization[13], which continues to spread under State law.

The legalization and regulation of marijuana for medical use is being implemented at the State level in the United States. **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 and territories of the U.S. authorize medical or adult-use 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 federal law under any and all circumstances under the Controlled Substances Act. Although Curaleaf's activities are compliant with applicable United States State and local law, strict compliance with State and local laws with respect to cannabis may neither absolve Curaleaf of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against Curaleaf.** The risk of federal enforcement and other risks associated with the Resulting Issuer's business are described in and Section 18 – "*Risk Factors*".

The following table is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352 (Revised) - Issuers with U.S. Marijuana-Related Activities issued by the Canadian Securities Administrators for issuers that currently have marijuana-related activities in U.S. States where such activity has been authorized within a State regulatory framework.

---

[8] United States, Office of the Deputy Attorney General, and James L Cole. "The United States Department of Justice." *The United States Department of Justice*, U.S. Department of Justice, 29 Aug. 2013. www.justice.gov/iso/opa/resources/305201382913275685746 7.pdf.

[9] Perez, Evan. "Banks Cleared to Accept Marijuana Business." *CNN*, Cable News Network, 17 Feb. 2014, www.cnn.com/2014/02/14/politics/u-s-marijuana-banks/index.html.

[10] Schroyer, John. "Federal Medical Cannabis Protection Extended Again." *Marijuana Business Daily*, Marijuana Business Daily, 9 Feb. 2018, mjbizdaily.com/federal-medical-cannabis-protection-extended/.

[11] Sullivan, Eileen. "Trump Says He's Likely to Back Marijuana Bill, in Apparent Break With Sessions." *The New York Times*, The New York Times, 8 June 2018, www.nytimes.com/2018/06/08/us/politics/trump-marijuana-bill-states.html.

[12] Jarrett, Laura. "Sessions Nixes Obama-Era Rules Leaving States Alone That Legalize Pot." *CNN*, Cable News Network, 4 Jan. 2018, www.cnn.com/2018/01/04/politics/jeff-sessions-cole-memo/index.html.

[13] Quinnipiac University. "QU Poll Release Detail." Poll.QU.Edu, Quinnipiac University , 26 Apr. 2018, poll.qu.edu/national/release-detail?ReleaseID=2539.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement 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.	*Section 3 – General Development of the Business – State by State Overview – Curaleaf Licenses* *Section 4 – Narrative Description of the Business*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Cover Page (disclosure in bold typeface)* *Section 3 – General Development of the Business – History of United States Regulation of Cannabis (disclosure in bold typeface)* *Section 3 – General Development of the Business – U.S. Cannabis Market (disclosure in bold typeface)*
	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.	*Cover Page (disclosure in bold typeface)* *Section 3 – General Development of the Business – History of United States Regulation of Cannabis* *Section 18 – Risk Factors – Enforcement of Cannabis Laws Could Change*
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*Section 18 – Risk Factors – Service Providers* *Section 18 – Risk Factors – Enforcement of Cannabis Laws Could Change* *Section 18 – Risk Factors – Constraints on Marketing Products*
	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 in order to support continuing operations.	*Section 3 – General Development of the Business – History of United States Regulation of Cannabis* *Section 18 – Risk Factors – Risks Related to Additional Financing* *Section 18 – Risk Factors – Restricted Access to Banking* *Section 18 – Risk Factors – Anti-Money Laundering Laws and Regulations*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana related activities.	*Section 5 – Selected Consolidated Financial Information* Schedules "Schedule "C" and "D" to the Listing Statement. Note: At the time of the Listing Statement, the major operations of the Resulting Issuer are only in the United States.
	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.	Advice has been obtained in the form of a U.S. legal opinion regarding compliance with applicable State laws and regulations and the ability to conduct business.
U.S. Marijuana Issuers with direct involvement in	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	*Section 4 – Narrative Description of the Business - Compliance and Monitoring* *Section 3 – General Development of the*

cultivation or distribution	framework enacted by the applicable U.S. state.	*Business – State by State Overview – Florida – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – New York – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Pennsylvania – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – New Jersey – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Arizona – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Massachusetts – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Maryland – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Oregon – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Connecticut – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Nevada – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Maine – Regulatory Summary*
	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 licence, business activities or operations.	*Section 4 – Narrative Description of the Business - Compliance and Monitoring* *Section 18 – Risk Factors – Risk of Legal, Regulatory or Political Change*
	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*Section 3 – General Development of the Business – State by State Overview – Florida – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – New York – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Pennsylvania – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – New Jersey – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Arizona – Regulatory Summary*

		Section 3 – General Development of the Business – State by State Overview – Massachusetts – Regulatory Summary *Section 3 – General Development of the Business – State by State Overview – Maryland – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Oregon – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Connecticut – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Nevada – Regulatory Summary* *Section 3 – General Development of the Business – State by State Overview – Maine – Regulatory Summary*
	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 noncompliance, 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.	*Section 4 – Narrative Description of the Business - Compliance and Monitoring*

United States Industry Background and Trends

In accordance with Staff Notice 51-352, below is a discussion of the federal and State-level U.S. regulatory regimes in those jurisdictions where Curaleaf is currently directly or indirectly involved through its subsidiaries. Curaleaf's subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon, have a licensing application pending in the State of California; and have partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth of Pennsylvania. In accordance with Staff Notice 51-352, Curaleaf will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have a material impact on Curaleaf's licenses, business activities or operations will be promptly disclosed by Curaleaf.

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. Nationally, more than 2 million patients have registered with State medical cannabis programs and more than 200 million Americans live in States that permit the medicinal use of cannabis.[14]

Historical trends indicate that penetration rates (the percentage of a State's population that qualify and register in that State's medical cannabis program) for medical cannabis patients in individual States reach approximately 2% percent of the State populations within a few years of medical marijuana legislation being passed (as evidenced by

[14] Project, Marijuana Policy. "Medical Marijuana Patient Numbers." MPP.org, Marijuana Policy Project, Retrieved: 24 Aug. 2018, www.mpp.org/issues/medical-marijuana/state-by-state-medical-marijuana-laws/medical-marijuana-patient-numbers/.

Michigan and Arizona).[15] Certain States, such as Washington and Maine, have voluntary registration for medical cannabis patients, and the number of patients in such States may be therefore underreported. In States where adult-use usage is allowed, such as Colorado, the number of total users has been reported to reach as high as 16% of the population for adult use. [16]

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, reinforced the likely efficacy of cannabis in neuropathic pain.[17] The pain component is particularly important, because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opioids.[18]

Polls throughout the U.S. consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of adult-use cannabis.[19] It is estimated that 94% of the U.S. voters support legalizing cannabis for medical use.[20] In addition, 64% of the U.S. public supports legalizing cannabis for adult use.[21]

U.S. Cannabis Market

ArcView Market Research, an independent cannabis industry investment and research firm, estimates that the U.S. legal cannabis industry reached $8.5 billion in sales in 2017, representing growth of 18.8% from $6.9 billion in sales in 2016.[22] The cannabis industry in the U.S. is projected to grow 23% to approximately $11 billion in sales in 2018 and to reach $23 billion in sales by 2022, making it the fastest growing amongst industries of comparable size in the U.S.[23] Potential cannabis demand in the U.S. is estimated to total $50 billion – $75 billion in 2018[24], currently serviced predominantly by the black market.

At present, 31 States, as well as the District of Columbia, Guam and Puerto Rico, have legalized medical cannabis. In addition, 9 of the 31 States and the District of Columbia have legalized cannabis for adult use. Nationally, more than 2 million patients have registered with state medical cannabis programs. Over 200 million Americans (equaling 2/3 of the total U.S. population) live in States that permit the use of medical cannabis. Notwithstanding the foregoing, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the United States Controlled Substances Act of 1970. See Section 4 – "*Narrative Description of the Business*" and Section 18 – "*Risk Factors*" below.

---

[15] Project, Marijuana Policy. "Medical Marijuana Patient Numbers." MPP.org, Marijuana Policy Project, Retrieved: 24 Aug. 2018, www.mpp.org/issues/medical-marijuana/state-by-state-medical-marijuana-laws/medical-marijuana-patient-numbers/.

[16] "Behavioral Risk Factor Surveillance Survey (BRFSS): Monitoring Trends in Marijuana Use." Colorado.Gov, Colorado Department of Health and Environment, 24 Aug. 2018, www.colorado.gov/pacific/cdphe/adult-marijuana-use-trends.

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

[18] 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.

[19] 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.

[20] 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.

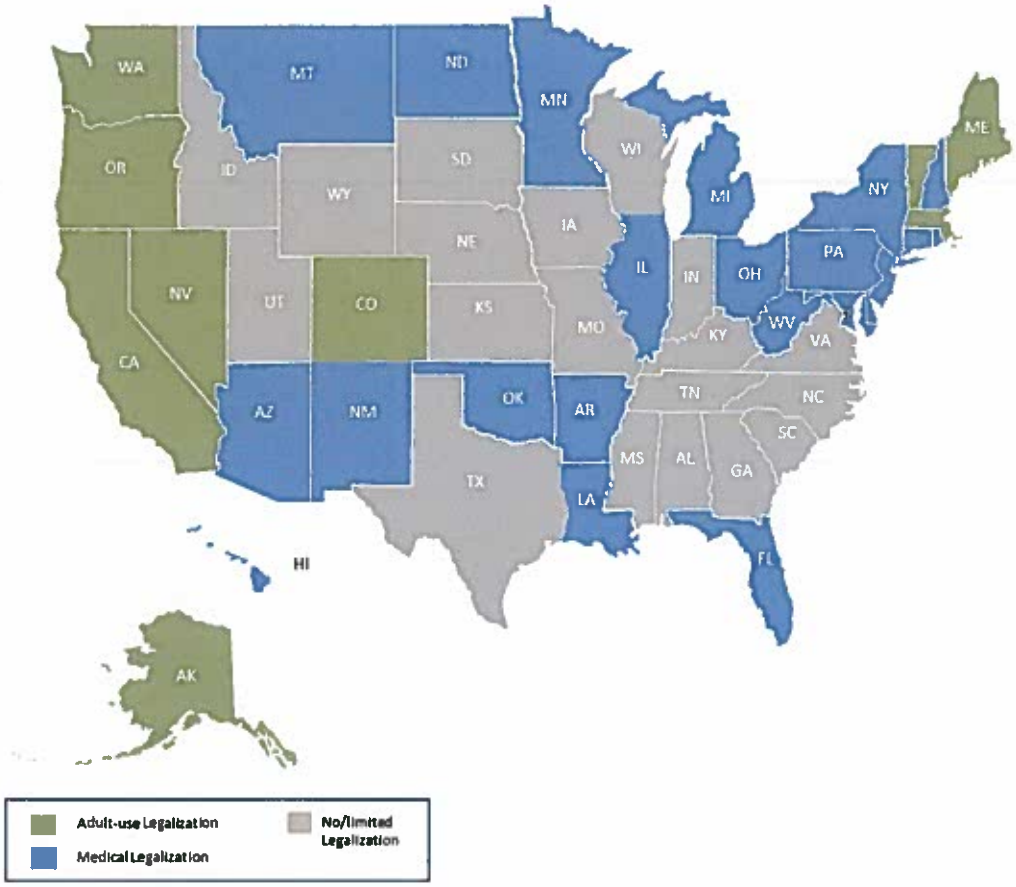
[21] Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx.

[22] The State of Legal Marijuana Markets. 6th ed., ArcView Market Research & BDS Analytics, 2018.

[23] The State of Legal Marijuana Markets. 6th ed., ArcView Market Research & BDS Analytics, 2018.

[24] According to Arcview Market Research, an independent cannabis industry investment and research firm.

Cannabis Legalization in the United States[25]



Currently, Curaleaf's subsidiaries and managed entities operate in the States of Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon, although it intends to expand into other States within the U.S. that have legalized cannabis use either medicinally or for adult-use.

State by State Overview

Arizona

History

Arizona's medical cannabis market was introduced in November 2010 when voters approved the Proposition 203 "Arizona Medical Marijuana Initiative" ballot measure that legalized medical cannabis for patients with certain qualifying conditions.[25] The first sales were made to patients in December 2012.[26]

---

[25] "State Laws." *NORML.org*, The National Organization for the Reform of Marijuana Laws, Retrieved: 22 Aug. 2018, norml.org/laws

[25] Valencia, Nick. "Arizona Voters Approve Medical Marijuana Measure." CNN, Cable News Network, 14 Nov. 2010, www.cnn.com/2010/POLITICS/11/14/arizona.medical.marijuana/index.html.

[26] Wyloge, Evan. "First Medical Marijuana Dispensary in Arizona Starts Selling Pot." Arizona Capitol Times, 6 Dec. 2012, azcapitoltimes.com/news/2012/12/06/first-medical-marijuana-dispensary-in-arizona-starts-selling-pot/.

In June 2018, an Arizona appeals court ruled that "hashish", or the resin extracted from marijuana, is illegal, despite the fact that this class of product has been commonly sold in state dispensaries since the market first opened in 2012. Many dispensaries have continued to operate as normal until, awaiting a final ruling by the Arizona Supreme Court.[27]

Regulatory Summary[28]

The Arizona Department of Health Services has allocated 130 medical cannabis dispensary certificates. Each dispensary certificate permits the license holder to open one dispensary, and also gives the license holder the option to open one cultivation facility and/or one processing facility. Cultivation and processing sites can be located anywhere in the State and are not restricted based on where the license holder's dispensary is located. Dispensaries are limited to their district (Community Health Analysis Area) for their first three years of operation. All dispensaries must be not-for profit.

Extracted oils, edibles, and flower products are permitted. Extracted products face the risk of being prohibited pending a decision by the Arizona Supreme Court, as outlined above.

Wholesale transactions are permitted.

Market Summary

As of May 2018, 114 dispensaries were operating across this State of approximately 7.0 million residents.[29] Since cultivation and processing licenses are bundled with dispensary licenses, and because the Arizona Department of Health Services does not publish data on the number of cultivators and processors that are operating in the State, it is not certain how many cultivators and processors are operating in Arizona. As of June 2018, there were 172,227 patients registered in the medical cannabis program.[30]

Curaleaf Licenses

In April 2018, Curaleaf acquired Swell, a holding company that operates four licensed dispensaries through management service agreements with non-profit entities holding the appropriate licenses. See Section 3 of this Listing Statement - "*General Development of the Business – Acquisitions*". The dispensaries are located in the Phoenix-area, which boasts 110,000 of the State's 170,000 patients. The Company plans to acquire additional dispensaries in this market, which is one of the biggest markets in the U.S. and growing at a rate of over 3,000 patients/month.[31] In May 2018, the Company entered into a 10-year lease to operate a 100,000 square foot indoor cultivation facility, 25,000 square feet of which is already constructed for cultivation, on a 68 acre plot of land with the prospect of further expansion of 75,000 square feet, not including greenhouse and outdoor grows.

Curaleaf entered into a lease for a fifth dispensary, for a building currently under construction. Curaleaf intends to acquire or lease a new license for the fifth dispensary and further plans to identify and open (or acquire) a sixth dispensary in the Greater Phoenix area.

---

[27] Stern, Ray. "Medical-Cannabis Extracts Like Vape Pen Oil Are Illegal, Arizona Appeals Court Rules." Phoenix New Times, 6 July 2018, www.phoenixnewtimes.com/news/cannabis-extracts-arizona-dispensaries-illegal-appeals-court-rules-10558752.

[28] "AZ Statutes Governing the Arizona Medical Marijuana Program." AZDHS.Gov, Arizona Department of Health Services, Retrieved: 9 Aug. 2018, www.azdhs.gov/licensing/medical-marijuana/index.php.

[29] Medical Marijuana Program, Arizona Department of Health Services. "Number of AZ Dispensaries." Number of AZ Dispensaries, 8 May 2018.

[30] "Arizona Medical Marijuana Program June 2018 Monthly Report." AZDHS.Gov, Arizona Department of Health Services, 14 July 2018.

[31] "Reports." AZDHS.Gov, Arizona Department of Health Services, 24 Aug. 2018, www.azdhs.gov/licensing/medical-marijuana/index.php#reports.

California

History

California's medical cannabis program was introduced in 1996 when voters passed the Proposition 215 ballot initiative, which allowed patients with a valid doctors' recommendation to possess and cultivate cannabis for personal medical use.[32] In October 2015, Governor Brown signed the Medical Cannabis Regulation and Safety Act (MCRSA) into law, which provided a regulatory framework around the longstanding, though unregulated, medical cannabis industry.[33] In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act, with 57% of the vote, legalizing adult-use cannabis in the state.[34] Adult-use dispensaries began selling to customers 21 and older in January 2018.[35]

Regulatory Summary[36]

The Medicinal and Recreational Cannabis Regulation and Safety Act (MAUCRSA) creates the general framework for the regulation of commercial medicinal and adult-use cannabis in California. Three state agencies are responsible for licensing and regulating each aspect of the industry: the Bureau of Cannabis Control regulates retailers, distributors, testing labs, microbusinesses, and temporary cannabis events; the Manufactured Cannabis Safety Branch, a division of the California Department of Public Health, regulates manufacturers of cannabis-infused edibles for both medical and nonmedical use; and the California Department of Food and Agriculture regulates cultivators of medicinal and adult-use cannabis.

Permitted products include oil-based formulations, edibles, and flower. Wholesaling and home delivery is permitted.

Market Summary

As of July 2018, this State of approximately 39.8 million residents had 683 licensed adult-use marijuana stores.[37] This relatively small number of licensed stores given California's large population stems from California's dual-licensing system between state and local governments, which requires cannabis businesses to obtain local authorization from the city and/or the county in which they'll operate before they can apply for a state license. Only 70 of the state's 482 cities allow adult-use retail stores.[38] As a result, one in five consumers report continuing to buy from the illicit market.[39] As a result, the State received $134 million in cannabis tax revenue in the first half of 2018, well short of the $175 million Governor Brown's office projected for the period.[40] As of February 2018, there were 1,256,550 patients registered in the program in this State.

---

[32] Shapiro, Leslie, and Katie Mettler. "A History of Marijuana Laws in the United States." *The Washington Post*, WP Company, www.washingtonpost.com/graphics/health/marijuana-laws-timeline/?noredirect=on.

[33] "The Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA)." CANORML.org, California NORML, Retrieved: 29 Aug. 2018, www.canorml.org/MAUCRSA.html.

[34] "California Proposition 64 - Legalize Marijuana - Results: Approved." NYTimes.com, The New York Times, 1 Aug. 2017, www.nytimes.com/elections/results/california-ballot-measure-64-legalize-marijuana.

[35] Melley , Brian. "California Turns Over a New Leaf as Legalization of Marijuana Takes Effect." Yahoo! News, Yahoo!, 1 Jan. 2018, www.yahoo.com/news/california-turns-over-leaf-legalization-085148802.html.

[36] "Laws & Regulations." Cannabis.CA.Gov, California Cannabis Portal, 29 Aug. 2018, cannabis.ca.gov/laws-regulations/.

[37] "California Adds 6421 Cannabis Licenses in First Half of 2018." New Cannabis Ventures, 20 July 2018, www.newcannabisventures.com/california-adds-6421-cannabis-licenses-in-first-half-of-2018/.

[38] McVey, Eli. "Chart: California Licensed Recreational Marijuana Stores Fall Short." MJBizDaily.com, Marijuana Business Daily, 27 Aug. 2018, mjbizdaily.com/chart-number-california-licensed- recreational-marijuana-stores-falls-short/.

[39] Schroyer, John. "Study: Nearly 1 in 5 California Marijuana Consumers Buy from Black Market." MJBizDaily.com, Marijuana Business Daily, 13 Aug. 2018, mjbizdaily.com/consumer-study-nearly-1-in-5-california-consumers-buy-from-black-market/.

[40] Schroyer, John. "2Q California Marijuana Taxes Nets Only $74M, Black Market a Big Factor." MJBizDaily.com, Marijuana Business Daily, 16 Aug. 2018, mjbizdaily.com/second-quarter-california-marijuana-taxes-nets-only-74-million-black-market-factor/.

Curaleaf Licenses

In August 2018, Curaleaf was granted an Administrative Use Permit from the City of Davis, California, for manufacturing of cannabis products, which allows processing of raw cannabis material without the use of significant amounts of solvent or butane. In October 2018, pending the review of the environmental report by the City of Davis, California, Curaleaf expects to receive a Conditional Use Permit to process raw cannabis material with CO2 or solvents (such as ethanol). Curaleaf expects to receive a State license by the end of the 2018 fiscal year. Curaleaf expects to receive a State license by the end of the 2018 fiscal year and to start generating revenues in the first quarter of the 2019 fiscal year.

Connecticut

History

Connecticut's medical cannabis market was introduced in May 2012 when the General Assembly passed legislation PA 12-55 'An Act Concerning the Palliative Use of Marijuana.' The first dispensaries sold to patients in September 2014. The market launched with six dispensary licensees and four producer licensees. [41]

In January 2016, the Connecticut Department of Consumer Protection ("**CTDCP**"), the agency that oversees the program, approved three additional dispensary licenses.[42]

In April 2018, the CTDCP accepted applications for new dispensary licenses. The CTDCP expects to issue three to ten new licenses by the end of 2018.[43]

Regulatory Summary[44]

The market is divided into two classes of licenses: dispensaries and producers. Producers cultivate and process medicinal cannabis and wholesale to dispensaries. Dispensaries must have a pharmacist on staff.

Extracted oils and flower products are permitted. Edibles are permitted with the exception of confectionaries.

Market Summary

Currently, there are nine dispensaries and four producers in this State. As of August 10, 2018, there were 27,401 patients registered in the program in this State of approximately of 3.6 million residents.[45]

Curaleaf Licences

Curaleaf holds one of the four approved medical cannabis producer licenses in the State. Curaleaf's Connecticut business began selling to the wholesale market in October 2014, and sells to all nine of Connecticut's licensed dispensaries located throughout the State. Curaleaf operates a 40,000 square foot facility which includes cultivation space, supercritical CO2 extraction and purification facilities and a commercial kitchen for the production of edibles. Curaleaf plans to gradually relocate to a larger facility in 2019 resulting in floor space expansion of 15,000 square

---

[41] Orlando, James. "MEDICAL MARIJUANA PROGRAM." CGA.CT.Gov, Connecticut General Assembly, 3 Dec. 2012, www.cga.ct.gov/2012/rpt/2012-R-0511.htm.

[42] Orlando, James. "MEDICAL MARIJUANA PROGRAM TIMELINE." CGA.CT.Gov, Connecticut General Assembly, 5 July 2016, www.cga.ct.gov/2016/rpt/pdf/2016-R-0097.pdf.

[43] "Medical Marijuana Dispensary Facility License." CT.Gov, Connecticut Department of Consumer Protection, 10 Aug. 2018, portal.ct.gov/DCP/Medical-Marijuana-Program/Medical-Marijuana-Dispensary-Facility-License.

[44] "Laws and Regulations." CT.Gov, Connecticut Department of Consumer Protection, Retrieved: 1 Aug. 2018, portal.ct.gov/DCP/Agency-Administration/AA-Legislation-and-Regulations/Laws-and-Regulations.

[45] "Medical Marijuana Statistics." CT.Gov, Connecticut Department of Consumer Protection, Retrieved: 10 Aug. 2018, portal.ct.gov/DCP/Medical-Marijuana-Program/Medical-Marijuana-Statistics.

feet. Curaleaf is developing additional cultivation space to meet the growing demand, and in April 2018, applied for a dispensary license in Connecticut, with a decision being expected before the end of 2018.

Florida

History

Florida's medical cannabis program was introduced in June 2014 when the Florida Legislature passed the Compassionate Medical Cannabis Act of 2014. The Compassionate Medical Cannabis Act of 2014 permitted low-THC cannabis oils to be dispensed and purchased by patients suffering from cancer and epilepsy.[46] Under this program, six organizations, called Medical Marijuana Treatment Centers ("MMTCs") were licensed to dispense low-THC medical cannabis to patients.[47]

In November 2016, Florida voters approved the Amendment 2 "Expand Medical Marijuana" ballot measure with 71.3% of the vote. This constitutional amendment expanded the program by legalizing medical cannabis oils for individuals with specific debilitating diseases or conditions, as determined by a licensed State physician.[48]

In June 2017, Governor Rick Scott signed Senate Bill 8-A: "Medical Use of Marijuana," which outlined how patients can qualify and receive medical cannabis under the State's constitutional amendment. The bill also increased the number of available MMTC licenses to 17.[49]

Regulatory Summary[50]

A single MMTC license allows for the cultivation, processing, and dispensing of medical cannabis products. Originally, each MMTC was permitted to open up to 25 dispensaries Statewide. With each additional 100,000 patients that register for the program, the dispensary cap increases by five for each MMTC. As of September 7, 2018, there were almost 160,000 registered patients.[51] Each MMTC may open up to 30 dispensaries Statewide with permission from the Florida Department of Public Health. The number of dispensaries an MMTC may open increases by five for each additional 100,000 registered patients in the State.[52] Licensees are permitted to open an unlimited number of cultivation and processing facilities.

Permitted products include oil-based formulations (vaporizer cartridges, tinctures, capsules), and flower sold in tamper-proof vessels. Rules permitting the sale of edible medical cannabis products are under development.[53] In May 2018, a district court judge ruled that Florida's medical cannabis constitutional amendment requires the Department of Health to permit sales of smokeable medical cannabis flower. It is expected that this decision will go into force if upheld on appeal.[54]

---

[46] "Senate Bill 1030." FLSenate.gov, The Florida Senate, 17 June 2014, www.flsenate.gov/Session/Bill/2014/1030.

[47] "OMMU Update ." Florida Department of Health, Office of Medical Marijuana Use, 19 Oct. 2016, http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/_documents/161019-bi-weekly-update.pdf.

[48] "Florida Amendment 2 - Expand Medical Marijuana - Results: Approved." NYTimes.com, The New York Times, 1 Aug. 2017, www.nytimes.com/elections/results/florida-ballot-measure-2-expand-medical-marijuana.

[49] "SB 8-A: Medical Use of Marijuana." FLSenate.gov, The Florida Senate, 28 June 2017, www.flsenate.gov/Session/Bill/2017A/00008A.

[50] SB 8-A: Medical Use of Marijuana." FLSenate.gov, The Florida Senate, 28 June 2017, www.flsenate.gov/Session/Bill/2017A/00008A.

[51] http://www.floridahealth.gov/newsroom/2018/09/090718-ommu-update.html

[52] http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0300-0399/0381/Sections/0381.986.html

[53] Stofan, Jake. "Marijuana Edibles to Be Held to Similar Production Standards as Other Foods." WFLA, News Channel 8, 4 May 2018, www.wfla.com/news/florida/marijuana-edibles-to-be-held-to-similar-production-standards-as-other-foods/1160290553.

[54] Reedy, Joe. "Florida Ban on Smokable Medical Pot Ruled Unconstitutional." AP News, Associated Press, 26 May 2018,

Each MMTC is required to cultivate and process all medical cannabis products they dispense. Wholesale transactions are permitted on a case by case basis to alleviate shortages. Home delivery is permitted.

Market Summary

As of August 3, 2018, there were 14 licensed MMTCs in this State of approximately 20.6 million residents. Seven of these MMTCs have opened dispensaries, of which there are 51 Statewide, three MMTCs are currently dispensing via delivery only, three MMTCs are approved for cultivation only, and one MMTC was recently licensed and has not received any further licensing authorizations. There are 153,884 registered patients Statewide, 117,829 of which have active medical cannabis ID cards.[55]

Curaleaf Licenses

Curaleaf holds one of the original six "vertically-integrated" (grow-process-dispense) medical cannabis licenses issued in the State. Curaleaf's Florida business was the third license holder to begin sales to patients in October 2016. Curaleaf operates a 24,000 square foot indoor growing facility and 13 dispensaries. The Company intends to renovate its existing leased Dutch glass greenhouse facility in Mt. Dora, Florida, providing for approximately 250,000 square feet of cultivation space. The lease has a five-year term expiring in 2023 with two five-year optional extensions terms. Curaleaf has an option to purchase the facility starting in 2023 at the then-fair market value, with a floor of $8,500,000. Curaleaf anticipates its first harvest from the facility will be at the beginning of the 2019 fiscal year. Curaleaf intends to open up to 18 additional stores in the state of Florida in the following 12 months.

Maine

History

Maine's medical cannabis market was introduced in November 1999 when voters approved Question 2, the 'Maine Medical Marijuana for Specific Illnesses Initiative,' with 61% of the vote.[56] In November 2009, Maine voters expanded the medical program by passing Question 5, the 'Maine Medical Marijuana Initiative,' with 59% of the vote, which established a structure in which dispensaries can sell medical cannabis to patients.[57] The first dispensary opened to patients in October 2010.[58]

In November 2016, Maine voters approved Question 1, the 'Maine Marijuana Legalization Measure,' which legalized adult-use cannabis sales in the State.[59]

In May 2018, the Maine legislature overrode a veto by Governor LePage to formally approve the cannabis legalization legislation that lays the groundwork for the adult-use market. The market is expected to launch early 2019.[60]

---

apnews.com/b944dcc215e34ec1a050338c01402c43.

[55] "OMMU Update ." Florida Department of Health, Office of Medical Marijuana Use, 3 Aug. 2018, http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/_documents/180803-bi-weekly-update.pdf.

[56] "Maine Medical Marijuana for Specific Illnesses, Question 2 (1999)." Ballotpedia.org, Ballotpedia, Retrieved: 10 Aug. 2018, ballotpedia.org/Maine_Medical_Marijuana_for_Specific_Illnesses,_Question_2_(1999).

[57] "Maine Medical Marijuana Initiative, Question 5 (2009)." Ballotpedia.org, Ballotpedia, Retrieved: 10 Aug. 2018, ballotpedia.org/Maine_Medical_Marijuana_Initiative,_Question_5_(2009).

[58] "Maine Medical Use of Marijuana Program Annual Report ." Maine.Gov, Maine Department of Health and Human Services, Mar. 2011, www.maine.gov/dhhs/mecdc/public-health-systems/mmm/documents/2011-MMMP-Annual-Report.pdf.

[59] "Maine Marijuana Legalization, Question 1 (2016)." Ballotpedia.org, Ballotpedia, 10 Aug. 2018, ballotpedia.org/Maine_Marijuana_Legalization,_Question_1_(2016).

[60] Writer, Scott ThistleStaff. "Recreational Marijuana Is Now Legal in Maine – Sort of. Now the State Has to Write the Rules." PressHerald.com, Portland Press Herald, 3 May 2018, www.pressherald.com/2018/05/02/house-overturns-lepage-veto-on-recreational-marijuana-bill/.

In July 2018, the Maine legislature overrode a veto by Governor LePage to formally approve a sweeping medical marijuana reform bill that regulates caregiver operations and approves the issuance of six new dispensary licenses. The bill also removes the requirement that medical cannabis license holders operate as non-profit entities, paving the way for the conversion of existing license holders to for-profit corporations.[61]

Regulatory Summary[62]

The medical cannabis program is regulated by the Maine Department of Administrative and Financial Services. Medical dispensaries are vertically-integrated and cultivate, process, and dispense products to patients. Wholesaling is only permitted in emergency situations. Each licensee is permitted to open one dispensary, though the medical bill passed in July 2018 allows existing licensees to open one additional dispensary, if they are awarded a license in an upcoming bid application process.

Regulations are not yet finalized for the adult-use program, though the law passed in May 2018 establishes separate classes of licenses (dispensaries, cultivators, processors) with no caps in place on the number of licenses that can be issued.

Extracted oils, edibles, and flower products are permitted.

Market Summary

Given the long period of time between when the original medical law was approved in 1999 and the first dispensaries sales to patients in 2010, the Maine medical cannabis market developed a robust network of informal operators called caregivers, who are permitted to cultivate cannabis and sell to patients. For example, in 2016, the State's regulated dispensaries saw $24.8 million in sales, while caregivers collectively saw $27.3 million in sales.[63] Though there are only eight regulated dispensaries in this State, there are around 3,000 individual caregivers. The number of medical cannabis patients in this State of approximately 1.3 million residents is 41,888.[64] In 2017, the State's eight regulated dispensaries collectively saw $24.5 million in sales.[65]

Curaleaf Licenses

Curaleaf provides management services to two of the eight integrated medical cannabis licensees in the State: Maine Organic Therapy ("**Maine OT**") and Remedy Compassion Center ("**RCC**"). Maine OT operates a 30,000 square foot indoor grow facility and a dispensary. RCC also operates a small grow facility and a dispensary and obtains some of its product wholesale via Maine OT. Maine OT and RCC have both been serving patients since 2010. Under the new legislation, allowing established medical cannabis license holders the opportunity to be awarded a license for a second store, Curaleaf, as a manager of two out of eight licenses in the State of Maine, intends to apply for and open two more dispensaries: one in South Portland, Maine, and one in Bangor, Maine.

---

[61] OvertonStaff, Penelope. "Lawmakers Endorse Sweeping Medical Marijuana Reforms." PressHerald.com, Portland Press Herald, 10 July 2018, www.pressherald.com/2018/07/09/lawmakers-endorse-sweeping-medical-marijuana-reforms/.

[62] "Maine Medical Use of Marijuana." Maine.Gov, Maine Department of Health and Human Services, Retrieved: 10 Aug. 2018, www.maine.gov/dhhs/mecdc/public-health-systems/mmm/index.shtml.

[63] Overton, Penelope. "Sales Growth at Maine's Medical Marijuana Dispensaries Slows Drastically." PressHerald.org, Portland Press Herald, 12 May 2017, www.pressherald.com/2017/05/12/sales-growth-at-maines-medical-marijuana-dispensaries-slows-drastically/.

[64] Overton, Penelope. "Medical Marijuana Sales, Caregivers and Patient Numbers Decline." PressHerald.org, Portland Press Herald, 3 Feb. 2018, www.pressherald.com/2018/02/02/medical-marijuana-sales-caregivers-and-patient-numbers-decline/.

[65] Overton, Penelope. "Sales Growth at Maine's Medical Marijuana Dispensaries Slows Drastically." PressHerald.org, Portland Press Herald, 12 May 2017, www.pressherald.com/2017/05/12/sales-growth-at-maines-medical-marijuana-dispensaries-slows-drastically/.

Maryland

History

Maryland's medical cannabis program was introduced in May 2013 when then Governor O'Malley signed House Bill 1101 into law.[66] Pre-approval for licenses were awarded in 2016, by the Maryland Medical Cannabis Commission to 102 dispensaries, 15 cultivators, and 15 processors. The first dispensaries opened to patients in December 2017.[67]

In April 2018, the Maryland House and Senate approved a bill, which was later signed by Governor Hogan, that expanded the license pool, adding seven additional cultivation licenses and 13 additional processing licenses.[68]

Regulatory Summary[69]

The market is divided into three primary classes of licenses: dispensaries, cultivators, and processors. Wholesaling occurs between cultivators and processors, cultivators and dispensaries, and processors and dispensaries. Dispensary locations are tied to the Senate District in which they were awarded, with the exception of dispensary licenses that were awarded to applicants who also were awarded a cultivation license—these dispensaries can be located at the discretion of the license holder.

Permitted products include oil-based formulations and flower. Edibles are prohibited.

No one company can directly own more than one license of the same class.

Market Summary

As of August 26, 2018, there were 65 dispensaries that have achieved final licensure, as well as 15 cultivators and 15 processors.[70] As of July 30, 2018, there were 51,569 patients registered in the program of this State of approximately 6 million residents.[71] In June 2018, the market saw $8,728,503 in sales, with the year-to-date total through June being $34,852,300.[72]

Curaleaf Licenses

Curaleaf received one of 102 preliminary medical cannabis dispensary licenses issued in this State in December 2016. The Company opened its dispensary in the first quarter of the 2018 fiscal year. Curaleaf has also acquired a company holding a cannabis processing license, which also began operations in the first quarter of the 2018 fiscal year (*see* "*General Development of the Business – Acquisitions*"). Additionally, subject to the completion of the Maryland Acquisition in the fourth quarter of the 2018 fiscal year, the Company will operate a 20,000 square foot

---

[66] "House Bill 1101." Maryland.Gov, Maryland General Assembly, Retrieved: 9 Aug. 2018, mgaleg.maryland.gov/2013RS/chapters_noln/Ch_403_hb1101T.pdf.

[67] Nirappil, Fenit, et al. "Medical Marijuana Has Arrived in Maryland, and Sales Have Begun." The Washington Post, WP Company, 1 Dec. 2017, www.washingtonpost.com/local/md-politics/friday-appears-to-be-the-day-medical-marijuana-will-go-on-sale-in-maryland/2017/12/01/62d66dee-d605-11e7-95bf-df7c19270879_story.html?utm_term=.f082e6d9ecf5.

[68] Dresser, Michael. "Maryland Lawmakers Reach Deal on Medical Marijuana Licenses, Making More Minority Owners Likely." BaltimoreSun.com, The Baltimore Sun, 7 Apr. 2018, www.baltimoresun.com/news/maryland/politics/bs-md-medical-marijuana-deal-20180407-story.html.

[69] "Laws & Regulations." MMCC.Maryland.Gov, Maryland Medical Cannabis Commission, 9 Aug. 2018, mmcc.maryland.gov/Pages/law.aspx.

[70] "Cannabis Industry Information." MMCC.Maryland.Gov, Maryland Medical Cannabis Commission, 10 Aug. 2018, mmcc.maryland.gov/Pages/industry.aspx.

[71] "Patient Information." MMCC.Maryland.Gov, Maryland Medical Cannabis Commission, 30 July 2018, mmcc.maryland.gov/Documents/07.30.2018%20Patient%20Conditions.pdf.

[72] "Maryland Market Sales." MMCC.Maryland.Gov, Maryland Medical Cannabis Commission, 10 Aug. 2018, mmcc.maryland.gov/Documents/07.10.2018%20Sales%20Data.pdf.

cultivation facility, which is already approved for expansion up to 48,000 square feet, a processing license, and a dispensary (*see "General Development of the Business – Acquisitions"*). The Company also expects to enter into a management services agreement with a dispensary in Gaithersburg, Maryland, which will commence in the fourth quarter of 2018, and provide for its operation under the Curaleaf brand.

Massachusetts

History

Massachusetts' medical cannabis market was established by "An Act for the Humanitarian Medical Use of Mariuana" in November 2012 when voters passed Ballot Question 3 "Massachusetts Medical Marijuana Initiative" with 63% of the vote.[73] The first dispensary opened in June 2015.[74]

In November 2016, Massachusetts voters legalized adult-use cannabis by passing ballot Question 4 – Legalize Marijuana with 54% of the vote.[75] In July 2017, Governor Baker signed legislation that laid the groundwork for the adult-use market.[76] In March 2018, the Cannabis Control Commission, the regulatory body set up to regulate the adult-use market, approved the rules that will govern the industry.[77] While the Cannabis Control Commission original aimed to officially launch adult-use sales on July 1, 2018, issues such as a lack of licensed testing labs and disagreements with city and town officials over agreements with cannabis business have slowed the rollout and, as of August 2018, adult-use sales have yet to begin.[78]

Regulatory Summary

The Department of Health oversees the medical cannabis program. Each medical licensee must be vertically-integrated and may have up to two locations.[79] Licensed medical dispensaries are given priority in adult-use licensing.

The Cannabis Control Commission oversees the adult-use cannabis program. Adult-use cultivators will be grouped into 11 tiers of production—ranging from up to 5,000 square feet to no larger than 100,000 square feet—and regulators will bump a licensee down to a lower tier if that licensee has not shown an ability to sell at least 70 percent of what it produced. Medical dispensaries that wish to add the ability to sell cannabis products to non-patients will be required to reserve 35 percent of their inventory or the six-month average of their medical cannabis sales for medical cannabis patients. In order to achieve an adult-use license, a prospective licensee must first sign a "Host Community Agreement" with the town in which it wishes to locate.[80] Roughly two-thirds of municipalities in

---

[73] "Question 3 | Medical Marijuana." Boston.com, The Boston Globe, Retrieved: 9 Aug. 2018, archive.boston.com/news/special/politics/2012/general/mass-ballot-question-3-election-results-2012.html.

[74] "MA DPH MEDICAL USE OF MARIJUANA PROGRAM - MONTHLY DASHBOARD." Mass.Gov, Massachusetts Department of Health, Retrieved: 9 Aug. 2018, www.mass.gov/files/documents/2016/10/pw/2015-6-summary-dashboard.pdf.

[75] "Massachusetts Question 4 - Legalize Marijuana - Results: Approved." NYTimes.com, The New York Times, 1 Aug. 2017, www.nytimes.com/elections/results/massachusetts-ballot-measure-4-legalize-marijuana.

[76] Wilson, Reid. "Massachusetts Governor Signs Bill to Allow Recreational Pot." TheHill.com, The Hill, 28 July 2017, thehill.com/homenews/state-watch/344343-massachusetts-governor-signs-bill-to-allow-recreational-pot.

[77] Brown, Steve. "With Rules Now Finalized, Here Are 4 Key Changes To Massachusetts' Marijuana Regulations." WBUR.org, WBUR, 6 Mar. 2018, www.wbur.org/news/2018/03/06/massachusetts-marijuana-regulations-approved.

[78] Salsberg, Bob. "Pot Regulators Asks Cities and Towns to Restrain Demands." AP News, Associated Press, 26 July 2018, www.apnews.com/994a2f70629b425eacfe1890513870fb/Pot-regulators-asks-cities-and-towns-to-restrain-demands.

[79] "Medical Use of Marijuana Laws, Regulations, and Reports." Mass.gov, Massachusetts Department of Health, 9 Aug. 2018, www.mass.gov/lists/medical-use-of-marijuana-laws-regulations-and-reports.

[80] "935 CMR 500.000: ADULT USE OF MARIJUANA." Mass-Cannabis-Control.com, Massachusetts Cannabis Control Commission, Retrieved: 9 Aug. 2018, mass-cannabis-control.com/wp-content/uploads/2018/03/Reposted-031218-CCC-Final-Regulations-with-disclaimer.pdf.

the State have a ban or moratorium in place that prohibits cannabis businesses from operating within their jurisdiction.[81]

In both the medical and adult-use markets, extracted oils, edibles, and flower products are permitted. Wholesaling is also permitted.

Market Summary

As of July 2018, there were 36 medical dispensaries open in this State of approximately 6.9 million residents, with 56,216 patients registered with the program.[82] As of August 2018, some medical licensees have received adult-use licenses, but there are no adult-use dispensaries open for sale and it is unclear when adult-use sales will begin.[83] As at July 2017, there were 20 growers/processors in this State.

Curaleaf Licenses

Curaleaf's Massachusetts subsidiary, Curaleaf MA, holds an integrated medical cannabis license and operates a 54,000 square foot indoor grow and two dispensaries, one in Oxford and one in Hanover, Massachusetts. Curaleaf MA's first harvest yielded in the fourth quarter of the 2017 fiscal year and Curaleaf MA has an option to expand its cultivation facility to 104,000 square feet under the current lease. Pursuant to the terms of the pending Massachusetts Acquisition, which the Company anticipates to close in the third quarter of the 2018 fiscal year, Curaleaf expects to acquire a licensed medical cannabis operator in Massachusetts, which operates a 53,600 square foot cultivation facility and a medical dispensary in Massachusetts (see "*General Development of the Business – Acquisitions*"). As a result of the Massachusetts Acquisition, Curaleaf intends to directly control three adult-use dispensaries and one medical dispensary and intends to operate three other dispensaries under the Curaleaf brand.

Nevada

History

Nevada's medical cannabis market was introduced in June 2013 when the legislature passed SB374, legalizing the medicinal use of cannabis for certified patients.[84] The first dispensaries opened to patients in August 2015.[85]

In November 2016, Nevada voters approved Question 2 with 55% of the vote, legalizing adult-use cannabis in the State.[86] Adult-use sales launched under an "early-start" program on July 1, 2017.[87]

In September 2018, the Nevada Department of Taxation, the agency which oversees the cannabis program, accepted applications for new dispensary licenses, which are expected to be issued in November 2018.[88]

---

[81] Locher, John. "Few Mass. Recreational Marijuana Shops Will Open by July, Experts Say - The Boston Globe." BostonGlobe.com, The Boston Globe, 16 May 2018, www.bostonglobe.com/metro/2018/05/16/marijuana-industry-expects-slow-debut-amid-local-restrictions-banking-challenges/FmyzyCUrDghSB2xsBK05uL/story.html.

[82] "Massachusetts Medical Use of Marijuana Program: External Dashboard." Mass.Gov, Massachusetts Department of Health, Retrieved: 9 Aug. 2018, www.mass.gov/files/documents/2018/08/09/2018-07-external-dashboard.pdf.

[83] Dumcius, Gintautas. "Marijuana in Massachusetts: Cultivate Becomes First Company to Get Retail License." Masslive.com, Masslive.com, 2 July 2018, www.masslive.com/news/index.ssf/2018/07/marijuana_in_massachusetts_cul.html.

[84] "SB374." Leg.State.NV.Gov, Nevada Legislature, 10 Aug. 2018, www.leg.state.nv.us/Session/79th2017/Reports/history.cfm?ID=835.

[85] "Medical Marijuana Establishments." DPBH.NV.Gov, Nevada Division of Public and Behavioral Health, Retrieved: 10 Aug. 2018, dpbh.nv.gov/Reg/MME/MME_-_Home/.

[86] "Nevada Question 2 - Legalize Marijuana - Results: Approved." NYTimes.com, The New York Times, 1 Aug. 2017, www.nytimes.com/elections/results/nevada-ballot-measure-2-legalize-marijuana.

[87] Staff, MJBizDaily. "Nevada to Allow 'Early' Recreational Marijuana Sales Starting July 1." MJBizDaily.com, Marijuana Business Daily, 9 May 2017, mjbizdaily.com/nevada-oks-temporary-rules-july-sales-adult-use-cannabis/.

[88] "Marijuana License Applications." Marijuana.NV.Gov, Nevada Department of Taxation, 10 Aug. 2018,

Regulatory Summary[89]

This market is divided into five classes of licenses: dispensaries, cultivators, distribution, product manufacturing, and testing. Licenses are tied to the locality in which they were awarded.

Extracted oils, edibles, and flower products are permitted.

Market Summary

As of June 19, 2018, there were 63 dispensaries operating in this State. The majority of dispensaries (being 48 dispensaries) operate within Clark County. [90] As of October 2017, there were 96 cultivators and 67 processors operating in the State.[91] In 2018, the market generated over $229 million in sales through the end of May 2018.[92] In June 2018, there were 16,934 patients registered in the medical program in this State of approximately 3 million residents.[93]

Curaleaf Licenses

Curaleaf has agreed to acquire, pending regulatory approval, a 9,800 square feet licensed indoor cannabis cultivation and a licensed dispensary, both operating in in Las Vegas, Nevada. Both businesses are licensed for both medical and adult use sales (*see* "*General Development of the Business – Acquisitions*").

New Jersey

History

New Jersey's medical cannabis program was introduced in January 2010 when then Governor Corzine signed the New Jersey Compassionate Use Medical Marijuana Act into law. The New Jersey Compassionate Use Medical Marijuana Act legalized medical cannabis for patients with certain qualifying conditions.[94] The first sales were made to patients in December 2012, and as of mid-2018, there were six licensed and operational Alternative Treatment Centers ("**ATCs**") dispensing medical cannabis to patients.[95]

In March 2018, under the direction of Governor Phil Murphy, who campaigned on a platform that included cannabis legalization, the New Jersey Department of Health ("**NJDOH**") issued the *Executive Order 6 Report*, which immediately expanded the medical cannabis program in numerous ways including adding chronic pain and anxiety

---

tax.nv.gov/FAQs/Marijuana_License_Applications/.

[89] "Marijuana in Nevada." Marijuana.NV.Gov, Nevada Department of Taxation, Retrieved: 10 Aug. 2018, marijuana.nv.gov/Stay_Informed/Resources/.

[90] "Licensed/Certified Recreational and Medical Marijuana Stores in Nevada." Marijuana.NV.Gov, Nevada Department of Taxation, 10 Aug. 2018, marijuana.nv.gov/uploadedFiles/marijuananvgov/Content/Stay_Informed/Retail%20Store%20Licenses06192018(2).pdf.

[91] Kane, Jenny. "Nevada Pot Sales Reach $32.4M in August, Higher than July." RGJ.com, Reno Gazette-Journal, 24 Oct. 2017, www.rgj.com/story/news/marijuana/2017/10/23/nevada-reels-15-wholesale-marijuana-tax-revenue-1-51-m-up-974-060-july-10-retail-marijuana-tax-reven/792979001/.

[92] "Marijuana Statistics and Reports." Tax.NV.Gov, Nevada Department of Taxation, Retrieved: 10 Aug. 2018, tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/.

[93] "Nevada Medical Marijuana Registry." DPBH.NV.Gov, Nevada Division of Public and Behavioral Health, June 2018, dpbh.nv.gov/uploadedFiles/dpbhnvgov/content/Reg/MM-Patient-Cardholder-Registry/dta/Monthly_Reports/MMR%20Monthly%20Statistics%20EOM%20June%202018.pdf.

[94] "New Jersey Compassionate Use Medical Marijuana Act." NJLeg.State.NJ.US, New Jersey Legislature, Retrieved: 7 Aug. 2018, www.njleg.state.nj.us/2008/Bills/PL09/307_.HTM.

[95] "The Department of Health Medicinal Marijuana Program 2013 Biennial Report." NJ.Gov, New Jersey Department of Health, Feb. 2014, www.nj.gov/health/medicalmarijuana/documents/biennial_report.pdf.

as qualifying conditions, doubling the monthly product limit, and permitting current licensees to open satellite dispensaries.[96]

In August 2018, the NJDOH began accepting applications for the licensing of six additional ATCs. These licenses are expected to be awarded before the end of the 2018 fiscal year.[97]

Regulatory Summary[98]

A single ATC license allows for the cultivation, processing, and dispensing of medical cannabis products. Originally, each ATC was permitted to open one dispensary Statewide, located within the same facility in which the ATC cultivated and processed. With the *Executive Order 6 Report*, each ATC can now open two additional satellite dispensaries within their NJDOH-designated region for a total of three dispensaries each, as well as satellite production facilities. Each ATC must produce every product they dispense; wholesaling is prohibited. At this time, ATC's must be not-for-profit.

Extracted oils and flower products are permitted. The *Executive Order 6 Report* recommended adding edibles as a permitted product, with rulemaking for edibles now subject to the legislative timeline.

Market Summary

There are six ATCs operating a total of six dispensaries Statewide, with six additional licenses expected to be issued in November 2018 in this State of approximately 9.0 million residents. As of August 2018, there were 27,482 patients registered in the program.[99]

Curaleaf Licenses

Curaleaf manages Compassionate Sciences Alternative Treatment Center ("**CS-ATC**"), a non-profit with an integrated medical cannabis license, under a management services agreement. Curaleaf owns a property that includes 34,200 square feet of cultivation space, of which 17,200 square feet was initially built-out for cultivation and processing operations. Curaleaf is now building out the additional 17,000 square feet to meet growing demand in the State. Curaleaf also owns an adjacent 12,000 foot facility, of which 4,000 square feet is utilized for dispensary operations, with the remainder used for ancillary operations such as packaging and storage. Since the start of sales in October 2015, CS-ATC has established itself as a market leader, dispensing 44% of all product sold in the State in 2017.[100] Due to the recent regulations described above, Curaleaf plans to open two more dispensary locations by the end of 2018. Beyond 2018, in anticipation of future market growth and a continued favorable regulatory trend, Curaleaf is in advanced discussions to lease land in southern New Jersey to accommodate approximately 435,000 square foot of greenhouse space, which is expected to be operational in phases, starting in the third quarter of 2019. CS-ATC was rebranded in the second quarter of the 2018 fiscal year under the Curaleaf banner.

---

[96] "The Department of Health Executive Order 6 Report." NJ.Gov, New Jersey Department of Health, 23 Mar. 2018, https://www.nj.gov/health/medicalmarijuana/documents/EO6Report_Final.pdf.

[97] "Applying to Open an Alternative Treatment Center." NJ.Gov, New Jersey Department of Health, Aug. 2018, https://nj.gov/health/medicalmarijuana/alt-treatment-centers/applications.shtml.

[98] "Medicinal Marijuana Program Rules." NJ.Gov, Medical Marijuana Program, Dec. 2011, nj.gov/health/medicalmarijuana/documents/final_rules.pdf.

[99] Marc Shwarz. "Medical Patients: 27,482." NJ Cannabis Media, 3 Aug. 2018, www.njcannabismedia.com/medical-patients-27482/.

[100] "The Department of Health Medicinal Marijuana Program 2017 Annual Report." NJ.Gov, New Jersey Department of Health, Apr. 2018, https://www.nj.gov/health/medicalmarijuana/documents/2017AnnualReportFinal5-9-18.pdf.

New York

History

New York's medical cannabis program was introduced in July 2014 when Governor Andrew Cuomo signed the Compassionate Care Act, which legalized medical cannabis oils for patients with certain qualifying conditions.[101] Under this program, five organizations, called Registered Organizations ("**ROs**") were licensed to dispense cannabis oil to patients, with the first sale to a patient completed in January 2016.

In December 2016, the New York State Department of Health ("**NYSDOH**") added chronic pain as a qualifying condition.[102] In the month-and-a-half following the addition of chronic pain, the number of registered patients increased by 18%.[103]

In August 2017, the NYSDOH granted licenses to five additional ROs.[104]

In November 2017, Governor Cuomo signed a bill to add PTSD as a qualifying condition,[105] and, in July 2018, the NYSDOH added opioid replacement as a qualifying condition, meaning any condition for which an opioid could be prescribed is now a qualifying condition for medical cannabis.[106]

In August 2019, Governor Cuomo, prompted by a NYSDOH study which concluded the "positive effects" of cannabis legalization "outweigh the potential negative impacts", appointed a group to draft a bill for regulating legal adult-use cannabis sales in New York.[107]

Regulatory Summary[108]

A single RO license allows for the cultivation, processing, and dispensing of medical cannabis products. Each RO is permitted to open four dispensaries in NYSDOH-designated regions throughout the State. Each RO is permitted to open one cultivation/processing facility.

Permitted products include oil-based formulations (vaporizer cartridges, tinctures, capsules), and ground-flower sold in tamper-proof vessels.

Each RO is required to cultivate and process all medical cannabis products they dispense; however, wholesale transactions are permitted with approval from the State. Home delivery is also permitted.

---

[101] "A06357 Summary." Assembly.State.NY.US, New York State Assembly, 5 July 2014, assembly.state.ny.us/leg/?bn=A06357E.

[102] "NYSDOH Announces Chronic Pain to Be Added As Qualifying Condition for Medical Marijuana." Health.NY.Gov, New York State Department of Health, 1 Dec. 2016, www.health.ny.gov/press/releases/2016/2016-12-01_chronic_pain_condition_added.htm.

[103] "New York State Department of Health Adds Thousands of New Patients to Medical Marijuana Program Following the Addition of Chronic Pain." Health.NY.Gov, New York State Department of Health, 5 May 2017, https://www.health.ny.gov/press/releases/2017/2017-05-05_mmp_announcement.htm.

[104] "New York State Department of Health Adds Five New Registered Organizations to Medical Marijuana Program." Health.NY.Gov, New York State Department of Health, 1 Aug. 2017, https://www.health.ny.gov/press/releases/2017/2017-08-01_mmp.htm.

[105] "Governor Cuomo Announces Legislative Package to Further Support New York Veterans." Governor.NY,Gov, Governor Andrew M. Cuomo, 14 Nov. 2017, www.governor.ny.gov/news/video-audio-transcript-governor-cuomo-announces-legislative-package-further-support-new-york.

[106] "New York State Department of Health Announces Opioid Replacement Now a Qualifying Condition for Medical Marijuana." Health.NY.Gov, New York State Department of Health, 12 Jul. 2018, https://www.health.ny.gov/press/releases/2018/2018-07-12_opioid_replacement.htm.

[107] "Cuomo Appoints Group to Draft Bill for Regulating Marijuana." U.S. News & World Report, Associated Press, 2 Aug. 2018, www.usnews.com/news/best-states/new-york/articles/2018-08-02/cuomo-appoints-group-to-draft-bill-for-regulating-marijuana.

[108] "Title: Part 1004 - Medical Use of Marihuana." Health.NY.Gov, New York Codes, Rules and Regulations, 12 July 2018, regs.health.ny.gov/content/part-1004-medical-use-marihuana.

Market Summary

There are ten licensed ROs in this State of approximately 19.9 million residents. Six of the ROs have opened dispensaries as of August 7, 2018, of which there are a total of 22 open across the State. As of August 7, there were 66,428 patients registered in the program.[109]

Curaleaf Licenses

Curaleaf was awarded a "vertically-integrated" license in May 2017 with the right to open four dispensaries. The Company is only one of ten license holders in the State. Curaleaf currently operates three dispensaries located in Newburgh, Plattsburgh, and Queens, with a fourth dispensary expected to open in Nassau County before the end of the 2018 fiscal year. The construction of the 72,000 square foot cultivation and manufacturing facility in Ravena, New York is near completion and is expected to commence operations in the third quarter of the 2018 fiscal year, with plans to build an additional 86,000 square foot greenhouse in Ravena, New York, in anticipation of increased demand.

Oregon

History

Oregon's medical cannabis program was introduced in November 1998 when voters approved Measure 67, the Oregon Medical Marijuana Act, with 55% of the vote.[110]

In November 2014, voters approved Measure 91, the 'Oregon Legalized Marijuana Initiative,' which legalized adult-use cannabis in the State.[111] In October 2015, the first adult-use dispensaries opened for sale.[112]

Regulatory Summary

There are four types of recreational cannabis licenses: producer, processor, wholesaler and retail. Additionally, the Oregon Liquor Control Commission grants a certificate for research and a hemp certificate. A producer is permitted to cultivate cannabis. A processor is permitted to transform raw cannabis into another product (topicals, edibles, concentrates, or extracts). A wholesaler is permitted to buy cannabis in bulk and sell to licensees but not to consumers. A retailer is permitted to sell cannabis to consumers. A laboratory is permitted to test marijuana based on rules established by the Oregon Health Authority. To receive a laboratory license the laboratory must be accredited by the Oregon Environmental Laboratory Accreditation program. The hemp certificate allows persons that are registered with the Oregon Department of Agriculture to transfer hemp flower, extracts, or concentrates to Oregon Liquor Control Commission licensed processors who hold an industrial hemp processor endorsement.

The market has to date had a more relaxed licensing structure which has led to an oversupply of product. In 2017, Oregon cultivators grew three times the amount of cannabis that could legally be consumed in the market.[113] In response to a report highlighting the issues in Oregon, the U.S. Attorney for Oregon, Billy Williams, said, "The

---

[109] "Registered Organization Locations." Health.NY.Gov, New York State Department of Health, 7 Aug. 2018, www.health.ny.gov/regulations/medical_marijuana/application/selected_applicants.htm.

[110] "Oregon Medical Marijuana, Measure 67 (1998)." Ballotpedia.Org, Ballotpedia, Retrieved: 10 Aug. 2018, ballotpedia.org/Oregon_Medical_Marijuana,_Measure_67_(1998).

[111] "Summary of Oregon's Measure 91." MPP.org, Marijuana Policy Project, Retrieved: 10 Aug. 2018, www.mpp.org/states/oregon/summary-of-oregons-measure-91/.

[112] Crombie, Noelle. "Recreational Marijuana Sales in Oregon: a Timeline." OregonLive.com, The Oregonian, 3 Oct. 2016, www.oregonlive.com/marijuana/index.ssf/2016/09/recreational_marijuana_sales_i.html.

[113] Staff, MJBizDaily. "Oregon Marijuana Oversupply Driving out Small Farmers, Lowering Prices." MJBizDaily.com, Marijuana Business Daily, 16 July 2018, mjbizdaily.com/oregon-marijuana-oversupply-driving-out-small-farmers-lowering-prices/.

recent HIDTA Insight Report on marijuana production, distribution, and consumption in Oregon confirms what we already know—it is out of control."[114]

In June 2018, the Oregon Liquor Control Commission, which regulates the adult-use program, announced they would not process any new adult-use license applications in order to work through the backlog that has developed as the result of 3,432 applications being submitted as of May 23, 2018.[115] In July 2018, the Oregon Health Authority, which regulates the medical program, conceded in a report that it has not provided effective oversight of growers and others in the industry.[116]

Extracted oils, edibles, and flower products are permitted.

Market Summary

As of August 2018, there were 520 dispensaries, 906 cultivators, and 139 processors in Oregon.[117] The vast majority of these are adult-use operators only – as of August 2018, there were only 6 licensed medical cannabis dispensaries in the State.[118] As of April 2018, 45,210 patients were registered with the medical program of this State of approximately 4.1 million residents.[119]

Curaleaf Licenses

Curaleaf holds a producer license and a processing license for adult-use. Curaleaf operates a 20,000 square foot outdoor cultivation center and an adjacent 17,002 square foot indoor facility for large scale CO2 extraction, distillate and formulated products manufacturing. Sales of outdoor flower and pre-rolls commenced in January 2016. Sales of concentrates and oils commenced in April 2017. Sales of indoor flower commenced in June 2017. In July 2017, Curaleaf acquired a dispensary, which launched operations in Portland, Oregon at the end of 2017.

Pennsylvania

History

Pennsylvania's medical cannabis program was introduced in April 2016 when Governor Tom Wolf signed into law SB 3 "Medical Marijuana Act," which legalized medical cannabis oils for patients with certain qualifying conditions. The law also called for a class of licenses, called "clinical registrant" licenses, whereby accredited medical institutions in the State can partner with medical cannabis companies to conduct research.[120] In mid-June 2017, the Pennsylvania Department of Health ("**PADOH**") awarded licenses to 12 grower/processors.[121] In late June

---

[114] "U.S. Attorney Statement on Release of 2018 HIDTA Marijuana Insight Report." Justice.Gov, The United States Department of Justice, 3 Aug. 2018, www.justice.gov/usao-or/pr/us-attorney-statement-release-2018-hidta-marijuana-insight-report.

[115] Roig, Suzanne. "OLCC to Pause Processing of Recreational Marijuana Licenses." BendBulletin.com, The Bulletin, 31 May 2018, www.bendbulletin.com/localstate/6276470-151/olcc-puts-the-brakes-on-recreational-marijuana-licenses.

[116] Selsky, Andrew. "Oregon Admits Lack of Oversight of Medical Marijuana Program." AP News, Associated Press, 13 July 2018, apnews.com/af71ea39104a420fb811d39d77609c77/Oregon's-medical-marijuana-program-admits-to-problems.

[117] "State of Oregon: Recreational Marijuana." Oregon.Gov, Oregon Liquor Control Commission, Retrieved: 10 Aug. 2018, www.oregon.gov/olcc/marijuana/pages/default.aspx.

[118] "Medical Marijuana Dispensary Directory." Oregon.Gov, Oregon Health Authority, Retrieved: 10 Aug. 2018, www.oregon.gov/oha/PH/DISEASESCONDITIONS/CHRONICDISEASE/MEDICALMARIJUANAPROGRAM/Pages/dispensary-directory.aspx.

[119] "The Oregon Medical Marijuana Program Statistical Snapshot." Oregon.Gov, Oregon Health Authority, Apr. 2018, www.oregon.gov/oha/PH/DISEASESCONDITIONS/CHRONICDISEASE/MEDICALMARIJUANAPROGRAM/Documents/ed-materials/OMMP%20Statistic%20Snapshot%20-%2004-2018_Final.pdf.

[120] "Summary of Pennsylvania's Medical Marijuana Act." MPP, Marijuana Policy Project, Retrieved 8 Aug. 2018, www.mpp.org/states/pennsylvania/summary-sb-3/.

[121] Wood, Sam, and Angela Couloumbis. "Pa. Awards 12 Licenses to Grow Medical Marijuana." Philadelphia Local News, Sports, Jobs, Cars, Homes - Philly.com, Philly.com, 21 June 2017, www.philly.com/philly/business/cannabis/pa-medical-marijuana-industry-launches-today-20170620.html?arc404=true.

2018, the PADOH awarded licenses to 27 different entities to open a total of 52 dispensaries across the State.[122] In February 2018, the first dispensaries opened to patients.[123]

In April 2018, the PADOH approved flower as a permitted medical cannabis product offering, and dispensaries began to offer flower to patients in August 2018.[124]

In May 2018, a Commonwealth Court judge halted the Department of Health's planned "clinical registrant" program whereby up to eight Pennsylvania medical schools would partner with licensed medical cannabis organizations to conduct research.[125] In June 2018, Governor Wolf signed a bill to re-implement the clinical registrant program. Regulations for this program are in development.[126]

In July 2017, the PADOH licensed 13 additional grower/processors.[127]

Regulatory Summary[128]

There are two primary classes of licenses: licenses to grow and process medical cannabis products, and licenses to dispense medical cannabis products to patients. Grower/processors wholesale products to dispensaries.

Originally, only oil-based formulations were permitted, though flower was approved as a product offering in April 2018.

Market Summary

As of August 7, 2018, the PADOH had issued licenses to 25 grower/processors and 52 dispensaries in this State of approximately 12.8 million residents. Licenses for 23 additional dispensaries are expected to be announced by the end of the 2018 fiscal year.[129] As of July 30, 2018, there were 52,000 patients registered for the program, 30,000 of which had a patient ID card.[130]

Curaleaf Licenses

Though it is not currently licensed in Pennsylvania, Curaleaf has partnered with an accredited medical school to obtain a "clinical registrant" license in Pennsylvania. Pennsylvania's medical cannabis program has created this class of license to promote cooperation between industry and academia in the research of medical benefits of cannabis. Under the Medical Marijuana Act and the regulations governing the clinical registrant program, published

---

[122] Scolforo, Mark. "Pennsylvania Picks Medical Marijuana Program Dispensaries." U.S. News & World Report, U.S. News & World Report, 27 June 2017, www.usnews.com/news/best-states/pennsylvania/articles/2017-06-29/pennsylvania-picks-medical-marijuana-program-dispensaries.

[123] Schaneman, Bart. "Despite Limited Product Offerings, Pennsylvania's Medical Marijuana Sales Start Strong." Marijuana Business Daily, Marijuana Business Daily, 16 July 2018, mjbizdaily.com/first-medical-marijuana-sales-pennsylvania-start-strong-limited-product-offerings/.

[124] "Wolf Administration: Phase-in of Dry Leaf Medical Marijuana Starts Aug. 1 at Dispensaries." PA.Gov, Pennsylvania Pressroom, 30 July 2018, www.media.pa.gov/Pages/Health-Details.aspx?newsid=518.

[125] Erdley, Debra. "Court Halts Licensing for Marijuana Research." TribLIVE.com, 24 May 2018, triblive.com/state/pennsylvania/13678127-74/court-halts-licensing-for-marijuana-research.

[126] Wood, Sam. "With Gov. Wolf's Signature, Pa. Marijuana Research Proceeds." Philly.com, The Philadelphia Inquirer, 25 June 2018, www2.philly.com/philly/business/cannabis/marijuana-research-chapter-20-pennsylvania-wolf-signs-law-20180625.html.

[127] "Wolf Administration Issues Permits for Medical Marijuana Grower/Processors." PA.Gov, Pennsylvania Pressroom, 31 July 2018, www.media.pa.gov/Pages/Health-Details.aspx?newsid=520.

[128] "Pennsylvania Medical Marijuana Laws & Regulations." SafeAccessNow.org, Americans for Safe Access, www.safeaccessnow.org/pennsylvania_medical_marijuana_laws_regulations.

[129] "Resources for Dispensaries." PA.Gov, Pennsylvania Department of Health, Retrieved 8 Aug. 2018, https://www.health.pa.gov/topics/programs/Medical%20Marijuana/Pages/Dispensaries.aspx.

[130] "Wolf Administration: Phase-in of Dry Leaf Medical Marijuana Starts Aug. 1 at Dispensaries." PA.Gov, Pennsylvania Pressroom, 30 July 2018, www.media.pa.gov/Pages/Health-Details.aspx?newsid=518.

on August 18, 2018, this license will permit a clinical registrant to operate a cultivation and processing center as well as up to six dispensaries (as opposed to three under the regular licenses). Only a private operator that has entered into a research contract with certain in-state medical schools is eligible to receive a clinical registrant license. The first of such licenses are expected to be issued in the first quarter of 2019. The Company anticipates that it will be ready for operation in Pennsylvania before the end of the first quarter of 2019. To support its expected presence in Pennsylvania, the Company has leased a 49,200 square foot production facility in King of Prussia, Pennsylvania.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

Company Overview

Curaleaf is a leading vertically integrated medical and wellness cannabis operator in the United States. Headquartered in Wakefield, Massachusetts, the Company has operations in twelve States, including twenty eight dispensaries, twelve cultivation sites and nine processing sites, with a focus on highly populated, limited license States, including New York, New Jersey, Florida and Massachusetts. The Company leverages its extensive research and development capabilities to distribute cannabis products with the highest standard for safety, effectiveness, consistent quality and customer care. The Company is committed to being the industry's leading resource in education and advancement through research and advocacy.

The Company was one of the first professionally managed companies to enter the U.S. legal cannabis industry, which is one of the fastest growing industries in the U.S.[131] and still in its early stages of maturity. Formed in 2010, the Company began as a medical device company, and was the first to develop and patent a medical cannabis vaporizing unit capable of delivering single metered doses of cannabis medicine to patients. The device adhered to exacting FDA standards and was the first known means of administering medical cannabis in a clinical setting.

Presently, the Company is a diversified holding company dedicated to delivering market-leading products and services in legal cannabis cultivation, formulation, manufacturing and retail (dispensary). Through its team of physicians, pharmacists, medical experts and industry visionaries, the Company has developed Curaleaf, a premier branded cannabis-based therapeutic offering, delivering premium quality medical cannabis in multiple product formats to patients through its network of branded retail dispensaries. Curaleaf's Florida operations are the first in the cannabis industry to receive the Safe Quality Food certification under the Global Food Safety Initiative, setting a new standard of excellence.

The Company's CEO, Joseph Lusardi, has a proven track record in financial services and has first-hand experience as an entrepreneur in the medical cannabis industry, winning the first medical cannabis license on the East Coast in Maine in 2010.

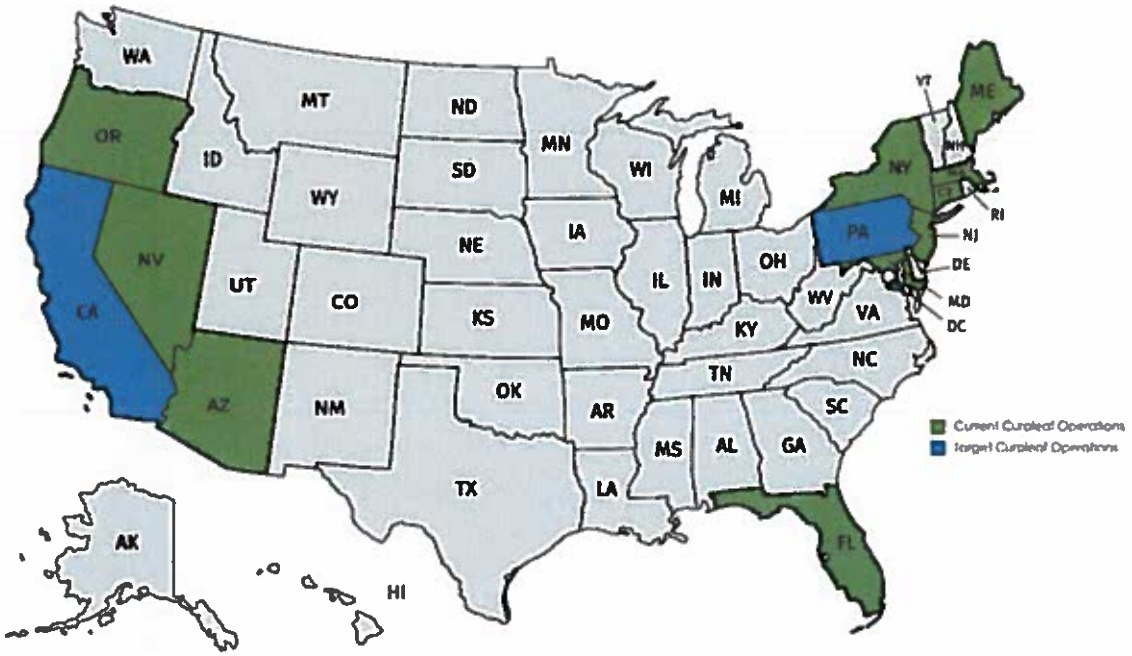
The Company currently operates medical cannabis cultivation, processing, and/or dispensary facilities in ten U.S. States.

The Company intends to further expand its business by producing high-quality cannabis strains and pharmaceutical-grade formulations for patients who suffer from qualified medical conditions in licensed States throughout the U.S. The Company currently has a licensing application pending in the State of California, and has partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth of Pennsylvania.

---

[131] The State of Legal Marijuana Markets, 5th ed., ArcView Market Research & BDS Analytics, 2017.

Curaleaf License Map



Operating Segments

Curaleaf manages its operations in two segments for the purposes of assessing performance and making operating decisions. The Company's segments are cannabis and non-cannabis operations.

The cannabis segment consists of the production and sale of cannabis. The non-cannabis segment consists of services to licensed cannabis operators in the areas of cultivation, extraction, production, and retail operations.

Business Objectives

The Company plans to continue growth of its operations via expansion in three dimensions: acquiring licenses in limited license markets, increasing presence in current markets, and increasing exposure in mass markets (mainly dominated by adult-use usage segment).

In limited license markets, the Company aims to expand its presence either by applying to receive new licenses or by acquiring additional existing businesses in States with medical marijuana programs. Using this strategy, the Company intends to gain exposure to continued growth in demand in approved States with large populations and high barriers to entry given the strict allocation of licenses. Pricing in these regions is extremely attractive. Processed products, including vape pens, oils and edibles, offer additional premium pricing benefits at limited production costs.

In the markets in which it currently operates, the Company plans to grow by increasing market share in its current operations. In addition, the Company plans to grow in these markets by pursuing opportunities for vertical integration, so that the Company can capture margins throughout the entire supply chain, acquiring additional

dispensary licenses to further build its retail brand and expand its retail footprint, and apply for new licenses as available and determined by each State.

In States with an unlimited number of licenses, such as Oregon, the Company intends to apply its "know how" to grow cannabis efficiently at a lower cost than competition indoors while taking advantage of wholesale opportunities in mass market States. In Oregon and Washington State adult-use use is allowed, but markets are underdeveloped and fragmented. In processed products segments, such as vaporizer cartridges and tinctures, the Company will focus on creating products with brand recognition to cut through competition.

Following completion of the Business Combination, the Resulting Issuer plans to continue to execute under the current business strategy of Curaleaf, which consists of: (1) applying and winning new licenses, (2) entering into new markets through accretive acquisitions, (3) increasing its existing production capacity, (4) opening new dispensaries, and (5) increasing like-for-like sales in existing dispensaries.

1. ***Apply and win new licenses: Curaleaf intends to build on its experience of winning licenses in competitive processes.***

- In April 2018, Curaleaf applied for a dispensary license in Connecticut, with a decision being expected before the end of 2018.
- In September 2018, Curaleaf has submitted several applications for additional dispensary licenses in the State of Nevada.
- In August 2018, Curaleaf was granted an Administrative Use Permit from the City of Davis, California, for manufacturing of cannabis products, which allows processing of raw cannabis material without the use of significant amounts of solvent or butane. In October 2018, pending the review of the environmental report by the City of Davis, Curaleaf expects to receive a Conditional Use Permit to process raw cannabis material with CO2 or solvents (such as ethanol). Curaleaf expects to receive a State license by the end of the 2018 fiscal year and to start generating revenues in the first quarter of the 2019 fiscal year.
- In addition, the Company expects to hear from regulators regarding the application for a provisional cultivation and processing license in Rhode Island in December 2018.
- Curaleaf will continue to monitor opportunities for new license applications in United States and abroad, focusing on jurisdictions with large addressable markets and ability to set up scalable operations.

2. ***Enter new markets and complement current footprint through attractive acquisitions:*** The cannabis market in the United States remains fragmented and general constraints of capital for this sector present attractive acquisition opportunities. Curaleaf expects to enter new markets through acquisitions to complement its current footprint and will review opportunities for bolt-on businesses within existing States.

3. ***Increase cultivation and processing capacity in existing licensed States to meet expected demand.*** Curaleaf expects to allocate approximately $54,580,000 of its expected available cash following the completion of the Business Combination towards the following cultivation and processing projects over the next 12 months. See "*Principal Purposes of Funds – Forecast 12 Month Budget*".

- **Arizona:** Subsequent to the acquisition of Swell (see "*General Development of the Business - Acquisitions*"), in May 2018, Curaleaf entered into a 10-year lease for an existing 100,000 square foot indoor cultivation facility and 68 acres of land in Holbrook, Arizona, of which 25,000 square feet is operational. Curaleaf intends to further expand the existing cultivation facility by 75,000 square feet, not including greenhouse and outdoor grows, to supply its own chain of stores and begin wholesale operations to meet continued growth in market demand. In addition, Curaleaf intends to build a processing and packaging operation in Phoenix, Arizona, capable of processing 1,800 kg per year and formulating over 80 SKUs.
- **Connecticut:** Curaleaf is developing additional cultivation space to meet the growing demand, and in April 2018, applied for a dispensary license in Connecticut, with a decision being expected before the end of 2018.
- **Florida:** To meet growing customer demand and support its growing chain of dispensaries, Curaleaf intends to renovate its existing leased Dutch glass greenhouse facility in Mt. Dora, Florida, providing for approximately 250,000 square feet of cultivation space.

- **Maryland:** Upon consummation of the Maryland Acquisition (see "*General Development of the Business - Acquisitions*"), Curaleaf intends to further expand its indoor cultivation and double its processing and packaging capacity.
- **Nevada:** Upon consummation of the Nevada Acquisition (see "*General Development of the Business - Acquisitions*"), Curaleaf expects to relocate the existing grow facility from its current location to another location in Henderson, Nevada, resulting in an expansion of 46,000 square feet. The processing facility will consist of new processing and packaging capacity of 600 kilograms of product annually.
- **New Jersey:** To meet expected growth in demand, Curaleaf intends to construct a greenhouse on a plot of land adjacent to its current cultivation facilities in Bellmawr, New Jersey.
- **New York:** To meet expected growth in demand, Curaleaf intends to construct a new 86,000 square foot greenhouse facility in Ravena, New York, to supplement its current 72,000 square foot leased indoor facility in Ravena, New York.
- **Pennsylvania:** Though it is not currently licensed in Pennsylvania, Curaleaf has partnered with an accredited medical school to obtain a clinical registrant license in Pennsylvania. Upon receipt of such license, the Company intends to build out a leased indoor cultivation and production facility in King of Prussia, Pennsylvania.

4. ***Open new dispensaries: Curaleaf will seek to open stores to reach the maximum number of stores permitted under licenses currently held.*** Curaleaf expects to allocate approximately $25,500,000 of its expected available cash following the completion of the Business Combination towards the opening and/or acquisition of the following dispensaries over the next 12 months. See "*Principal Purposes of Funds – Forecast 12 Month Budget*".

- **Arizona:** Curaleaf entered into a lease for a fifth dispensary, for a building currently under construction. Curaleaf intends to acquire or lease a new license for the fifth dispensary and further plans to identify and open (or acquire) a sixth dispensary in the Greater Phoenix area.
- **Florida:** Current regulations allow up to 30 dispensaries for each license at a patient count of 100,000. For each additional 100,000 patients, licensees are allowed to open another five stores. At the date of this Listing Statement, Curaleaf has 12 stores ready for production. Curaleaf intends to open up to 18 additional stores in the State of Florida in the next 12 months.
- **Nevada:** Curaleaf intends to complete the redesign of a former fast-food chain restaurant near the Las Vegas "Strip" and convert it to a Curaleaf dispensary, by relocating the current Blackjack dispensary license (see "*General Development of the Business – Acquisitions*") by the end of the 2018 fiscal year.
- **New Jersey:** Curaleaf intends to open a second and third dispensary in the State of New Jersey in accordance with the new regulations (see "*General Development of the Business – State by State – New Jersey*").
- **New York:** Curaleaf intends to open its fourth dispensary permitted under its license in New York. The dispensary will be located in Nassau County.
- **Massachusetts:** Curaleaf intends to directly control three adult-use dispensaries and one medical dispensary and intends to build out and to operate three other dispensaries under the Curaleaf brand.
- **Maryland:** Upon consummation of the Maryland Acquisition (see "*General Development of the Business - Acquisitions*"), Curaleaf intends to build out its third dispensary and operate it in Gaithersburg, Maryland under a management contract, providing for its operation under the Curaleaf brand.
- **Maine:** Under the new legislation, allowing established medical cannabis license holders the opportunity to be awarded a license for a second store, Curaleaf, as a manager of two out of eight licenses in the State of Maine, intends to apply for and open two more dispensaries: one in South Portland, Maine, and one in Bangor, Maine.
- **Pennsylvania:** Upon finalization of the clinical registrant license in Pennsylvania, Curaleaf intends to open up to six dispensaries in the Commonwealth of Pennsylvania.

5. ***Increase like-for-like sales in existing stores: Curaleaf intends to continue to drive like-for-like growth in existing stores by employing the following methods:***

- Engaging with the medical community in the States where medicinal cannabis is legal.
- Continuing to run a patient outreach program to educate and serve medical patients.

- Improve loyalty of existing customers by providing high quality consistent service and products and installing leading CRM programs to build on established brand.
- Market Curaleaf stores and products to new customer base through social media and traditional advertising channels (where legally allowed).

Investment Strategy

The Company intends to seek investment and acquisition opportunities in high-margin fast-growth cannabis-related businesses that are complimentary to the Company's footprint and/or range of products and services, operating in sectors with strong barriers to entry, or having a significant first-mover or other distinctive competitive advantages, servicing a large addressable generating-revenue market. The Company intends to invest in businesses that "touch the plant" (cultivation, processing and/or distribution of cannabis and cannabis related products) in the medical and/or adult-use spaces, as well as in businesses that operate in ancillary spheres that do not "touch the plant" and are not subject to specific cannabis-related regulation.

The viability of cannabis related business models may be impacted by renewed and reinvigorated enforcement of federal drug laws against cannabis companies operating under State law, as well as by accelerated liberalization of cannabis regulation and enforcement on the federal and State level. The Company intends to remain abreast of the latest regulatory and political developments impacting the space and seek to adjust its investment criteria accordingly.

Significant Events and Milestones

The principal milestones that must occur during the next 12 month period for the business objectives described above to be accomplished are: (1) the completion of Proposed Acquisitions currently in Curaleaf's pipeline, and (2) the on-time and on-budget completion of proposed expansions and/or construction of Curaleaf's infrastructure and additional retail openings, in each case, as further described under "*Principal Purposes of Funds*" below.

Total Funds Available and Breakdown

Curaleaf has historically relied upon equity and debt financings to satisfy its capital requirements and may require further equity and debt capital to finance its development, expansion and acquisition activities moving forward.

Principal Purposes of Funds

The Resulting Issuer is budgeting $246,721,656 for expenses related to acquisitions, pending regulatory approvals as well as capital expenditures related to execution of its business objectives over the next 12 months as outlined below. See "*Business Objectives*" above for a discussion on the Resulting Issuer's business objectives.

The pro forma working capital position of the Resulting Issuer as at August 31, 2018, giving effect to the Business Combination, and the completion of the SR Offering for aggregate net proceeds of $380,242,179 and the Cetus Senior Debt for net proceeds of $56,500,000, as if they had been completed on that date, was approximately $436,742,179.

Forecast 12 Month Budget

Net Proceeds Available from SR Offering[(1)]	$380,242,179
Net Proceeds Available from Cetus Senior Debt[(2)]	$56,500,000
Total Expected Funds Available to the Resulting Issuer	**$436,742,179[(3)]**

Uses of Capital

Committed Acquisitions Pending Regulatory Approval[4]	$83,500,000
Maryland Acquisition	$30,000,000
Massachusetts Acquisition	$42,500,000
Nevada Acquisition	$4,000,000
Arizona Acquisition	$7,000,000
Minority Buy-Outs[5]	$83,141,656
Massachusetts Minority Buy-Out	$18,000,000
Florida Minority Buy-Out	$25,000,000
Connecticut Minority Buy-Out	$40,141,656
Infrastructure Construction[7]	$80,080,000
Total Uses of Capital	**$246,721,656**
Funds Available	**$190,020,523**

Notes:

(1) Based on the gross proceeds of $398,745,543 to be received from the SR Offering of Subscription Receipts, net of an Agents' commission of 6.0% of the gross proceeds, or $18,503,364 (excluding related expenses and the gross proceeds raised pursuant to the sale of Subscription Receipts to purchasers on the Company's president's list), resulting in $380,242,179 of net proceeds from the SR Offering available to the Company (see "*General Development of the Business – Financing Activities*").

(2) Based on $56,500,000 of net proceeds available to the Company from the gross proceeds of the Cetus Senior Debt in the amount of $85,000,000 excluding any related expenses, and assumes the anticipated repayment of the unsecured private placement bridge financings with Cetus and with an affiliate of Boris Jordan (see "- "*General Development of the Business – Financing Activities*").

(3) In addition, even though no cash flow from operations is reflected in the expected funds available, the Company expects to have positive cash flow from operations over the next 12 months to contribute to funding its ongoing operations.

(4) This represents the cash portion and/or other payments of the consideration for the proposed acquisitions of the Company. See "*General Development of the Business – Acquisitions*" for a description of these proposed acquisitions.

(5) This represents the cash portion of the payments for the consolidation of minority positions within the Curaleaf group of companies. See "*General Development of the Business – Acquisitions*" for a description of these proposed minority position buy-outs.

(6) Subject to a further increase via an earn-out.

(7) Intended to be used to implement the Company's expansion and construction plans underlying the business strategy of Curaleaf, as outlined under "Business Objectives - *Increase cultivation and processing capacity in existing licensed States to meet expected demand*" and "Business Objectives - *Open new dispensaries. Curaleaf will seek to open stores to reach the maximum number of stores permitted under licenses currently held*" above.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding required by the Resulting Issuer will be available, if required.

Principal Products and Services

Curaleaf leverages its extensive research and development capabilities to distribute cannabis products in multiple formats with the highest standard for safety, effectiveness, consistent quality and customer care. Currently, Curaleaf cultivates, processes, markets, and/or dispenses a wide-range of permitted cannabis products across its operating markets, including: flower, pre-rolls and flower pods, dry-herb vaporizer cartridges, concentrates for vaporizing

such as pre-filled vaporizer cartridges and disposable vaporizer pens, concentrates for dabbing such as distillate droppers, mints, topical balms and lotions, tinctures, lozenges, capsules and edibles.

In the majority of Curaleaf markets, Curaleaf is vertically-integrated, meaning the Company manages the entire supply chain from seed to sale, cultivating cannabis flower, processing the flower into manufactured products, and selling the product to registered patients and/or legal adult-use consumers.

In September 2018, the Company launched a new CBD product line of 15 SKUs, including disposable vape pens, tinctures, softgel capsules, patches, topical lotion and pet treats. Its essential oils provide differentiation from competitive set and source for the needed states of relaxation, relief and uplifting. The Company uses targeted retail channels to distribute and sell its products, including e-commerce, e-retailers, natural products/wellness section of grocery stores and mass merchandisers, high-end spas, pet stores, vape shops and dispensaries and intends to market directly to its database of over 100,000 existing customers from its current dispensaries.

In most States in which it operates, Curaleaf sells these products under the Curaleaf brand, and within Curaleaf dispensaries. The Company is committed to being the industry's leading resource in education and advancement through research and advocacy, and is focused on developing a trusted, national brand.

The Company believes that it has developed the in-house resources to maintain best practices in cannabis cultivation, processing and dispensing and is dedicated to staying at the forefront of technology in the industry. The Company continues to invest strategically in infrastructure to ensure low overall production costs and to stay nimble in its ability to adapt its product mix to the rapidly developing cannabis market. The Company intends to use its footprint to share know-how and technology throughout its operations and spread out development costs.

- **Cultivation:** The Company has grown over 150 strains of cannabis, which it has extensively tested and characterized for yield, cannabinoid content and patient response. Additionally, Curaleaf cultivates cannabis using a variety of methods, including: greenhouse, outdoor, indoor, and two-tier indoor cultivation. Its growers come from predominantly industrial-scale farming backgrounds with a focus on efficiency. The Company has also launched a program to propagate its cannabis strains through tissue cultures and the Company believes it is a leader in this trend within the industry.

- **Extraction and Purification:** The Company uses proprietary processes for cannabis and terpene purification, including "cold process" terpene purification. The Company believes it is an industry leader in achieving the desired composition of cannabinoids and terpenes in its finished products through processing and purification, enabling it to respond to trends in medical product formulation.

- **Formulation and Quality Control:** The Company's processing facilities produce across the range of solid, liquid and inhaled products utilizing its vast in-house knowledge and experience. By combining expert cultivation, manufacturing and analytical laboratory operations, the Company believes that it has developed a complete in-house quality assurance and quality control program. In-house quality assurance enables rapid product development cycles and production of higher quality consumer products.

Research and Development

Curaleaf's research and development activities primarily focus on optimizing cultivation and manufacturing techniques, and developing new manufactured products.

Curaleaf measures grams of cannabis flower produced per watt of light, per square foot, and per plant. This allows the Company to gain insights on optimal cultivation methods by adjusting certain variables such as cannabis strain variety, and plant-spacing. Curaleaf also institutes pest management techniques in its facilities and documents successes and failures, sharing this knowledge across its cultivation operations in all States in which it operates.

Curaleaf also researches new, improved methods of cannabis extraction and develops new manufactured products. The Company's research and development activities operate on an on-going basis as the Company continually seeks to improve its current methods.

Production and Sales

Curaleaf currently has twelve cultivation facilities totaling approximately 650,000 square feet. Its current production capacity is estimated at 63,000 pounds of dry flower.

Curaleaf currently has nine manufacturing facilities and is able to extract 18,440 grams of cannabis oil per week. Each new manufacturing suite is built to ISI 8 clean room specifications and employs advanced nutritional and pharmaceutical formulations technology for the most optimal delivery methods. These facilities adhere to FDA guidelines and current good manufacturing principles.

Each Curaleaf production facility (cultivation and processing) primarily focuses on the commercialization of cannabis products, with a strict focus on quality control and patient care. Illustrating this commitment, Curaleaf's Florida operations were the first in the cannabis industry to receive the Safe Quality Food certification under the Global Food Safety Initiative.

Curaleaf's primary method of sales currently occur in its brick-and-mortar dispensaries across the U.S. However, the Company also offers home delivery services across the State of Florida, in compliance with all state regulations. Also in Florida, the Company offers drive-thru service at one of its dispensaries. In multiple States, the Company offers customers the option to order online to pick-up in store. Curaleaf aims to expand its e-commerce operations and delivery operations, where permitted, to offer convenient access for its customers and meet the demands of an evolving retail landscape.

Intellectual Property

Curaleaf has developed multiple proprietary product formats, technologies and processes to ensure the high quality of its premium cannabis products. These proprietary technologies and processes include its cultivation and extraction techniques, product formulations and cannabis delivery and monitoring systems. While actively determining and pursuing the patentability of these processes and materials, Curaleaf ensures confidentiality through the use of non-disclosure and/confidentiality agreements.

Curaleaf has spent considerable time and resources to establish a premium and recognizable brand amongst consumers and retailers in the cannabis industry. Curaleaf has one federally registered patent with the United States Patent and Trademark Office ("**USPTO**"). Additionally, 4 trademarks are currently filed and pending approval with the USPTO, and Curaleaf is actively pursuing the filing of additional trademarks at both the federal and state levels. All patent and trademarks are further described below.

In addition to its patent and pending trademarks, Curaleaf owns 11 website domains, including www.curaleaf.com, as well as numerous social media accounts across all major platforms.

Curaleaf maintains an in-house legal team, as well as engages outside legal counsel, to actively monitor and identify potential infringements on its intellectual property.

Patents

As of the date hereof, Curaleaf has registered patent 8910630 published by the USPTO on December 6, 2012 for its medical inhalation system, which is categorized at the USPTO as a Cannabis Delivery and Monitoring System.

Trademarks

Additionally, Curaleaf has five pending trademarks with the USPTO, all pertaining to use of the Curaleaf brand and related goods associated with the Curaleaf brand and/or name. Specifically, the four pending trademarks are (i) Federal Trademark application for Curaleaf filed on June 21, 2018 for CBD Related Goods in Class 5 (Hemp Oil for use as dietary supplement containing only naturally occurring amounts of CBD; dietary, dietary and nutritional supplements containing CBD derived from industrial hemp): (ii) Federal Trademark Application for Curaleaf filed on June 25, 2018 for CBD Related Goods in Class 34 (Electronic vaporizer liquid containing only naturally occurring amounts of CBD derived from industrial hemp for use in electronic vaporizers, including e-cigarettes, e-cigars and personal vaporizers); (iii) Federal Trademark application for Curaleaf filed on August 7, 2018 for Retail Services Class 35 (Retail and online store services featuring smoker's articles, namely, smoking pipes and oral smokeless vaporizers, tobacco storage boxes, tobacco grinders, none of the foregoing intended for use with cannabis); (iv) Federal Trademark application for Curaleaf filed on August 27, 2018 for Apparel goods Class 25 (Apparel, namely, t-shirts, sweatshirts and hats); and (v) Federal Trademark application for Curaleaf filed on August 27, 2018 for Non-CBD Goods in Class 5 (Nutritional supplements for medicinal purposes).

Curaleaf also has a registered trademark in the State of Connecticut (Connecticut registration number 3946987 filed September 22, 2017) for retail use of the Curaleaf brand for marketing purposes and related goods and services. Additionally, Curaleaf is actively pursuing state level trademark applications in the states of Massachusetts, Maine, New Jersey, New York, Florida and Maryland for retail use of the Curaleaf brand.

All federal registered trademarks in the United States described above are subject to renewal ten (10) years from the date of registration and the Connecticut trademark described above is subject to renewal five (5) years from the date of registration.

Competitive Conditions

The Company maintains an operational footprint dominated by limited-license States, with natural high barriers to entry and limited market participants. The majority of the markets in which the Company operates have formal regulations limiting the number of cannabis licenses that will be awarded, helping to ensure the Company's market share is protected in these limited-market States under the current regulatory framework. However, in Oregon, there exists a free market dynamic with low barriers to entry.

As cannabis remains federally illegal in the U.S., businesses seeking to enter the industry face additional challenges when accessing capital. Presently, there exists no reliable source of bank lending or equity capital available to fund operations in the U.S. cannabis sector. The Company is well-capitalized, and management believes that the level of expertise and significant capital investment required to operate a large-scale, vertically-integrated cannabis operation make it difficult and inefficient for smaller cannabis operators to enter this sector of the market. Due to the rapid growth of the cannabis industry in the U.S., management acknowledges that the Resulting Issuer will face competition from other companies accessing equity capital markets in the sector.

Compliance and Monitoring

The Company is in compliance with its obligations under State law related to its cannabis cultivation, processing and dispensation licenses, other than minor violations that would not result in a material fine, suspension or revocation of any relevant license.

The Company monitors and engages in the regulatory and legislative process through its local compliance officers, government relations department, outside government relations consultants, cannabis industry groups and legal counsel.

Compliance officers in each operating subsidiary are charged with knowing the local regulatory process and monitoring developments with their governing bodies. Each compliance officer regularly reports regulatory developments to the Company's VP of Compliance through written and oral communications and is charged with the creation and implementation of plans regarding any regulatory developments.

The government relations department, consisting of Senior Vice President, Ed Conklin, and Vice President, Matt Harrell, work closely with Curaleaf management to develop relationships with local and State regulators, industry groups, and elected officials in order to effectively monitor and engage in the regulatory and legislative processes. The Company's Government Relations Department develops strategies, engages legislative consultant's, directly lobbies and works with third party groups to protect the Company's right to operate and to advocate for legislation, regulations and oversight under which it can be successful.

In addition to the above disclosure, please see Section 18 below – "*Risk Factors*" for further risk factors associated with the operations of the Company and the Resulting Issuer.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2016 and December 31, 2017. Such information is derived from the financial statements of the Company and should be read in conjunction with such financial statements, which are attached as Schedule "C" and "D" :

	As at and for the year ended December 31, 2016 ($000s)	As at and for the year ended December 30, 2017 ($000s)
Statement of operations		
Total revenue	3,708	19,313
Net loss from operations	(1,140)	(6,545)
Net income	131	(3,976)
Statement of financial position		
Total assets	89,853	149,551
Total liabilities	9,265	44,786
Cash dividends declared per share	Nil	Nil

The following table sets forth selected financial information for LVI for the fiscal years ended December 31, 2015, 2016 and 2017. Such information is derived from the financial statements of LVI and should be read in conjunction with such financial statements, which are attached as Schedule "E" and "F":

	As at and for the year ended December 31, 2015 (C$)	As at and for the year ended December 31, 2016 (C$)	As at and for the year ended December 30, 2017 (C$)
Statement of operations			
Total revenue	Nil	Nil	Nil
Net loss from operations	(223,116)	(158,848)	(128,915)
Net income	(223,116)	(158,848)	(128,915)
Statement of financial position			
Total assets	210,510	64,092	41,637
Total liabilities	12,035	15,465	119,425
Cash dividends declared per share	Nil	Nil	Nil

A large majority of the Company's balance sheet and operating statement are exposed to U.S. cannabis-related activities.

Dividends

It is contemplated that the Resulting Issuer will reinvest all future earnings in order to finance the development and growth of its business. As a result, it is not contemplated that dividends will be paid on the Subordinate Voting Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Resulting Issuer Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Resulting Issuer Board deems relevant. While the Cetus Senior Debt is outstanding, Curaleaf is subject to certain negative covenants, including restrictions on its ability to pay dividends. The Resulting Issuer's ability to pay dividends may be affected by U.S. State and federal regulations. Please see "*Risk Factors – Anti-Money Laundering Laws and Regulations*".

Foreign GAAP

The financial statements of the Company included in this Listing Statement have been, and the future financial statements of the Resulting Issuer shall be, prepared in accordance with International Financial Reporting Standards (IFRS).

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual MD&A

Please see attached the Company's MD&A for the year ended December 31, 2017, attached hereto as Schedule "B".

Interim MD&A

Please see attached the Company's MD&A for the three and six months ended June 30, 2018, attached hereto as Schedule "B".

7. MARKET FOR SECURITIES

The securities of the Company were not listed prior to completion of the Business Combination. Prior to the closing of the Business Combination, the LVI Shares are listed for trading on the CSE under the symbol "LEAD". The Resulting Issuer intends to be traded on the CSE under the symbol "CURA" (which trading, to date, has not been reviewed or approved by the CSE).

8. CONSOLIDATED CAPITALIZATION

The following table sets forth the anticipated consolidated capitalization of the Resulting Issuer after giving effect to the Business Combination:

	After giving effect to the closing of the Business Combination and after completion of the SR Offering at the SR Offering Price[1]
Multiple Voting Shares	122,170,705
Subordinate Voting Shares	335,462,288[2]

	After giving effect to the closing of the Business Combination and after completion of the SR Offering at the SR Offering Price[1]
Options	50,848,110

Notes:

(1) Based on the issuance by Curaleaf Finco of 45,422,167 Subscription Receipts at the SR Offering Price pursuant to the SR Offering, and assuming completion of the Reorganization Share Exchange.

(2) Representing (i) 274,349,579 Subordinate Voting Shares issued to the Curaleaf shareholders, (ii) 45,422,167 Subscription Receipts issued at the SR Offering Price (which will be converted into Curaleaf FinCo Shares upon the satisfaction of the Escrow Release Conditions on or prior to the Escrow Release Deadline, and then exchanged for Subordinate Voting Shares upon the completion of the Business Combination), (iii) 188,646 Subordinate Voting Shares issued to the LVI Shareholders upon completion of the Business Combination for an aggregate value of C$2.16 million at a price per Subordinate Voting Share equal to the SR Offering Price, and (iv) 11,786,858 Subordinate Voting Shares to be issued as satisfaction of the purchase price of each of the Proposed Minority Buy-Outs and the Arizona Acquisition (plus up to 8,962,380 Subordinate Voting Shares, representing the maximum number of additional Subordinate Voting Shares that may be issued in connection with the Connecticut Minority Buy-Out further to the second valuation. See "*General Development of the Business – Acquisitions*"); and (v) 3,715,038 Subordinate Voting Shares to be issued in exchange for the conversion of the Arizona Convertible Note.

9. OPTIONS TO PURCHASE SECURITIES

The Company currently has in place a long term incentive plan (the "**Curaleaf LTIP**") under which it may grant incentive stock options ("**Curaleaf Options**") to its directors, officers, employees and consultants or any affiliate thereof. As of the date of the Business Combination, a total of 30,729,247 options under the New Equity Incentive Plan will be issued and outstanding, representing the number of Curaleaf Options following completion of the Reorganization Share Exchange (the "**Resulting Issuer Options**"). All of the Curaleaf Options granted under the Curaleaf Option Plan will be rolled into the Resulting Issuer Options and would become subject to the New Equity Incentive Plan, the terms of which are described below.

In connection with the Business Combination, and in particular the preponderance of employees of PalliaTech that are residents of the United States, the Resulting Issuer proposes to adopt the New Equity Incentive Plan to replace the current stock option of LVI, subject to approval by the LVI Shareholders at the Meeting.

The following table sets forth the aggregate number of Curaleaf Options that are outstanding as of the closing of the Business Combination following the completion of the Reorganization Share Exchange of the Curaleaf shares.

	Persons Who Hold Curaleaf Options (as a Group)	Subordinate Voting Shares Under Options Granted	Exercise Price ($)[6]	Date of Grant	Expiry Date
1.	All executive officers and past executive officers of Curaleaf, Inc.[1]	18,686,472	0.12	9/14/2013	9/15/2023
2.	All directors and past directors of Curaleaf, Inc. who are not also executive officers[2]	1,799,050	0.75	10/27/2015	10/26/2025
3.	All executive officers and past executive officers of all subsidiaries of Curaleaf, Inc.[3]	2,987,044	0.79	4/30/2016	4/30/2026
4.	All directors and past directors of all subsidiaries of Curaleaf, Inc who are not also executive officers of the subsidiary				

	Persons Who Hold Curaleaf Options (as a Group)	Subordinate Voting Shares Under Options Granted	Exercise Price ($)[6]	Date of Grant	Expiry Date
5.	All other employees and past employees of Curaleaf, Inc.[4]	5,621,181	0.68	5/14/2017	5/14/2027
6.	All other employees and past employees of subsidiaries of Curaleaf, Inc.				
7.	All consultants of Curaleaf, Inc.[5]	1,635,500	0.80	1/1/2018	1/1/2028
8.	Any other person or company	-	-	-	-

Notes:

(1) This group is comprised of 7 individuals. Various types of options granted. Exercise price, date of grant, and expiry date represents weighted average.

(2) This group is comprised of 2 individuals. Various types of options granted. Exercise price, date of grant, and expiry date represents weighted average.

(3) This group is comprised of 4 individuals (excluding the individuals referred to in groups 2 and 3). Various types of options granted. Exercise price, date of grant, and expiry date represents weighted average.

(4) This group is comprised of 7 individuals (excluding the individuals referred to in groups 2 and 3).

(5) This group is comprised of 1 individual.

(6) Following completion of the Reorganization Share Exchange.

It is anticipated that, within the twelve month period following the completion of the Business Combination, the Resulting Issuer may issue Resulting Issuer Options to its directors, officers or other service providers from time to time.

Summary of New Equity Incentive Plan

The Resulting Issuer has implemented the New Equity Incentive Plan, the principal terms of which are described below.

Purpose

The purpose of the New Equity Incentive Plan will be to enable the Resulting Issuer and its affiliated companies to: (i) promote and retain employees, officers, consultants, advisors and directors capable of assuring the future success of the Resulting Issuer, (ii) to offer such persons incentives to put forth maximum efforts, and (iii) to compensate such persons through various stock and cash-based arrangements and provide them with opportunities for stock ownership, thereby aligning the interests of such persons and Resulting Issuer Shareholders.

The New Equity Incentive Plan permits the grant of (i) nonqualified stock options ("**NQSOs**") and incentive stock options ("**ISOs**") (collectively, "**Options**"), (ii) restricted stock awards, (iii) restricted stock units ("**RSUs**"), (iv) stock appreciation rights ("**SARs**"), and (v) performance compensation awards, which are referred to herein collectively as "**Awards**", as more fully described below.

The Resulting Issuer Board shall have the power to manage the New Equity Incentive Plan and may delegate such power at its discretion to any committee of the Resulting Issuer Board, including the Compensation Committee.

Eligibility

Any of the Resulting Issuer's employees, officers, directors, consultants (who are natural persons) are eligible to participate in the New Equity Incentive Plan if selected by the Resulting Issuer Board (the "**Participants**"). The basis of participation of an individual under the New Equity Incentive Plan, and the type and amount of any Award that an individual will be entitled to receive under the New Equity Incentive Plan, will be determined by the Resulting Issuer Board based on its judgment as to the best interests of the Resulting Issuer and its shareholders, and therefore cannot be determined in advance.

The maximum number of Subordinate Voting Shares that may be issued under the New Equity Incentive Plan shall be set by the Resulting Issuer Board to be an aggregate of 10% of the number of Subordinate Voting Shares (including the number of Subordinate Voting Shares underlying the Multiple Voting Shares on an "as if converted" basis) then outstanding, on a fully-diluted basis. Notwithstanding the foregoing, a maximum of 10% of the issued and outstanding Subordinated Voting Shares (including the number of Subordinate Voting Shares underlying the Multiple Voting Shares on an "as if converted" basis), on a fully-diluted basis, as of the completion of the Business Combination may be issued as ISOs, subject to adjustment in the New Equity Incentive Plan. Any shares subject to an Award under the New Equity Incentive Plan that are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the New Equity Incentive Plan. No financial assistance or support agreements may be provided by the Resulting Issuer in connection with grants under the New Equity Incentive Plan.

In the event of any dividend, recapitalization, forward or reverse stock split, reorganization, merger, amalgamation, consolidation, split-up, split-off, combination, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer, issuance of warrants or other rights to acquire Subordinate Voting Shares or other securities of the Resulting Issuer, or other similar corporate transaction or event, which affects the Subordinate Voting Shares, or unusual or nonrecurring events affecting the Resulting Issuer, or the financial statements of the Resulting Issuer, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Resulting Issuer Board may make such adjustment, which it deems appropriate in its discretion in order to prevent dilution or enlargement of the rights of Participants under the New Equity Incentive Plan, to (i) the number and kind of shares which may thereafter be issued in connection with Awards, (ii) the number and kind of shares issuable in respect of outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and (iv) any share limit set forth in the New Equity Incentive Plan.

Awards

Options

The Resulting Issuer Board is authorized to grant Options to purchase Subordinate Voting Shares that are either ISOs meaning they are intended to satisfy the requirements of Section 422 of the Code, or NQSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code. Options granted under the New Equity Incentive Plan will be subject to the terms and conditions established by the Resulting Issuer Board. Options granted under the New Equity Incentive Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Resulting Issuer Board and specified in the applicable award agreement. The maximum term of an option granted under the New Equity Incentive Plan will be ten years from the date of grant (or five years in the case of an ISO granted to a 10% shareholder). Payment in respect of the exercise of an Option may be made in cash or by check, by surrender of unrestricted shares (at their fair market value on the date of exercise) or by such other method as the Resulting Issuer Board may determine to be appropriate.

Restricted Stock

A restricted stock award is a grant of Subordinate Voting Shares, which are subject to forfeiture restrictions during a restriction period. The Resulting Issuer Board will determine the price, if any, to be paid by the Participant for each Subordinate Voting Shares subject to a restricted stock award. The Resulting Issuer Board may condition the

expiration of the restriction period, if any, upon: (i) the Participant's continued service over a period of time with the Resulting Issuer or its affiliates; (ii) the achievement by the Participant, the Resulting Issuer or its affiliates of any other performance goals set by the Resulting Issuer Board; or (iii) any combination of the above conditions as specified in the applicable award agreement. If the specified conditions are not attained, the Participant will forfeit the portion of the restricted stock award with respect to which those conditions are not attained, and the underlying Subordinate Voting Shares will be forfeited. At the end of the restriction period, if the conditions, if any, have been satisfied, the restrictions imposed will lapse with respect to the applicable number of Subordinate Voting Shares. During the restriction period, unless otherwise provided in the applicable award agreement, a Participant will have the right to vote the shares underlying the restricted stock; however, all dividends will remain subject to restriction until the stock with respect to which the dividend was issued lapses. The Resulting Issuer Board may, in its discretion, accelerate the vesting and delivery of shares of restricted stock. Unless otherwise provided in the applicable award agreement or as may be determined by the Resulting Issuer Board upon a Participant's termination of service with the Resulting Issuer, the unvested portion of a restricted stock award will be forfeited.

RSUs

RSUs are granted in reference to a specified number of Subordinate Voting Shares and entitle the holder to receive, on achievement of specific performance goals established by the Resulting Issuer Board after a period of continued service with the Resulting Issuer or its affiliates or any combination of the above as set forth in the applicable award agreement, one Subordinate Voting Share for each such Subordinate Voting Share covered by the RSU; provided, that the Resulting Issuer Board may elect to pay cash, or part cash and part Subordinate Voting Shares in lieu of delivering only Subordinate Voting Shares. The Resulting Issuer Board may, in its discretion, accelerate the vesting of RSUs. Unless otherwise provided in the applicable award agreement or as may be determined by the Resulting Issuer Board upon a Participant's termination of service with the Resulting Issuer, the unvested portion of the RSUs will be forfeited.

Stock Appreciation Rights

A SAR entitles the recipient to receive, upon exercise of the SAR, the increase in the fair market value of a specified number of Subordinate Voting Shares from the date of the grant of the SAR and the date of exercise payable in Subordinate Voting Shares. Any grant may specify a vesting period or periods before the SAR may become exercisable and permissible dates or periods on or during which the SAR shall be exercisable. No SAR may be exercised more than ten years from the grant date. Upon a Participant's termination of service, the same general conditions applicable to Options as described above would be applicable to the SAR.

General

The maximum term of the convertible securities to be granted/awarded under the New Equity Incentive Plan will be 10 years. The New Equity Incentive Plan is expected to be approved by the LVI Shareholders at the Meeting.

The Resulting Issuer Board may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the New Equity Incentive Plan shall be non-transferable except by will or by the laws of descent and distribution. No Participant shall have any rights as a shareholder with respect to Subordinate Voting Shares covered by Options, SARs or RSUs, unless and until such Awards are settled in Subordinate Voting Shares.

No Option (or, if applicable, SARs) shall be exercisable, no Subordinate Voting Shares shall be issued, no certificates for Subordinate Voting Shares shall be delivered and no payment shall be made under the New Equity Incentive Plan except in compliance with all applicable laws.

The Resulting Issuer Board may amend, alter, suspend, discontinue or terminate the New Equity Incentive Plan and the Resulting Issuer Board may amend any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Resulting Issuer's shareholders if such approval is necessary to comply with any tax or regulatory requirement applicable to the New Equity Incentive Plan (including, without limitation, as necessary to comply with any rules or requirements of

applicable securities exchange), (ii) no such amendment or termination may adversely affect Awards then outstanding without the Award holder's permission, and (iii) such amendment, alteration, suspension, discontinuation, or termination is in compliance with CSE Policies.

In the event of any reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer or any other similar corporate transaction or event involving the change of control of the Resulting Issuer (or the Resulting Issuer shall enter into a written agreement to undergo such a transaction or event), the Resulting Issuer Board may, in its sole discretion, take such measures or make such adjustments in regards to any securities granted pursuant to the New Equity Incentive Plan, as it deems appropriate.

Tax Withholding

The Resulting Issuer may take such action as it deems appropriate to ensure that all applicable federal, State, provincial, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

10. DESCRIPTION OF THE SECURITIES

DESCRIPTION OF SHARE CAPITAL OF THE RESULTING ISSUER

The Resulting Issuer

The authorized share capital of the Resulting Issuer will consist of an unlimited number of Multiple Voting Shares without par value (the Multiple Voting Shares) and an unlimited number of Subordinate Voting Shares without par value (the Subordinate Voting Shares). The following is a summary of the rights, privileges, restrictions and conditions attached to the Subordinate Voting Shares and the Multiple Voting Shares.

Subordinate Voting Shares

Reclassification	Each LVI Share and common share held by a shareholder of the Resulting Issuer will be reclassified into one Subordinate Voting Share.
Restricted Shares	The Subordinated Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian Securities Laws.
Right to Notice and Vote	Holders of Subordinate Voting Shares will be entitled to notice of and to attend any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer 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.
Voting Rights	Upon completion of the Business Combination, the Subordinate Voting Shares will represent approximately 73.3% of the total issued and outstanding shares of the Resulting Issuer and approximately 15.5% of the voting power attached to such outstanding shares of the Resulting Issuer.
Class Rights	As long as any Subordinate Voting Shares remain outstanding, the Resulting Issuer 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 Resulting Issuer.

Dividends	Holders of Subordinate Voting Shares will be entitled to receive as and when declared by the directors of the Resulting Issuer, dividends in cash or property of the Resulting Issuer. No dividend will be declared or paid on the Subordinate Voting Shares unless the Resulting Issuer simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares. In the event of the payment of a dividend in the form of shares, holders of Subordinate Voting Shares shall receive Subordinate Voting Shares, unless otherwise determined by the Resulting Issuer Board. Please see "Risk Factors – Anti-Money Laundering Laws and Regulations".
Participation	In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Resulting Issuer 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 Resulting Issuer ranking in priority to the Subordinate Voting Shares, be entitled to participate rateably along with all other holders of Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares or Multiple Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares and 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. Except as described below, the Subordinate Voting Shares cannot be converted into any other class of shares.
Conversion Upon an Offer	In the event that an offer is made to purchase Multiple Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of the Toronto Stock Exchange if the stock exchange on which the shares of the Resulting Issuer are listed has not implemented any rules with respect to "coattail" protections, or if the Multiple Voting Shares are not then listed, to be made to all or substantially all the holders of Multiple Voting Shares in a given province or territory of Canada to which these requirements apply, each Subordinate Voting Share shall become convertible at the option of the holder into Multiple 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 Multiple Voting Shares pursuant to the offer, and for no other reason. In such event, the Resulting Issuer shall deposit or cause the Resulting Issuer's transfer agent to deposit the resulting Multiple Voting Shares on behalf of the holder. Should the Multiple 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 Multiple Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Resulting Issuer or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.
Multiple Voting Shares	
Right to Notice and Vote	Holders of Multiple Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer will have

	the right to vote. At each such meeting, holders of Multiple Voting Shares will be entitled to 15 votes per Multiple Voting Share.
Voting Rights	The Multiple Voting Shares will represent approximately 26.7% of the total issued and outstanding shares of the Resulting Issuer and 84.5% of the voting power attached to such outstanding shares of the Resulting Issuer.
Class Rights	As long as any Multiple Voting Shares remain outstanding, the Resulting Issuer will not, without the consent of the holders of the Multiple Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Multiple Voting Shares. Additionally, consent of the holders of a majority of the outstanding 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 Multiple Voting Shares. In connection with the exercise of the voting rights in respect of any such approvals, each holder of Multiple Voting Shares will have one vote in respect of each Multiple Voting Share held. The holders of 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 Resulting Issuer not convertible into Multiple Voting Shares.
Dividends	The holders of the 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 Resulting Issuer may by resolution determine, on an as-converted to Subordinate Voting Share basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the Conversion Ratio. No dividend will be declared or paid on the Multiple Voting Shares unless the Resulting Issuer simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares and Subordinate Voting Shares. In the event of the payment of a dividend in the form of shares, holders of Multiple Voting Shares shall receive Multiple Voting Shares, unless otherwise determined by the Board of Directors of the Resulting Issuer. Please see "*Risk Factors – Anti-Money Laundering Laws and Regulations*".
Participation	In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Resulting Issuer among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Multiple Voting Shares, be entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Shares basis) and Subordinate Voting Shares.
Changes	No subdivision or consolidation of the Subordinate Voting Shares or Multiple Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares and 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 Multiple Voting Shares are convertible into Subordinate Voting Shares on a one-for-one basis (the "**Conversion Ratio**") at any time at the option of the holder.
Automatic Conversion	The Multiple Voting Shares structure will terminate automatically on the date that is 36 months from the date of closing of the Business Combination. It will also terminate automatically upon the occurrence of the following events: (i) transfer or disposition of the Multiple Voting Shares by Mr. Jordan to one or more third parties (which are not Permitted Holders) and (ii) Mr. Jordan or his Permitted Holders no longer beneficially owning, directly or indirectly and in the aggregate, at least 5% of the issued and

	outstanding Subordinate Voting Shares and Multiple Voting Shares. Upon termination, the Multiple Voting Shares will automatically convert into Subordinate Voting Shares pursuant to the Conversion Ratio.
Conversion Upon an Offer	In the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of the Toronto Stock Exchange if the stock exchange on which the Subordinate Voting Shares are listed has not implemented any rules with respect to "coattail" protections, to be made to all or substantially all the holders of Subordinate Voting Shares in a given province or territory of Canada to which these requirements apply, each Multiple Voting Share shall become convertible at the option of the holder into Subordinate Voting Shares pursuant to the 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 only be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Subordinate Voting Shares pursuant to the offer, and for no other reason. In such event, the Resulting Issuer shall deposit or cause the Resulting Issuer's transfer agent to deposit the resulting Subordinate Voting Shares on behalf of the holder. 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 Resulting Issuer or on the part of the holder, into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect.

Licensing Provisions

The Resulting Issuer's notice of articles and articles will include certain provisions, including a redemption right in favour of the Resulting Issuer (the "**Licensing Provisions**") to ensure that the Resulting Issuer complies with applicable licensing regulations.The purpose of the Licensing Provisions is to provide the Resulting Issuer with a means of protecting itself from having a shareholder, or as determined by the Resulting Issuer Board, a group of shareholders acting jointly or in concert (an "**Unsuitable Person**") with an ownership interest of, whether of record or beneficially (or having the power to exercise control or direction over), five percent (5%) or more of the issued and outstanding shares of the Resulting Issuer, who a governmental authority granting licenses to the Resulting Issuer has determined to be unsuitable to own Subordinate Voting Shares, or whose ownership of Subordinate Voting Shares may result in the loss, suspension or revocation (or similar action) with respect to any licenses relating to the Resulting Issuer's conduct of business (being the conduct of any activities relating to the cultivation, manufacturing and dispensing of cannabis and cannabis, derived products in the United States, which include the owning and operating of cannabis licenses) or in the Resulting Issuer being unable to obtain any new licenses in the normal course, including, but not limited to, as a result of such person's failure to apply for a suitability review from or to otherwise fail to comply with the requirements of a governmental authority, as determined by the Resulting Issuer Board, in its sole discretion, after consultation with legal counsel and if a license application has been filed, after consultation with the applicable governmental authority.

The Licensing Provisions will provide the Resulting Issuer with a right, but not the obligation, at its option, to redeem Subordinate Voting Shares held by an Unsuitable Person at the redemption price described below. This right is required in order for the Resulting Issuer to comply with regulations in various jurisdictions where the Resulting Issuer conducts business or is expected to conduct business, which will provide that the shareholders of a company requiring a license who hold over a certain percentage threshold of the issued and outstanding shares of the Resulting Issuer cannot be deemed "unsuitable" by the applicable governmental authority issuing the license in order for such company's license to be issued and to remain valid and in effect.

A redemption notice may be delivered by the Resulting Issuer to the Unsuitable Person and will set forth: (i) the redemption date, (ii) the number of Subordinate Voting Shares to be redeemed, (iii) the formula pursuant to which the redemption price will be determined and the manner of payment therefor, (iv) the place where such Subordinate Voting Shares (or certificate thereto, as applicable) will be surrendered for payment, duly endorsed in blank or

accompanied by proper instruments of transfer, (v) a copy of the Valuation Opinion (as defined below) (if the Resulting Issuer is no longer listed on the CSE or another recognized securities exchange), and (vi) any other requirement of surrender of the redeemed shares. The redemption notice will be sent to the Unsuitable Person not less than 30 trading days prior to the redemption date, except as otherwise provided below. The Resulting Issuer will send a written notice confirming the amount of the redemption price as soon as possible following the determination of such redemption price. The redemption notice may be conditional such that the Resulting Issuer need not redeem the Subordinate Voting Shares on the redemption date if the Resulting Issuer Board determines, in its sole discretion, that such redemption is no longer advisable or necessary. For purposes of the foregoing, "**Fair Market Value**" means: (i) the volume weighted average trading price (VWAP) of the Subordinate Voting Shares to be redeemed during the five (5) trading day period immediately after the date of the redemption notice on the CSE or other national or regional securities exchange on which such Subordinate Voting Shares are listed, (ii) if no such quotations are available, the fair market value per share of such Subordinate Voting Shares as set forth in a valuation and fairness opinion ("**Valuation Opinion**") from an investment banking firm of nationally recognized standing in Canada (qualified to perform such task and which is disinterested in the contemplated redemption and has not in the then past two years provided services for a fee to the Resulting Issuer (or its affiliates) or a disinterested nationally recognized accounting firm.

The redemption date will be not less than 30 trading days from the date of the redemption notice unless a governmental authority requires that the Subordinate Voting Shares be redeemed as of an earlier date, in which case the redemption date will be such earlier date, and if there is an outstanding redemption notice, the Resulting Issuer will issue an amended redemption notice reflecting the new redemption date forthwith.

From and after the date the redemption notice is delivered, an Unsuitable Person owning Subordinate Voting Shares called for redemption will cease to have any voting rights. From and after the redemption date, any and all rights of any nature which may be held by an Unsuitable Person with respect to such person's Subordinate Voting Shares will cease and, thereafter, the Unsuitable Person will be entitled only to receive the redemption price, without interest, on the redemption date; provided, however, that if any such Subordinate Voting Shares come to be owned solely by persons other than an Unsuitable Person (such as by transfer of such Subordinate Voting Shares to a liquidating trust, subject to the approval of any applicable governmental authority), such persons may exercise voting rights of such Subordinate Voting Shares and the Resulting Issuer Board may determine, in its sole discretion, not to redeem such Subordinate Voting Shares. The Resulting Issuer's redemption right is unilateral. Unless an Unsuitable Person otherwise disposes of his, her or its Subordinate Voting Shares, such Unsuitable Person cannot prevent the Resulting Issuer from exercising its redemption right. Following redemption, the redeemed Subordinate Voting Shares will be cancelled.

If the Resulting Issuer exercises its right to redeem Subordinate Voting Shares from an Unsuitable Person, (i) the Resulting Issuer may fund the redemption price, which may be substantial in amount in certain circumstances, from its existing cash resources, the incurrence of indebtedness, the issuance of additional securities including debt securities, the issuance of a promissory note issued to the Unsuitable Person or a combination of the foregoing sources of funding, (ii) the number of Subordinate Voting Shares outstanding will be reduced by the number of Subordinate Voting Shares redeemed, and (iii) the Resulting Issuer cannot provide any assurance that the redemption will adequately address the concerns of any governmental authorities or enable the Resulting Issuer to make all required governmental filings or obtain and maintain all licenses, permits or other governmental approvals that are required to conduct its business. The Resulting Issuer cannot prevent an Unsuitable Person from acquiring or reacquiring shares, and can only address such unsuitability by exercising its redemption rights pursuant to the redemption provision. To the extent required by applicable laws, the Resulting may deduct and withhold any tax from the redemption price. To the extent any amounts are so withheld and are timely remitted to the applicable governmental authority, such amounts shall be treated for all purposes herein as having been paid to the person in respect of which such deduction and withholding was made.

A holder of the Subordinate Voting Shares will be prohibited from acquiring or disposing of five percent (5%) or more of the issued and outstanding shares of the Resulting Issuer, directly or indirectly, in one or more transactions, without providing 15 days' advance written notice to the Resulting Issuer by mail sent to the Resulting Issuer's registered office to the attention of the Corporate Secretary. The foregoing restriction will not apply to the ownership, acquisition or disposition of Subordinate Voting Shares as a result of: (i) transfer of Subordinate Voting

Shares occurring by operation of law including, *inter alia*, the transfer of Subordinate Voting Shares to a trustee in bankruptcy, (ii) an acquisition or proposed acquisition by one or more underwriters or portfolio managers who hold Subordinate Voting Shares for the purposes of distribution to the public or for the benefit of a third party provided that such third party is in compliance with the foregoing restriction, or (iii) conversion, exchange or exercise of securities of the Resulting Issuer (other than the Subordinate Voting Shares) duly issued or granted by the Resulting Issuer, into or for Subordinate Voting Shares, in accordance with their respective terms. If the Resulting Issuer Board reasonably believes that any such holder of the Subordinate Voting Shares may have failed to comply with the foregoing restrictions, the Resulting Issuer may apply to the Supreme Court of British Columbia, or such other court of competent jurisdiction for an order directing that such shareholder disclose the number of Subordinate Voting Shares held.

Warrants

In connection with the 2019 Senior Unsecured Notes, the Company issued, on a quarterly basis, warrants ("**Tranche 3 Warrants**") exercisable to acquire up to 90,454 shares of common stock of the Company (equivalent to 2,958,750 Subordinated Voting Shares, following completion of the Reorganization Share Exchange), which will be exercised prior to completion of the Merger.

In connection with the Cetus Senior Debt, the Company issued a warrant ("**Cetus Warrant**") which will be exercised for 3,598,493 Subordinate Voting Shares at nominal value prior to completion of the Merger.

See "*General Development of the Business – Financing Activities*" for additional information.

Take-Over Bid Protection

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares. Mr. Boris Jordan, as the owner of all the outstanding Multiple Voting Shares, will enter into a customary coattail agreement with the Resulting Issuer and a trustee (the "**Coattail Agreement**"). The Coattail Agreement will contain provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by Mr. Boris Jordan of Multiple Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares that:

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

(ii) provides that the percentage of outstanding 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 Multiple Voting Shares to be sold (exclusive of 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 tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and

(iv) is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the restrictions contained in the Coattail Agreement will not prevent the transfer or sale of Multiple Voting Shares by a Principal Shareholder to a Permitted Holder, provided such transfer or sale is not or would not

have been subject to the requirements to make a take-over bid or constitute or would constitute an exempt take-over bid (as defined under applicable securities laws). The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Multiple Voting Shares (including a transfer to a pledgee as security) by a holder of Multiple Voting Shares party to the agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Multiple Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with the Articles.

The Coattail Agreement will contain 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. The obligation of the trustee to take such action will be conditional on the Resulting Issuer or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares 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 and reasonable funds and indemnity have been provided to the trustee. The Resulting Issuer will agree to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares pursuant to the Coattail Agreement.

The Coattail Agreement will provide 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 ⅔% of the votes cast by holders of Subordinate Voting Shares excluding votes attached to Subordinate Voting Shares held by Mr. Boris Jordan and his Permitted Holders 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 under applicable law.

11. PRIOR SALES

The following table summarizes issuances by the Resulting Issuer of Subordinate Voting Shares or LVI Shares in the 12 months before the date of this Listing Statement (excluding securities issued upon closing of the Business Combination):

Date Issued	Company	Number/Type of Securities	Issue/Exercise Price per Security
March 27, 2018	LVI	2,000,000 common shares	C$0.15
April 4, 2018	LVI	1,744,000 common shares	C$0.125
January 4, 2018	Curaleaf	1,150,753 common shares	$26.07
October 27, 2017	Curaleaf	836,506 common shares	$23.91

12. ESCROWED SECURITIES

The Resulting Issuer is not subject to escrow.

Directors, officers and significant shareholders holding more than 10% of the issued and outstanding equity securities of the Company will enter into lock-up agreements pursuant to which such parties have agreed, subject to customary carve-outs and exceptions, not to sell any Subordinate Voting Shares (or announce any intention to do

so), or any securities issuable in exchange therefor, for a period of 180 days from the date of the Business Combination.

13. PRINCIPAL SHAREHOLDERS

The following table sets forth, to the knowledge of the Resulting Issuer, as of the date of the Business Combination, the persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, 10% or more of the voting rights attached to any class of voting securities of the Resulting Issuer (the "**Principal Shareholders**").

Name of Securityholder Jurisdiction of Residence	Type of Ownership	Number and Percentage of Subordinate Voting Shares	Number and Percentage of Multiple Voting Shares
Boris Jordan Miami Beach, Florida	Beneficial and of Record	20,059,210 / 6.0% [(1)(2)]	122,170,705 / 100.0% [(3)]
Andrei Blokh Moscow, Russia.....	Beneficial and of Record	127,173,634 / 37.9% [(1)]	-

Notes:

(1) After giving effect to: (i) the Business Combination, which will consist of the issuance of 188,646 Subordinate Voting Shares to the LVI Shareholders, the issuance of 274,349,579 Subordinate Voting Shares to the former Curaleaf shareholders and the issuance of 122,170,705 Multiple Voting Shares to the Principal; (ii) the completion of the SR Offering and the issuance of 45,422,167 Subscription Receipts issued at the SR Offering Price (which will be converted into Curaleaf FinCo Shares upon the satisfaction of the Escrow Release Conditions on or prior to the Escrow Release Deadline, and then exchanged for Subordinate Voting Shares to the holders of Subscription Receipts upon the completion of the Business Combination); (iii) the conversion of the Arizona Convertible Note and the issuance of 3,715,038 Subordinate Voting Shares in connection thereto; (iv) the completion of the Proposed Minority Buy-Outs and the Arizona Acquisition and the issuance of 11,786,858 Subordinate Voting Shares in connection thereto (plus up to 8,962,380 Subordinate Voting Shares, representing the maximum number of additional Subordinate Voting Shares that may be issued in connection with the Connecticut Minority Buy-Out further to the second valuation. See "*General Development of the Business – Acquisitions*"), and (v) the completion of the Reorganization Share Exchange.

(2) Boris Jordan is the beneficial owner of 50% of the shares of Bellmawr Investors, LLC, which is the holder of record of 11,222,670 Subordinate Voting Shares and is the beneficial owner of the shares of MedTech International Group LLC and PT Share Participation 1, LLC which is the holder of record of 1,900,843 and 12,547,032 Subordinate Voting Shares, respectively.

(3) Boris Jordan is the beneficial owner of Gociter Holdings Ltd, which is the holder of record of the 122,170,705 Multiple Voting Shares.

Voting Trusts

To the knowledge of the Resulting Issuer, no voting trust exists within the Resulting Issuer such that more than 10% of any class of voting securities of the Resulting Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

Associates and Affiliates

To the knowledge of the Resulting Issuer, none of the Principal Shareholders is an Associate or Affiliate of any other Principal Shareholder.

14. DIRECTORS AND OFFICERS

The following table sets out, for each of the Resulting Issuer's directors and executive officers, the person's name, age, State and country of residence, position with the Resulting Issuer, principal occupation(s) during the last five (5) years, and, if an existing officer or director of the Company prior to the Business Combination, the date on which the person became such an officer or director. The Resulting Issuer's directors are expected to be elected as such at the Meeting and are expected to hold office until its next annual general meeting of shareholders unless they resign prior thereto or are removed by the shareholders of the Resulting Issuer. The Resulting Issuer's directors will be

elected annually and, unless re-elected, will retire from office at the end of the next annual general meeting of shareholders.

The size of the initial Resulting Issuer Board is five directors, and the Resulting Issuer intends to increase the size to seven directors.

Under NI 52-110, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Resulting Issuer Board, be reasonably expected to interfere with a director's exercise of independent judgment. Boris Jordan, Executive Chairman of the Resulting Issuer, is not considered independent and Steven Patierno, Karl Johansson and Peter Derby are considered independent.

Name and State and Country of Residence	Age	Position(s) with the Resulting Issuer	Director/Officer of the Company Since	Principal Occupation(s) for Past Five (5) Years	Number of Securities of Resulting Issuer and Curaleaf Directly or Indirectly Held
Boris Jordan Miami Beach, FL	52	Executive Chairman	January 2013	Curaleaf, Executive Chairman; The Sputnik Group, President, CEO, and Founder; Renaissance Insurance, Chairman and Founder	142,229,915 (comprised of 20,059,210 Subordinate Voting Shares and 122,170,705 Multiple Voting Shares) [(1)(2)]
Joseph Lusardi Newburyport, MA	44	President, CEO, and Director	March 2016	Curaleaf, President and CEO; Massapoag Advisors, Principal and Founder	1,492,255[(2)]
Steven Patierno Chapel Hill, NC	60	Director	-	Duke Cancer Institute, Deputy Director	668,134[(2)]
Karl Johansson City, MN	68	Director	October 2018	Ernst & Young, Managing Partner	None
Peter Derby Irvington, NY	58	Director	October 2018	Concinnity Advisors, LP, Founder	None
Stuart Wilcox Fayetteville, GA	58	COO	August 2017	Curaleaf, COO; Hostess Brands, SVP COO; The Original Cakerie; SVP Operations	None
Jonathan Faucher Salem, NH	41	Chief Financial Officer, EVP Finance, Treasurer & Corporate Secretary	January 2017	Curaleaf, EVP Finance; BionX, Controller & Senior Finance Director	None
Peter Clateman New York, NY	50	General Counsel & Chief Compliance Officer	July 2017	Curaleaf, Inc., General Counsel and Chief Compliance Officer; DMC Partners, General Counsel and Chief Compliance Officer and Renaissance Capital Group, General Counsel and Chief Compliance Officer	None
Christopher Melillo Medford, New	45	SVP Retail Operations	August 2018	Curaleaf, SVP Retail Operations; Villa, VP of	None

Name and State and Country of Residence	Age	Position(s) with the Resulting Issuer	Director/Officer of the Company Since	Principal Occupation(s) for Past Five (5) Years	Number of Securities of Resulting Issuer and Curaleaf Directly or Indirectly Held
Jersey				Stores; Nike, Senior Director of Stores	
Katrina Yolen	51	SVP Marketing	-	Curaleaf, SVP Marketing; Dancing Deer, VP Marketing,	None
Edward Conklin	57	SVP Government Relations	-	Curaleaf, SVP, Government Relations; MacDonald's Corp SR Direxor Govt Relations, Chief of Staff	None
Eduard Kelenchuk	37	SVP Business Development	-	Curaleaf, SVP Business Development, The Sputnik Group, Director of Investments	None
Carolyn Fedigan	54	SVP Human Resources	-	Curaleaf, SVP Human Resources, Audax Group, Director of Human Resources	None

(1) Boris Jordan is the beneficial owner of 50% of the shares of Bellmawr Investors, LLC, which is the holder of record of 11,222,670 Subordinate Voting Shares and is the beneficial owner of the shares of MedTech International Group LLC and PT Share Participation I, LLC which is the holder of record of 1,900,843 and 12,547,032 Subordinate Voting Shares, respectively. Boris Jordan is also the beneficial owner of Gociter Holdings Ltd, which is the holder of record of the 122,170,705 Multiple Voting Shares.

(2) Following completion of the Reorganization Share Exchange

Biographies

The following are brief profiles of the Resulting Issuer's executive officers and directors.

Boris Jordan, Executive Chairman of the Board of Directors (Age 52)

Mr. Jordan is an American businessman, co-founder of Renaissance Capital Group and President and Chief Executive Officer of The Sputnik Group, two international investment and advisory firms. In the early 1990's, Mr. Jordan was considered a key player in the development of the Russian stock market and was a leader in the privatization of Russian state assets. Mr. Jordan is a longstanding Member of the Council on Foreign Relations and a member of The Board of Trustees of New York University. After founding The Sputnik Group in 1999, Mr. Jordan has led the company in its investments in emerging industries, including investments in Renaissance Insurance, a company where Mr. Jordan is also the Chairman and founder. Mr. Jordan built Renaissance Insurance into one of the leading insurance groups in the Russian market. Since acquiring majority control of Curaleaf in 2014, Mr. Jordan has been impactful in the Company's emergence as an industry leader. Mr. Jordan will serve as a member of the Audit Committee of the Resulting Issuer, as well as a member of the Compensation Committee. Mr. Jordan holds a B.A. from New York University.

Joseph F. Lusardi, President, Chief Executive Officer and Director (Age 44)

Mr. Lusardi is a pioneer in the U.S. cannabis industry and is credited with opening one of the first medical cannabis operations on the East Coast. Mr. Lusardi has almost a decade of cannabis experience through which he has cultivated bottom-up expertise in cannabis company implementation and management, as well as 20 years' experience in finance, private equity and entrepreneurship. He previously held executive positions at financial services companies including Liberty Mutual Group, Fidelity Investments, and Affiliated Managers Group. At

Curaleaf, Mr. Lusardi has been instrumental in developing an organizational strategy focused on bringing the Company's commitment to the advancement of cannabis science to all Curaleaf subsidiaries, and, ultimately, patients in need of medical cannabis. To support this effort, he raised over $100 million dollars to invest into the Company's infrastructure, research and development, and staff. Mr. Lusardi continues to guide corporate strategy with a focused view on the continual improvement of best practices. Mr. Lusardi has a B.B.A. from The Catholic University of America and a M.B.A. from Boston College

Steven Patierno, Director (Age 60)

Dr. Steven Patierno is the Deputy Director Duke Cancer Institute and Curaleaf board member. Dr. Patierno holds titles in the scientific community including Deputy Director, Duke Cancer Institute, Professor of Medicine, Professor of Pharmacology and Cancer Biology, and Professor of Community and Family Medicine, Duke University School of Medicine. As Deputy Director of the Duke Cancer Institute, Dr. Patierno helps lead a top-ranked NCI-designated Comprehensive Cancer Center dedicated to providing compassionate care from diagnosis to treatment to survivorship, advancing multi- and transdisciplinary cancer research and engaging in prevention and community health programming. One of the original eight NCI-designated comprehensive cancer centers, the Duke Cancer Institute is one of only 41 such centers in the U.S., with more than 65,000 patient visits and 6,500 new cancer diagnoses annually and nearly 1,000 active clinical trials. The Duke Cancer Institute includes more than 360 investigators with more than $225 million in annual cancer research funding. Prior to joining the Duke Cancer Institute, Dr. Patierno served as Executive Director of the George Washington University Cancer Center, Vivian Gill Distinguished Professor of Oncology, and Professor of Pharmacology and Physiology, Genetics and Urology in the GWU School of Medicine and Health Sciences. Dr. Patierno has a B.S. from The University of Connecticut and a PhD from The University of Texas Health Science Center in Houston.

Karl Johansson, Director (Age 68)

Mr. Johansson has broad experience in multinational accounting and the co-ordination of international tax engagements, mergers and acquisitions, and due diligence projects in key global markets. From 1995 to 2000, Mr. Johansson was a Managing Partner of Ernst & Young CIS, after which he was a Regional Partner for Eastern Europe countries, including CIS (Vienna, Austria). From 2006 to 2014 he worked as a Managing Partner of Ernst & Young CIS in Moscow. While in Russia, he was a coordinator of the Foreign Investment Advisory Council (FIAC). Mr. Johansson has been a member of the Emerging Europe Business Council and Corporate Governance Task Force of the World Economic Forum, as well as the Foreign Investment Advisory Councils of Kazakhstan, Ukraine and Latvia. Mr. Johansson will serve as the Chair of the Audit Committee of the Resulting Issuer, as well as a member of the Compensation Committee. Mr. Johansson received a Bachelor's degree from the University of Minnesota and a Juris Doctor degree from the University of Pennsylvania.

Peter Derby, Director (Age 58)

Peter Derby is a founding partner of Concinnity Advisors, LP, the sub-advisor with investment discretion for the Capital Stewardship Strategy, which was formed in 2011. From 2008 to 2011, Mr. Derby was a portfolio manager at Diamondback Advisors NY, LLC. From 2007 to 2008, he was a founding member of The Concinnity Group, LLC. During William H. Donaldson's tenure as Chairman of the Securities Exchange Commission, from 2003 to 2005, Mr. Derby served as the Securities Exchange Commission's Managing Executive for Operations and Management. In 1989, he participated in the founding of DialogBank, the first private Russian bank to receive an international banking license. At DialogBank, Mr. Derby served as Chairman of the board of directors from 1997 to 1998, as President and Chief Executive Officer from 1991 to 1997 and as Chief Financial Officer from 1990 to 1991. Mr. Derby also founded the first Russian investment firm in 1991, Troika Dialog, where he served as Chairman of the board of directors from 1996 to 1997 and as President and Chief Executive Officer from 1991 to 1996. Prior to his tenure in Russia, he was a Corporate Finance Officer at National Westminster Bank USA from 1985 to 1990 and an Auditor at Chase Manhattan Bank from 1983 to 1985. Mr. Derby earned a B.S. in accounting, finance and international finance from New York University in 1983.

Stuart Wilcox, Chief Operating Officer (Age 58)

Mr. Wilcox is a seasoned operational leader with expertise in global supply chain, operations start-up, acquisitions, and new product commercialization at market leaders. Prior to joining the Curaleaf, Mr. Wilcox was SVP/COO of Hostess Brands, one of the largest packaged food companies in the U.S. Additionally, Mr. Wilcox has held operational leadership positions at multiple leading companies in highly regulated industries, including The Original Cakerie, a private Canadian company, and Fresh Express/Chiquita, where he was the Senior Vice President of Operations for nine years. With this experience, Mr. Wilcox is responsible for implementing and enhancing the operational procedures across the Curaleaf platform. Mr. Wilcox has a B.S. from The University of Toledo and a M.S. in from Central Michigan University.

Jonathan Faucher, Chief Financial Officer, Executive Vice President of Finance, Treasurer and Corporate Secretary (Age 41)

Mr. Faucher is an experienced finance and operations executive with an extensive start-up and manufacturing background. Before joining Curaleaf, Mr. Faucher was the Controller and Senior Director of Finance and Operations at BionX Medical Technologies , a medical device company where he designed the ERP and financial system, streamlined the supply chain process, and improved the cash conversion cycle of the business. Since joining Curaleaf in 2017, Mr. Faucher has led the company's finance function and is responsible for all financial reporting, budgeting, and forecasting. Mr. Faucher has a B.S. from University of New Hampshire and an M.B.A. from Babson College.

Peter Clateman, General Counsel & Chief Compliance Officer (Age 50)

Mr. Clateman has over 20 years legal experience in investing and investment funds, including over 15 years as general counsel. Mr. Clateman served as General Counsel and Chief Compliance Officer of The Sputnik Group and Renaissance Capital, as well as VR Capital, an award-winning distressed asset fund with over $2 billion assets under management. Prior to that, Mr. Clateman served as Head of Legal and management board member of UC RUSAL during its acquisition of SUAL and assets of Glencore to form United Company RUSAL, the world's biggest aluminum company, and was an associate with Skadden Arps Slate Meagher and Flom. Mr. Clateman oversees all Curaleaf legal and compliance matters. Mr. Clateman has a B.A. from Harvard College and a J.D. from Columbia Law School.

Christopher Melillo, Senior Vice President of Retail Operations (Age 45)

Mr. Melillo is an experienced retail executive with over 20 years of experience in executive positions overseeing the retail stores of brands such as Nike, Equinox, and Home Depot. From 2010 to 2016, Mr. Melillo was Senior Director of Stores NA with Nike, where he managed 38 North American and 6 global stores which generated over $500 million in gross revenues. Most recently, Mr. Melillo was Vice President of Stores for Villa, where he oversaw the operations, merchandising, human resources, asset protection and growth of 130 retail locations. Mr. Melillo joined Curaleaf in August 2018 and is responsible for overseeing the Company's retail operations. Mr. Melillo has a degree in Business Administration from State University of New York College of Agriculture and Technology at Cobleskill.

Katrina Yolen, Senior Vice President of Marketing (Age 51)

Ms. Yolen is a seasoned marketing executive with over 20 years of experience working in mid-sized and large CPG companies, as well as in start-ups. Ms. Yolen served as Vice President of Marketing at Dancing Deer Baking Co., Director of Marketing at Weetabix, North America and held senior marketing roles at Glaxo Smith Kline and Kraft Foods, Nabisco. She is experienced in leading marketing strategy, brand development, e-commerce, consumer insights, product development and innovation. Ms. Yolen is responsible for all Curaleaf marketing and branding initiatives. Ms. Yolen has a Bachelor's degree from Harvard College and received a M.B.A. in Marketing and Operations Management at The Wharton School, University of Pennsylvania.

Edward Conklin, Senior Vice President of Government Relations (Age 57)

Mr. Conklin served as Senior Director and Chief of Staff of Global Government and Public Affairs at McDonald's, the world's leading global food service retailer with over 36,000 locations in over 100 countries. He has more than 25 years' experience in government relations, and was formerly Director of Public Relations for Jones Intercable Midwest Division and Director of Operations for Centel Cable Television. Mr. Conklin work closely with Curaleaf management to develop relationships with local and State regulators, industry groups, and elected officials in order to effectively monitor and engage in the regulatory and legislative processes. Mr. Conklin received a Bachelor's degree from Drake University in Iowa.

Eduard Kelenchuk, Senior Vice President of Business Development (Age 37)

Mr. Kelenchuk served as Investment Director for The Sputnik Group from 2015 to 2018, leading its portfolio management, including financing and mergers and acquisitions for Curaleaf. Mr. Kelenchuk has over 15 years of corporate finance experience, ranging from investment banking at Merrill Lynch and Renaissance Capital to principal investments at TPG Capital and Och-Ziff, among others, focusing on emerging industries. Mr. Kelenchuk holds a Bachelor of Science degree in economics from the Wharton School, University of Pennsylvania, and is responsible for all Curaleaf business development opportunities including financings, mergers, and acquisitions.

Carolyn Fedigan, Senior Vice President of Human Resources (Age 54)

Ms. Fedigan is an experienced human resources executive with more than 25 years of experience in corporate human resources and has worked in a wide variety of industries. Since joining Curaleaf in 2017, Ms. Fedigan has developed the centralized human resources function, increased the Company's access to leading talent, and has grown the employee base from 150 to over 770 employees. Ms. Fedigan has held human resources leadership roles at Audax Group, a Boston-based private equity firm with over $10 billion in assets under management, Harvard University, and Advent International Corporation. At the Resulting Issuer, Ms. Fedigan's role will be to lead the Human Resources Department, and support the resolution of complex employee and general facility issues, responsible for job design for positions in areas of responsibility, work with leaders and employees to support the development and implementation of employment engagement activities, administer the Resulting Issuer's compensation and benefits program, participate in the development and revision of policies and procedures to ensure their necessity, efficiency and make sound business sense, ensure the Resulting Issuer's business units are in compliance with Federal and State employment laws and the Resulting Issuer's policies to minimize liability and foster positive relations between management and staff, and help identify and prioritize training needs for the assigned business units. Ms. Fedigan holds a Bachelor of Arts degree in Psychology from Drew University and a Master's of Education from Harvard University.

All of the directors and executive officers of the Resulting Issuer, collectively as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 22,219,599 Subordinate Voting Shares (or 6.6% of Subordinate Voting Shares) and 122,170,705 Multiple Voting Shares (or 100.0% of Multiple Voting Shares).

Unless otherwise noted above, all members of management devote full time to the business of the Resulting Issuer. None of the members of management have entered into a non-competition or non-disclosure agreement with the Resulting Issuer.

Resulting Issuer Board Committees

Upon the completion of the Business Combination, the Resulting Issuer will form an Audit Committee and a Compensation Committee, and intends to form any other committees deemed appropriate by the Resulting Issuer Board from time to time thereafter. A brief description of each committee is set out below.

Audit Committee

The Audit Committee will assist the Resulting Issuer Board in fulfilling its responsibilities for oversight of financial and accounting matters. The Audit Committee will be responsible for monitoring the Resulting Issuer's systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents, including the Resulting Issuer's annual audited financial statements and unaudited quarterly financial statements, and monitoring

the performance and independence of the Resulting Issuer's external auditors. The Audit Committee will be responsible for reviewing with management the Resulting Issuer's risk management policies, the timeliness and accuracy of the Resulting Issuer's regulatory filings and all related party transactions as well as the development of policies and procedures related to such transactions.

The Audit Committee will also pre-approve all non-audit services to be provided to the Resulting Issuer or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities.

The proposed members of the Audit Committee after completion of the Business Combination will include the following three directors. Also indicated is whether they are "independent" and "financially literate" within the meaning of NI 52-110.

Name of Member	Independent[1]	Financially Literate[2]
Boris Jordan	No	Yes
Peter Derby	Yes	Yes
Karl Johansson[3]	Yes	Yes

Notes:

(1) A member of the Audit Committee is independent if he or she has no direct or indirect 'material relationship' with the Resulting Issuer. A material relationship is a relationship which could, in the view of the Resulting Issuer Board, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Resulting Issuer, such as the President or Secretary, is deemed to have a material relationship with the Resulting Issuer.

(2) A member of the Audit Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements.

(3) Chair of the Audit Committee.

The Audit Committee will operate under a written charter, to be adopted and effective upon the completion of the Business Combination, setting forth the purpose, composition, authority and responsibility of the Audit Committee.

Compensation Committee

The Compensation Committee will assist the Resulting Issuer Board in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for the Resulting Issuer's executive officers.

The Compensation Committee will operate under a written charter, to be adopted and effective upon the completion of the Business Combination, setting forth the purpose, composition, authority and responsibility of the Compensation Committee. The Compensation Committee's purpose is expected to be to assist the Resulting Issuer Board (and as delegated by the Resulting Issuer Board) in:

- the appointment, performance, evaluation and compensation of its executive officers;
- the recruitment, development and retention of its executive officers;
- maintaining talent management and succession planning systems and processes relating to its senior management;
- developing compensation structure for our executive officers including salaries, annual and long-term incentive plans including plans involving share issuances and other share-based awards;
- reviewing the Resulting Issuer's equity incentive plan and proposing changes thereto;
- approving any awards of securities under the equity incentive plan;
- establishing policies and procedures designed to identify and mitigate risks associated with its compensation policies and practices;

- assessing the compensation of its directors; and
- recommending any other employee benefit plans, incentive awards and perquisites with respect to the Resulting Issuer's executive officers and/or directors.

The proposed members of the Compensation Committee after completion of the Business Combination include the following three directors: Boris Jordan, Karl Johansson and Peter Derby, with Mr. Derby acting as Chair of the Compensation Committee.

Cease Trade Orders, Bankruptcy/Insolvency Proceedings, Penalties and Sanctions

None of the Resulting Issuer's directors or executive officers has, within the 10 years prior to the date of this Listing Statement, been a director or officer of any company (including the Resulting Issuer) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

None of the Resulting Issuer's directors or executive officers has, within the 10 years prior to the date of this Listing Statement, 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 director or executive officer, been a director or executive officer of any company, that, while that person was acting in that capacity, 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.

No director or executive officer of the Resulting Issuer has: (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. They also invest and may invest in businesses, including in the cannabis sector, that compete directly or indirectly with the Company or act as customers or suppliers of the Company. Some of the individuals that are directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under BCBCA.

To the best of the Resulting Issuer's knowledge, other than as disclosed below and elsewhere in this Listing Statement, there are no known existing or potential material conflicts of interest among the Resulting Issuer or a subsidiary of the Resulting Issuer and a director or officer of the Resulting Issuer or a subsidiary of the Resulting Issuer as a result of their outside business interests except that: (i) certain of the Resulting Issuer's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies, and (ii) certain of the Resulting Issuer's or its subsidiaries' directors and officers have portfolio investments consisting of minority stakes in businesses that may compete directly or indirectly with the Resulting Issuer or act as a customer of, or supplier to, the Resulting Issuer.

15. CAPITALIZATION

To the best knowledge and estimation of LVI, the following table sets out the number of the shares of the Resulting Issuer available in the Resulting Issuer's Public Float and Freely-Tradeable Float on a diluted and non-diluted basis as of completion of the Business Combination:

Issued Capital

	Number of Securities (non-diluted)[1]	Number of Securities (fully-diluted)[2]	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	457,632,993	508,481,103	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)	340,956,704	394,775,046	74.5%	77.6%
Total Public Float (A-B)	116,676,289	113,706,058	25.5%	22.4%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	386,754,643	437,602,753	84.5%	86.1%
Total Tradeable Float (A-C)	70,878,350	70,878,350	15.5%	13.9%

Notes:

[1] After giving effect to: (i) the Business Combination, which will consist of the issuance of 188,646 Subordinate Voting Shares to the LVI Shareholders, the issuance of 274,349,579 Subordinate Voting Shares to the former Curaleaf shareholders and the issuance of 122,170,705 Multiple Voting Shares to the Principal; (ii) the completion of the SR Offering and the issuance of 45,422,167 Subscription Receipts issued at the SR Offering Price (which will be converted into Curaleaf FinCo Shares upon the satisfaction of the Escrow Release Conditions on or prior to the Escrow Release Deadline, and then exchanged for Subordinate Voting Shares to the holders of Subscription Receipts upon the completion of the Business Combination); (iii) the conversion of the Arizona Convertible Note and the issuance of 3,715,038 Subordinate Voting Shares in connection thereto; (iv) the completion of the Proposed Minority Buy-Outs and the Arizona Acquistion and the issuance of 11,786,858 Subordinate Voting Shares in connection thereto (plus up to 8,962,380 Subordinate Voting Shares, representing the maximum number of additional Subordinate Voting Shares that may be issued in connection with the Connecticut Minority Buy-Out further to the second valuation. See "*General Development of the Business – Acquisitions*"); and (v) the completion of the Reorganization Share Exchange.

[2] After giving effect to: (i) the Business Combination, which will consist of the issuance of 188,646 Subordinate Voting Shares to the LVI Shareholders, the issuance of 274,349,579 Subordinate Voting Shares to the former Curaleaf shareholders and the issuance of 122,170,705 Multiple Voting Shares to the Principal; (ii) the completion of the SR Offering and the issuance of 45,422,167 Subscription Receipts issued at the SR Offering Price (which will be converted into Curaleaf FinCo Shares upon the satisfaction of the Escrow Release Conditions on or prior to the Escrow Release Deadline, and then exchanged for Subordinate Voting Shares to the holders of Subscription Receipts upon the completion of the Business Combination); (iii) the conversion of the Arizona Convertible Note and the issuance of 3,715,038 Subordinate Voting Shares in connection thereto; (iv) the completion of the Proposed Minority Buy-Outs and the Arizona Acquisition and the issuance of 11,786,858 Subordinate Voting Shares in connection thereto (plus up to 8,962,380 Subordinate Voting Shares, representing the maximum number of additional Subordinate Voting Shares that may be issued in connection with the Connecticut Minority Buy-Out further to the second valuation. See "*General Development of the Business – Acquisitions*"); and (v) the completion of the Reorganization Share Exchange.

Public Securityholders (Registered)

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	48	1,109
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	21	187,537
	69	**188,646[1]**

[1] Assuming all LVI Shareholders will be registered shareholders of the Resulting Issuer.

Public Securityholders (Beneficial)[1]

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	268	116,487,643
	268	**116,487,643**

[1] Assuming that all current Curaleaf shareholders will be holding their shares in the Resulting Issuer through CDS.

Non-Public Securityholders (Registered)

Class of Security

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	-	-
100 – 499 securities	-	-

500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	4	340,956,704
	4	**340,956,704**

Convertible Securities

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of Subordinate Voting Shares issuable upon conversion / exercise
Curaleaf Options	30,729,247[1]	30,729,247[1]

[1] Following completion of the Reorganization Share Exchange.

All outstanding Tranche 3 Warrants and Cetus Warrant will be exercised prior to the closing of the Merger.

All outstanding warrants of LVI will be cancelled immediately prior to the closing of the Business Combination, without any further payment by LVI, pursuant to the warrant release and termination agreements entered into by all existing holders of warrants of LVI who legally or beneficially own, or exercise control or discretion over, directly or indirectly, in aggregate, all of the outstanding warrants of LVI. Pursuant to the warrant release and termination agreements, each such holder surrenders such holder's warrants of LVI immediately prior to the closing of the Business Combination, renounces its rights under the warrants of LVI and waives any and all past, present and future rights and claims arising therefrom.

16. EXECUTIVE COMPENSATION

Named Executive Officers

For the purposes of this section, the "Named Executive Officers" or "NEOs" are the Chief Executive Officer and Chief Financial Officer of the Resulting Issuer and the anticipated three most highly compensated executive officers of the Resulting Issuer (other than the Chief Executive Officer and Chief Financial Officer), being Peter Clateman, Christopher Melillo and Stuart Wilcox. The biographies of each of the NEOs are set out under Section 14 above. Additional details regarding the compensation anticipated to be paid to the NEOs are set out below in this section.

Table of Compensation Excluding Compensation Securities[1]

Name & Position	Year	Salary, Consulting Fee, Retainer or Commission ($)	Bonus ($)[2]	Committee or Meeting Fees ($)	Value of Perquisites ($)	Value of all other compensation ($)	Total compensation ($)
Joseph Lusardi President & CEO	2018	$500,000	-	Nil	$6,000	Nil	$506,000
Stuart Wilcox COO	2018	$350,000	-	Nil	Nil	Nil	$350,000
Peter Clateman General Counsel & CCO	2018	$350,000	-	Nil	Nil	Nil	$350,000
Christopher Melillo SVP Retail Operations	2018	$285,000	-	Nil	Nil	Nil	$285,000
Jonathan Faucher Chief Financial Officer, EVP of Finance, Treasurer & Corporate Secretary	2018	$200,000	-	Nil	Nil	Nil	$200,000
Boris Jordan Executive Chairman	2018	$500,000[3]	-	Nil	Nil	Nil	$500,000
Steven Patierno Director	2018	$50,000[3]	-	Nil	Nil	Nil	$50,000
Karl Johansson Director	2018	$50,000[3]	-	Nil	Nil	Nil	$50,000

Peter Derby Director	2018	$50,000[3]	-	Nil	Nil	Nil	$50,000

Notes:

(1) This represents expected compensation.
(2) Bonuses are expected to be paid in future based on performance goals and as determined by the Resulting Issuer Board and/or Compensation Committee.
(3) Being paid quarterly.

Compensation Securities[1]							
Name & Position	**Type of Compensation Security**	**Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class[2]**	**Date of Issue or Grant**	**Issue, Conversion of Exercise Price ($)[2]**	**Closing Price of Security or Underlying Security on Date of Grant ($)**	**Closing Price of Security or Underlying Security at Year End ($)**	**Expiry Date**
Joseph Lusardi President & CEO	Option	8,989,493 2,288,164	3/17/2016 8/30/2018	0.111 8.779	Nil Nil	Nil Nil	3/17/2026 8/30/2028
Stuart Wilcox COO	Option	1,962,600	8/7/2017	0.487	Nil	Nil	8/7/2027
Peter Clateman General Counsel & CCO	Option	1,635,500	7/1/2017	0.487	Nil	Nil	7/1/2017
Christopher Melillo SVP Retail Operations	-	-	-	-	-	-	-
Jonathan Faucher Chief Financial Officer, EVP of Finance, Treasurer & Corporate Secretary	Option	1,635,500	1/3/2017	0.487	Nil	Nil	1/3/2027

(1) This represents expected compensation.

[2] Following completion of the Reorganization Share Exchange

Employment Agreements

In March 2016, Mr. Lusardi entered into an employment agreement with the Company, which terminates on March 16, 2019. This agreement, as subsequently amended, provides for the base salary, grant of stock options and certain benefits valued as set forth above and may be terminated without cause on 30 days' notice. While the agreement contains certain severance provisions, these provision will no longer be applicable after the consummation of the Business Combination.

Compensation of Executives

The Resulting Issuer's compensation practices will be designed to retain, motivate and reward its executive officers for their performance and contribution to the Resulting Issuer's long-term success. The Resulting Issuer Board intends to seek to compensate the Resulting Issuer's executive officers by combining short and long-term cash and equity incentives. It also intends to seek to reward the achievement of corporate and individual performance objectives, and to align executive officers' incentives with shareholder value creation. The Resulting Issuer Board intends to seek to tie individual goals to the area of the executive officer's primary responsibility. These goals may include the achievement of specific financial or business development goals. The Resulting Issuer Board also intends to seek to set company performance goals that reach across all business areas and include achievements in finance/business development and corporate development.

The Compensation Committee will review and recommend the executive compensation arrangements for the Chief Executive Officer, President and Chief Financial Officer.

Benchmarking

The executive team is expected to establish an appropriate comparator group for purposes of setting the future compensation of the NEOs.

Elements of Compensation

The compensation of the NEOs is expected to be comprised of the following major elements: (a) base salary; (b) an annual, discretionary cash bonus; and (c) long-term equity incentives, consisting of stock options, restricted stock awards, restricted stock units, stock appreciation rights, performance compensation awards and other applicable awards granted under the New Equity Incentive Plan and any other equity plan that may be approved by the Resulting Issuer Board from time to time. These principal elements of compensation are described below.

Base Salary

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the Resulting Issuer's success, the NEO's experience and expertise, the position and responsibilities of the NEO, and competitive industry pay practices for other high growth, premium brand companies of similar size and revenue growth potential.

Annual Cash Bonus

Annual bonuses may be awarded based on qualitative and quantitative performance standards, and will reward performance of the NEO individually. The determination of an NEO's performance may vary from year to year depending on economic conditions and conditions in the cannabis industry, and may be based on measures such as stock price performance, the meeting of financial targets against budget (such as adjusted funds from operations), the meeting of acquisition objectives and balance sheet performance.

New Equity Incentive Plan

In connection with the Business Combination, LVI Shareholders will approve the New Equity Incentive Plan at the Meeting. The Resulting Issuer may grant Options and other securities upon completion of the Business Combination. The Resulting Issuer Board may also decide to grant new Options and other securities pursuant to the New Equity Incentive Plan in the future. For further details in respect of the New Equity Incentive Plan, please see Section 9 – "*Options to Purchase Securities – Summary of New Equity Incentive Plan*".

Pension Plan Benefits

The Resulting Issuer does not intend to implement any deferred compensation plan, pension plan or other forms of funded or unfunded retirement compensation for its employees that provides for payments or benefits at, following or in connection with retirement.

Employment Agreements, Termination and Change of Control Benefits

There are no written employment contracts between the Company and its NEOs. The Company intends to enter into employment agreements with its NEOs following the closing of the Business Combination.

There are no compensatory plan(s) or arrangements(s), with respect to the NEOs resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of NEOs' responsibilities following a change of control benefits. In case of termination of NEOs, common law and statutory law applies.

Director Compensation

It is anticipated that the Resulting Issuer will pay compensation to its directors, which may be comprised of cash (including annual fees for attending meetings of the Resulting Issuer Board and additional compensation for acting as chairs of committees of the Resulting Issuer Board), stock options and other applicable awards granted in accordance with the terms of the New Equity Incentive Plan and the CSE Policies, or a combination of both. It is anticipated that the Resulting Issuer will grant $125,000 worth of RSUs at the SR Offering Price to each of its newly appointed non-executive directors upon the consummation of the Business Combination and thereafter annually. It is anticipated that the directors will be reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Resulting Issuer Board, committees of the Resulting Issuer Board or meetings of the shareholders of the Resulting Issuer. It is also anticipated that the Resulting Issuer will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors pursuant to which the Resulting Issuer will agree to indemnify its directors to the extent permitted by applicable law.

17. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Upon completion of the Business Combination, none of the directors or officers of the Resulting Issuer, nor any of their Associates, will be indebted to the Resulting Issuer, and neither will any indebtedness of any of these individuals or Associates to another entity be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer.

18. RISK FACTORS

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

The acquisition of any of the securities of the Resulting Issuer is speculative, involving 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 Resulting Issuer 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. Resulting Issuer Shareholders should evaluate carefully the following risk factors associated with the Resulting Issuer's securities, along with the risk factors described elsewhere in this Listing Statement.

Business Structure Risks

Unpredictability Caused by the Capital Structure

Although other Canadian-based companies have dual class or multiple voting share structures, given the concentration of voting control that is held indirectly by the Principal of the Resulting Issuer, the Resulting Issuer is not able to predict whether this control will 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 Resulting Issuer or other adverse consequences.

The Resulting Issuer is a Holding Company

The Resulting Issuer will essentially be a holding company as all of its assets are the capital stock of its subsidiaries in each of the markets the Company operates in and/or holds licenses in the adult-use and/or medicinal cannabis marketplace in Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon; has licensing applications pending in the State of California; and has partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth Pennsylvania; and has no material assets other than: (i) cash on hand; and (ii) ownership of its subsidiaries, stakes in joint ventures and minority interests in certain operating companies. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiaries. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Resulting Issuer'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 Resulting Issuer. To the extent that the Resulting Issuer requires funds, and its subsidiaries and such other entities are restricted from making such distributions by applicable law, regulation or contract, or are otherwise unable to provide such funds, it could materially adversely affect the Resulting Issuer's liquidity and financial condition, as well as its ability to make distributions to its shareholders. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer'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 Resulting Issuer.

The Resulting Issuer has no earnings or dividend record, and 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. Dividends paid by the Resulting Issuer would be subject to tax and, potentially, withholdings. The Resulting Issuer does not anticipate paying any dividends on the Subordinate Voting Shares in the foreseeable future. Please see "Risk Factors – Anti-Money Laundering Laws and Regulations".

The Dual-Class Structure that will be Contained in the Articles of the Resulting Issuer will have the Effect of Concentrating Voting Control and the Ability to Influence Corporate Matters with Mr. Boris Jordan, who Currently Holds, Directly or Indirectly, Shares in the Capital of Curaleaf.

The Multiple Voting Shares will have 15 votes per share, whereas the Subordinate Voting Shares will have one vote per share. Following the Business Combination, holders of Multiple Voting Shares (namely entities controlled directly or indirectly by Mr. Boris Jordan) will together hold approximately 84.5% of the voting power of the outstanding voting shares of the Resulting Issuer and will therefore have significant influence over the management and affairs of the Resulting Issuer and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, because of the 15-to-1 voting ratio between the Multiple

Voting Shares and Subordinate Voting Shares, the holders of Multiple Voting Shares will control a majority of the combined voting power of the Resulting Issuer's voting shares even though the Multiple Voting Shares will represent a substantially reduced percentage of the total outstanding shares of the Resulting Issuer. The concentrated voting control of the holders of Multiple Voting Shares will limit the ability of the holders of Subordinate Voting Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to the Resulting Issuer's decisions to amend its share capital, create and issue additional classes of shares, make significant acquisitions, sell significant assets or parts of its business, merge with other companies and/or undertake other significant transactions. As a result, holders of Multiple Voting Shares will have the ability to influence or control many matters affecting the Resulting Issuer and actions may be taken that the holders of Subordinate Voting Shares may not view as beneficial. The market price of the Subordinate Voting Shares may be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant voting interest of the holders of Multiple Voting Shares may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Subordinate Voting Shares, might otherwise receive a premium for the Subordinate Voting Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares. See "*Description of the Securities – Multiple Voting Shares*".

Risks Related to Legality of Cannabis

Cannabis is a Controlled Substance under the United States Federal Controlled Substances Act

The Resulting Issuer will be engaged directly and indirectly in the medical and adult-use cannabis industry in the United States where only state law permits such activities. Investors are cautioned that in the United States, cannabis is largely regulated at the State level. To the Company's knowledge, some form of cannabis has been legalized in 31 States and Washington, D.C. as of July 2018. Additional States have pending legislation regarding the same. Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States.

The Department of Justice, under the current administration, could allege that the Resulting Issuer has "aided and abetted" in violations of federal law by providing financing and services to its portfolio cannabis companies. Under these circumstances, the federal prosecutor could seek to seize the assets of the Resulting Issuer, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Resulting Issuer's operations would cease, shareholders may lose their entire 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.

Notwithstanding the foregoing, in March 2018, as part of the Congressional omnibus-spending bill, Congress renewed, through the end of September 2018, the Leahy Amendment, which prohibits the Department of Justice from expending any funds for the prosecution of medical cannabis businesses operating in compliance with State and local laws. Should the Leahy Amendment not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation, even if such proceedings were concluded successfully in favour of the Resulting Issuer.

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 Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, the listing of its securities on the CSE, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company 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.

Enforcement of Cannabis Laws Could Change

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 the Cole Memorandum acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several States have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain enforcement priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, he disagreed that it had been implemented effectively and, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**"). 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 U.S. Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. The inconsistency between federal and State laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors may use their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws permitting such activity. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Under the Leahy Amendment, federal prosecutors are prohibited from expending federal funds against medical cannabis activities that are in compliance with State law. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed. In Washington, Annette Hayes, U.S. Attorney for the Western District of Washington, released a statement affirming that her office will continue to investigate and prosecute "cases involving organized crime, violent and gun threats, and financial crimes related to marijuana" and that "enforcement efforts with our federal, State, local and tribal partners focus on those who pose the greatest safety risk to the people and communities we serve." However, in California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential "enforcement hawk" after stating that the rescission of the 2013 Cole Memo "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources". 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.

Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have an adverse effect on the

Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation and prospects, even if such proceedings were concluded successfully in favour of the Resulting Issuer. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Resulting Issuer or the seizure of its corporate assets.

Renewal of Leahy Amendment Would Protect the Medical Cannabis Industry

The Leahy Amendment, as discussed above, prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in States which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Leahy Amendment will expire on September 30, 2018. At such time, it may or may not be included in the fiscal year 2019 omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

Market for Cannabis Could Decline due to Regulatory Changes

There can be no assurance that the number of States that allow the use of medicinal cannabis will increase. Furthermore, there can be no assurance that the existing States, districts and territories that permit the use of medicinal cannabis will not reverse their position. If either of these things happens at any future time, then growth of the Resulting Issuer's business may be materially impacted. The Resulting Issuer may not be able to achieve targeted revenue levels and may experience declining revenue as the potential market for its products and services diminishes.

Financing Risks

Risks Related to Additional Financing

The Resulting Issuer will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing through traditional banking to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Resulting Issuer Shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to existing holders of Subordinate Voting Shares.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") 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. This guidance does not provide any safe harbors or legal defenses 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 Resulting Issuer may have limited or no access to banking or other financial services in the United States. The inability or limitation in the Resulting Issuer'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 Resulting Issuer to operate and conduct its business as planned or to operate efficiently.

General Regulatory and Legal Risks

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 were purchased using 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.

Anti-Money Laundering Laws and Regulations

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including 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 U.S.C. Title 18 (the Money Laundering Control Act), 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 Resulting Issuer's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such 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. This could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the Subordinate Voting Shares in the foreseeable future, in the event that a determination was made that the Resulting Issuer's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Resulting Issuer may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Lack of Access to U.S. Bankruptcy Protections

Because the use of cannabis is illegal under federal law, many courts have 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 Resulting Issuer were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Resulting Issuer's United States operations, which would have a material adverse effect on the Resulting Issuer, its lenders and other stakeholders.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, the Company's existing operations in the United States, and any future operations or investments of the Resulting Issuer, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer 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 Resulting Issuer's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

Further to the indication by CDS Clearing and Depository Services Inc. ("**CDS**"), Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets that it would refuse to settle trades for cannabis issuers that have investments in the United States, 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 The Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. 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 as until an alternative was implemented, investors would have no ability to effect a trade of securities through the facilities of the applicable stock exchange.

Risk of Legal, Regulatory or Political Change

The success of the business strategy of the Resulting Issuer depends on the legality of the marijuana industry. The political environment surrounding the marijuana industry in general can be volatile and the regulatory framework remains in flux. To the Company's knowledge, some form of cannabis has been legalized in 31 States and Washington, D.C. as of July 2018; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Resulting Issuer's business, results of operations, financial condition or prospects.

Delays in enactment of new State or federal regulations could restrict the ability of the Resulting Issuer to reach strategic growth targets. The growth strategy of the Resulting Issuer is contingent upon certain federal and State regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Resulting Issuer, and thus, the effect on the return of investor capital, could be detrimental. The Resulting Issuer is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, 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. If the federal government begins to enforce federal laws relating to cannabis in States where the sale and use of cannabis is currently legal, or if existing applicable State laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect the Resulting Issuer's continued operations. Federal actions against individuals or entities engaged in the marijuana industry or a repeal of applicable marijuana legislation could adversely affect the Resulting Issuer and its business, results of operations, financial condition and prospects.

The Resulting Issuer is also aware that multiple States are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other States are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

The commercial medical and adult-use marijuana industry is in its infancy and the Company anticipates that such regulations will be subject to change as the jurisdictions in which the Company does business matures. The Company has in place a detailed compliance program headed by its Compliance Director who oversees, maintains, and implements the compliance program and personnel. Compliance officers in each operating subsidiary are charged with knowing the local regulatory process and monitoring developments with their governing bodies. Each

compliance officer regularly reports regulatory developments to the Compliance Director through written and oral communications and is charged with the creation and implementation of plans regarding any regulatory developments. In addition to the Company's robust legal and compliance departments, the Company also has local legal/regulatory counsel engaged in every jurisdiction in which it operates. Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Additionally, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to regulation in the marijuana industry.

Overall, the medical and adult-use marijuana industry is subject to significant regulatory change at both the State and federal level. The inability of the Resulting Issuer to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

General Regulatory and Licensing Risks

The Resulting Issuer's business is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of the Resulting Issuer's business objectives are contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of the Resulting Issuer may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer is required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Resulting Issuer's part. The duration and success of the Resulting Issuer's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Resulting Issuer may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Resulting Issuer. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Resulting Issuer may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Several of the Company's licenses are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations.

While the Resulting Issuer's compliance controls have been developed to mitigate the risk of any material violations of any license it holds arising, there is no assurance that the Resulting Issuer's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Resulting Issuer could impede the ongoing or planned operations of the Resulting Issuer and have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Resulting Issuer's reputation, require the Resulting Issuer to take, or refrain from taking, actions that could harm its operations or require Resulting Issuer to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits

will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Resulting Issuer's business, financial condition, results of operations or prospects.

Limitations on Ownership of Licenses

In certain States, the cannabis laws and regulation limit, not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person may have an ownership interest, or control over, more than three license holders in any category – cultivation, processing or dispensing. In Maryland, the Department of Health has taken the position that the law prevents having a material ownership interest in more than one license holder in any one of these three categories. In New Jersey, there are restrictions on overlapping ownership of license holders. In Florida, there are also limitations on owning more than one of the vertically-integrated medical cannabis licenses offered in that state. The Company believes that, where such restrictions apply, it may still capture significant share of revenue in the market through wholesale sales, exclusive marketing relations, provision of management or support services, franchising and similar arrangement with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain States may limit the Company's ability to grow organically or to increase its market share in such States.

Provisions in Articles and Notice of Articles Relating to Licensing

Notwithstanding the adoption of the Licensing Provisions, the Resulting Issuer may not be able to exercise its redemption rights in full or at all. Under the BCBCA, a corporation may not make any payment to redeem shares if there are reasonable grounds for believing that the company is unable to pay its liabilities as they become due in the ordinary course of its business or if making the payment of the redemption price or providing the consideration would cause the company to be unable to pay its liabilities as they become due in the ordinary course of its business. Furthermore, the Resulting Issuer may become subject to contractual restrictions on its ability to redeem its Subordinate Voting Shares by, for example, entering into a secured credit facility subject to such restrictions. In the event that restrictions prohibit the Resulting Issuer from exercising its redemption rights in part or in full, the Resulting Issuer will not be able to exercise its redemption rights absent a waiver of such restrictions, which the Resulting Issuer may not be able to obtain on acceptable terms or at all.

The Licensing Provisions in the Resulting Issuer's articles and notice of articles could also limit the price that investors might be willing to pay in the future for the Subordinate Voting Shares, thereby depressing the market price of the Subordinate Voting Shares. Any provision in the Resulting Issuer's articles and notice of articles that has the effect of delaying or deterring a change in control could limit the opportunity for shareholders to receive a premium for their Subordinate Voting Shares, and could also affect the price that some investors are willing to pay for the Subordinate Voting Shares.

In addition, the Licensing Provisions provide the Resulting Issuer with a right to redeem Subordinate Voting Shares held by an Unsuitable Person in order for the Resulting Issuer to comply with regulations in various jurisdictions where the Resulting Issuer does business or where we expect to do business. These Licensing Provisions provide the Resulting Issuer with the right, but not the obligation, to redeem any or all of the Subordinate Voting Shares held by any shareholder who has been determined to be an Unsuitable Person at a certain redemption price. Accordingly, the Resulting Issuer Shareholders may be forced to sell their Subordinate Voting Shares at times and prices that are unfavourable to them, and the Licensing Provisions may delay or limit change of control transactions.

Regulatory Action and Approvals from the Food and Drug Administration

The Resulting Issuer's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Resulting Issuer's cannabis-based products are not approved by the Food and Drug Administration ("**FDA**") as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Food, Drug and Cosmetic Act ("**FDCA**").

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD oil derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against

the Resulting Issuer could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Resulting Issuer's production or distribution of its products. Any such event could have a material adverse effect on the Resulting Issuer's business, prospects, financial condition, and operating results.

Litigation

The Resulting Issuer may become threatened by a party, or otherwise 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 Resulting Issuer becomes involved be determined against the Resulting Issuer, such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for the Subordinate Voting Shares. Even if the Resulting Issuer is involved in litigation and is successful, such litigation could redirect significant company resources.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

The majority of the directors and officers of the Resulting Issuer reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Resulting Issuer Shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Resulting Issuer Shareholders to effect service of process within Canada upon such persons.

Environmental Risks

Environmental Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Resulting Issuer's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Resulting Issuer's operations. To the extent such approvals are required and not obtained, the Resulting Issuer may be curtailed or prohibited from its proposed production of medical marijuana or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Resulting Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Unknown Environmental Risks

There can be no assurance that the Resulting Issuer will not encounter hazardous conditions at the facilities where it operates its businesses, including, without limitation, its medical cannabis cultivation and dispensary facility in Bellmawr, New Jersey, Las Vegas, Nevada and Arizona, 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 Resulting Issuer may be suspended. The presence of other hazardous conditions may require significant expenditure of the Resulting Issuer's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Resulting Issuer.

General Business Risks

Failure to Complete the Contemplated Minority Buy-Outs and Committed Acquisitions

Curaleaf currently expects to complete certain transactions in the future, including the Maryland Acquisition, the Massachusetts Acquisition, the Nevada Acquisition, the Proposed Minority Buy-Outs. These acquisitions are subject to a number of customary closing conditions including in certain instances, regulatory approval and may not close for a variety of reasons including if the closing conditions are not satisfied or waived, some of which may not be within the control of Curaleaf. In addition, even if these transactions and/or minority buy-outs were to be completed, they may not close on terms or within the timing currently expected. If one or more of these transactions and/or minority buy-outs do not close or are completed pursuant to terms or timelines different than expected, it could have an adverse effect on the Resulting Issuer's future capital plans and require the Resulting Issuer to reallocate funds.

Risks Related to Cetus Senior Debt

The Cetus Senior Debt requires the Resulting Issuer to satisfy certain negative covenants, including restrictions on its ability to pay dividends, to invest in non-wholly owned entities and to incur non-subordinated debt. These covenants may prevent the Resulting Issuer from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively compete with businesses that are not subject to the same restrictions. The Resulting Issuer's ability to comply with these covenants may be affected by economic, financial and industry conditions beyond its control, including credit or capital market disruptions. The breach of any of these covenants could result in a default that would permit Cetus to declare all amounts outstanding to be due and payable, together with accrued and unpaid interest. There is no assurance that the Resulting Issuer will be able to secure additional financing to repay the Cetus Senior Debt should cash flows from operations be insufficient to repay the indebtedness, whether it is in default or not. If the Resulting Issuer is unable to repay the indebtedness, Cetus could proceed against the collateral securing the indebtedness. This could have serious consequences to the Resulting Issuer's financial position and results of operations and could cause it to become bankrupt or insolvent.

Unproven Business Strategy

While the Company has existing operations and is generating revenues, it plans to significantly expand its operations and staff to meet the requirements of its business initiatives. The commercial response to the product offerings is still uncertain, and although the Resulting Issuer believes that its strategy incorporates advantages compared to other medical cannabis business models, if patients or consumers do not respond favorably to the Company's products or if they take longer to develop its products or establish its customer base or it proves to be more costly than currently anticipated to develop its businesses, revenues may be adversely affected.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Resulting Issuer could suspend or withdraw their services, which may have a material adverse effect on the Resulting Issuer's business, revenues, operating results, financial condition or prospects.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges may refuse to enforce contracts in connection with activities that violate federal law, even if there is no violation of State law. There remains doubt and uncertainty that the Resulting Issuer will be able to legally enforce contracts it enters into if necessary. The Resulting Issuer cannot be assured that it will have a remedy for breach of contract, the lack of which may have a material adverse effect on the Resulting Issuer's business, revenues, operating results, financial condition or prospects.

Reliance on Management

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management 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 Resulting Issuer's business, operating results, financial condition or prospects.

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. Company employees traveling from Canada to the U.S. for the benefit of the Company may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to Company employees, then this may reduce our ability to manage effectively our business in the U.S.

Competition

The cannabis industry remains quite nascent, and so what the landscape will be in the future remains largely unknown, which in itself is a risk. Potential competitors, which in the future may include pharmaceutical companies, are also larger and better capitalized than the Company, may have longer operating histories and have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources. The market for the products that the Resulting Issuer offers or intends to offer is competitive. The competition will most likely increase as more U.S. States permit the use of medicinal cannabis and new industry participants emerge. Increased competition may hinder the Resulting Issuer's ability to successfully market its products and services. The Resulting Issuer may not have the resources, expertise or other competitive requirements to compete successfully in the future.

Risks Inherent in an Agricultural Business

Resulting Issuer's business involves the cultivation of the cannabis plant. The cultivation of this plant is subject to agricultural risks related to insects, plant diseases, unstable growing conditions, water and electricity availability and cost, and force majeure events. Although the Resulting Issuer cultivates its cannabis plants in indoor, climate controlled rooms staffed by trained personnel and in the future plans to cultivate cannabis plants in greenhouses, there can be no assurance that agricultural risks will not have a material adverse effect on the cultivation of its cannabis. The Resulting Issuer may in the future cultivate cannabis plants outdoors, which would also subject it to related agricultural risks.

Unfavorable Publicity or Consumer Perception

The Resulting Issuer believes the adult-use and medical marijuana industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. In particular, the Resulting Issuer's financial performance in each State will depend on whether patients and physicians view its products as effective and safe for use. Under the laws of the States in which the Resulting Issuer and its affiliates operate, the participation of physicians and health care providers in the certification process is voluntary and therefore depends

on a number of variables, including: medical professionals' views as to the use of medical cannabis to treat qualifying conditions; the risks and benefits to individual patients or patient groups; the policies of particular medical practices; and patient demand. If physicians and other medical professionals do not certify patients where certification is required under State law, the Resulting Issuer's business, financial position and results of operations may be negatively affected.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of the Resulting Issuer.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult-use and medical marijuana with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new State jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Resulting Issuer 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 manufacture and sale of marijuana 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 marijuana alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer of adult-use and medical marijuana, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical marijuana, the Resulting Issuer may be subject to various product liability claims, including, among others, that the marijuana product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to 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 maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

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 labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Resulting Issuer 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 Resulting Issuer's products were subject to recall, the image of that product and the Resulting Issuer could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable 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 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) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Resulting Issuer's securities 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 Listing Statement 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 Resulting Issuer's products with the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Difficulty Attracting and Retaining Personnel

The Resulting Issuer's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect the Resulting Issuer's business. If the Resulting Issuer fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely affected.

Dependence on Suppliers

The ability of the Resulting Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Resulting Issuer's capital expenditure plans may be significantly greater than anticipated by the Resulting Issuer's management, and may be greater than funds available to the Resulting Issuer, in which circumstance the Resulting Issuer may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the business, financial condition, results of operations or prospects of the Resulting Issuer.

Reliance on Inputs

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 Resulting Issuer. In addition, any restrictions on the ability to secure required supplies or utility services or to do so on commercially acceptable terms could have a materially adverse impact on the business, financial condition and operating results. 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 Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer.

Co-Investment Risk

The Resulting Issuer has co-invested and may continue to co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of the Resulting Issuer. Although it is the Resulting Issuer's intent to retain control and other superior rights over the Resulting Issuer's investments, under certain circumstances it may be possible that the Resulting Issuer relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when the Resulting Issuer does maintain a control position with respect to its investments, the Resulting Issuer's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Resulting Issuer, or may be in a position to take (or block) action in a manner contrary to the Resulting Issuer's objectives. The Resulting Issuer may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as the Resulting Issuer, and such different terms may be disadvantageous to the Resulting Issuer.

Limited Market Data and Difficulty to Forecast

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use marijuana industry, the market data available is limited and unreliable. Federal and State laws prevent widespread participation and hinder market research. Therefore, the Resulting Issuer 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 industry. Market research and projections by the Resulting Issuer of estimated total retail sales, demographics, demand, and similar consumer research are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Resulting Issuer's management team as of the date of this Listing Statement. 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, financial condition or prospects of the Resulting Issuer.

Intellectual Property Risks

The Resulting Issuer's ability to compete in the future partly depends on the superiority, uniqueness and value of its intellectual property and technology, including both internally developed technology and technology licensed from third parties. To the extent the Resulting Issuer is able to do so, in order to protect its proprietary rights, the Resulting Issuer will rely on a combination of trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions which may prove insufficient to protect the Resulting Issuer's proprietary rights.

Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Resulting Issuer's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Resulting Issuer. As a result, the Resulting Issuer's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, State or local level. While many States do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a State level, and State-registered trademarks provide a lower degree of protection than would federally-registered marks.

Constraints on Marketing Products

The development of the Resulting Issuer's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits companies' abilities to compete for market share in a manner similar to other industries. If the Resulting Issuer 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 Resulting Issuer's sales and results of operations could be adversely affected.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Resulting Issuer is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Resulting Issuer that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Resulting Issuer to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Resulting Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Resulting Issuer from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Resulting Issuer, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Resulting Issuer's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Resulting Issuer's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Information Technology Systems, Cyber-Attacks and Security Breaches

The Resulting Issuer's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology ("**IT**") 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 Resulting Issuer's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive 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. Given the nature of the Resulting Issuer's products and its lack of legal availability outside of channels approved by the government of the United States, as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. If there was a breach in security and the Resulting Issuer fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact the Resulting Issuer's reputation, business continuity and results of operations. A security breach at one of the Resulting Issuer's facilities could expose the Resulting Issuer to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Resulting Issuer's products.

In addition, the Resulting Issuer collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

The Resulting Issuer has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Resulting Issuer will not incur such losses in the future. The

Resulting Issuer's risk and exposure to these matters cannot be fully mitigated because of, among other things, 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 Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Reliance on Management Services Agreements with Subsidiaries and Affiliates

The Resulting Issuer's subsidiaries and other affiliates engage in the medicinal cannabis business through management services agreements entered into with State-licensed entities. Under such agreements, its subsidiaries and affiliates perform a number of services, including cultivation, growing and handling of marijuana plants, trimming, curing and packaging of dry flower, patient advisory, lab and scientific research services, consultation on regulatory issues and a variety of management functions. In exchange for providing these services, the Resulting Issuer's subsidiaries and affiliates receive management fees which are a key source of revenue. Payment of such fees is dependent on the continuing validity and enforceability of the relevant management services agreements. If such agreements are found to be invalid or unenforceable, or are terminated by the counter-party, this could have a material adverse effect on the business, prospects, financial condition, and operating results.

Website Accessibility

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent the Resulting Issuer sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with State law, the Resulting Issuer may face legal action in other jurisdictions which are not the intended object of any of the Resulting Issuer's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

High Bonding and Insurance Coverage

There is a risk that a greater number of State regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Resulting Issuer is not able to quantify at this time the potential scope for such bonds or fees in the States in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Resulting Issuer's business.

The Resulting Issuer'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 Resulting Issuer maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Resulting Issuer 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 Resulting Issuer is not generally available on acceptable terms. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

Risks of Leverage

Although the Resulting Issuer will seek to use leverage in connection with its investments in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Resulting Issuer defaults on unsecured indebtedness, the terms of the loan may require the Resulting Issuer to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Resulting Issuer may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Resulting Issuer could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Resulting Issuer investments, the Resulting Issuer may borrow funds in its own name for various purposes, and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Resulting Issuer. If investments fail to cover the cost of such borrowings, the value of the investments held by the Resulting Issuer would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Resulting Issuer could be subordinated to such leverage, which will compound any such adverse consequences.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer may become 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; and (v) loss or reduction of control over certain of the Resulting Issuer's assets. Additionally, the Resulting Issuer may issue additional shares which would dilute a shareholder's holdings in the Resulting Issuer or indirect holdings in the Company.

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

Management of Growth

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer 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 Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Costs of being a Public Company

As a public issuer, the Resulting Issuer is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Resulting Issuer's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Resulting Issuer's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, the Resulting Issuer is subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*,

which requires annual management assessment of the effectiveness of the Resulting Issuer's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Resulting Issuer to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations place significant demands on the Resulting Issuer as well as on the Resulting Issuer's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

Past Performance Not Indicative of Future Results

The prior investment and operational performance of the Company is not indicative of the future operating results of the Resulting Issuer. There can be no assurance that the historical operating results achieved by the Company or its affiliates will be achieved by the Resulting Issuer, and the Resulting Issuer's performance may be materially different.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Curaleaf or Resulting Issuer financial estimates, projections and other forward-looking information or statements included in this Listing Statement are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this Listing Statement. Resulting Issuer Shareholders should inquire of the Resulting Issuer and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, the Resulting Issuer Shareholders should not rely on any projections to indicate the actual results the Resulting Issuer might achieve.

Tax Risks

Tax Risk Related to Controlled Substances

Section 280E of the Code, as amended prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable State laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

United States Tax Classification of the Resulting Issuer

Although the Resulting Issuer is and will continue to be a Canadian corporation, the Resulting Issuer intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the Code, to be treated as being resident of Canada under the Tax Act. As a result, the Resulting Issuer 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 Resulting Issuer will pay any dividends on the Subordinate Voting Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the Tax Act 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 Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the 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 Resulting Issuer, subject to examination of the relevant treaty. These dividends may however qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of the Resulting Issuer, subject to examination of the relevant treaty.

Because the Subordinate Voting 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 Subordinate Voting Shares.

For more detailed information, please see "Section 25 – *Other Material Facts - Certain United States Federal Income Tax Considerations*".

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

Market and Economy Risks

Economic Environment

The Resulting Issuer's operations could also be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Resulting Issuer'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 Resulting Issuer's management.

Currency Fluctuations

Due to the Resulting Issuer's present operations in the United States, and its intention to continue future operations outside Canada, the Resulting Issuer 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 Resulting Issuer's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on the Resulting Issuer's business, financial position or results of operations.

Market Price Volatility Risks

The market price of the Subordinate Voting Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Resulting Issuer, divergence in financial results from analysts'

expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Resulting Issuer, general economic conditions, legislative changes, and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Subordinate Voting Shares.

Sales by Existing Shareholders

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares intend to sell could reduce the market price of the Subordinate Voting Shares. If this occurs and continues, it could impair the Resulting Issuer's ability to raise additional capital through the sale of Subordinate Voting Shares.

Limited Market for Securities

Notwithstanding that the Subordinate Voting Shares are listed on the CSE, there can be no assurance that an active and liquid market for the Subordinate Voting Shares will develop or be maintained and a Resulting Issuer securityholder may find it difficult to resell any securities of the Resulting Issuer.

Global Financial Conditions

Following the onset of the credit crisis in 2007-2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Resulting Issuer's ability to obtain equity or debt financing in the future on terms favourable to the Resulting Issuer. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Resulting Issuer's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Resulting Issuer's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

19. PROMOTERS

No person or company has been within the two years immediately preceding the date of this Listing Statement, a promoter of the Resulting Issuer.

20. LEGAL PROCEEDINGS

Legal Proceedings

To the Resulting Issuer's knowledge, there are no legal proceedings or regulatory actions material to the Resulting Issuer to which it is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the Resulting Issuer to be contemplated.

There have been no penalties or sanctions imposed against the Resulting Issuer by a court or regulatory authority, and the Resulting Issuer has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this Listing Statement.

Regulatory Actions

The Resulting Issuer is not subject to: (i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this Listing Statement; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Resulting Issuer that are necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. The Resulting Issuer has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

21. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this Listing Statement, no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Resulting Issuer, or any associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, which has materially affected or is reasonably expected to materially affect the Resulting Issuer or a subsidiary of the Resulting Issuer.

Companies affiliated with Mr. Boris Jordan, a Principal Shareholder and Executive Chairman of the Resulting Issuer, have provided consulting services to the Company related to financial analysis, business planning, recruiting, logistical support and other matters. Consulting fees and expense reimbursement paid by the Company for such services were $95,464, $522,222 and $2,001,299 in 2016, 2017 and 2018 to date. The fees for such services were established on an arm's-length basis.

22. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of the Resulting Issuer is DMCL Certified Public Accountants LLP and the transfer agent and registrar for the Subordinate Voting Shares is Odyssey Trust Company at its principal offices in Calgary, Alberta and Vancouver, British Columbia.

23. MATERIAL CONTRACTS

During the course of the two years prior to the date of the Listing Statement, the Resulting Issuer and its subsidiaries have entered into the following material contracts, other than contracts entered into in the ordinary course of business:

- the Transaction Agreement; and
- the financing agreement relating to the Cetus Senior Debt.

24. INTEREST OF EXPERTS

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the

Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of the Resulting Issuer or an Associate or Affiliate of the Resulting Issuer.

PKF Certified Public Accountants has performed the audit in respect of the audited financial statements of Curaleaf as at and for the year ended December 31, 2017. PKF Certified Public Accountants and its partners and associates beneficially own, directly or indirectly, in the aggregate, less than 1% of the outstanding shares of the Company.

25. OTHER MATERIAL FACTS

Certain United States Federal Income Tax Considerations

The following discussion is a summary of the material U.S. federal income tax considerations for U.S. Holders and Non-U.S. Holders (each as defined below) relating to the ownership and disposition of Subordinate Voting Shares, but does not purport to be a complete analysis of all potential tax matters for consideration. The effects of tax laws, including by way of example only certain U.S. estate and gift tax laws, and any applicable State, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each instance in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a holder of Subordinate Voting Shares. The Resulting Issuer has not sought and will not seek any rulings from the IRS, or an opinion from legal counsel, regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of Subordinate Voting Shares.

This discussion is limited to U.S. Holders and Non-U.S. Holders that hold Subordinate Voting Shares after giving effect to the Business Combination and that hold Subordinate Voting Shares as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation holders who, or which, are:

- U.S. expatriates, former citizens of the U.S., or former long-term residents of the U.S.;
- subject to the alternative minimum tax or the tax on net investment income;
- holding Subordinate Voting Shares as part of a hedge, straddle, or as part of a conversion transaction or other integrated investment or risk reduction strategy or transaction;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities or foreign currencies, or that use the mark-to-market method of accounting for U.S. federal income tax purposes;
- "controlled foreign corporations," "passive foreign investment companies," or corporations that accumulate earnings to avoid, or which has the result of avoiding, U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- deemed to sell Subordinate Voting Shares under the constructive sale provisions of the Code;

- are required to accelerate the recognition of any item of gross income with respect to Subordinate Voting Shares as a result of such income being recognized on an applicable financial statement;

- persons who hold or receive Subordinate Voting Shares pursuant to the exercise of any employee stock option or otherwise as compensation; and

- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds Subordinate Voting Shares, the tax treatment of a partner in such partnership generally will depend on the status of the partner, the activities of the entity treated as a partnership for U.S. federal income tax purposes, and certain determinations made at the partner level. Accordingly, entities treated as partnerships holding Subordinate Voting Shares and the partners in such entities should consult their own tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. RESULTING ISSUER SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SUBORDINATE VOTING SHARES ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a U.S. Holder

For purposes of this discussion, a "U.S. Holder" is any beneficial owner of Subordinate Voting Shares after giving effect to the Business Combination that is, for U.S. federal income tax purposes:

- an individual who is a U.S. resident (discussed below) or U.S. citizen;

- a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any State within the U.S. or the District of Columbia;

- an estate the income of which is subject to U.S. federal income tax regardless of its source; or

- a trust that either (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

With respect to the first bullet point above, an individual is generally treated as a resident of the U.S. in any calendar year for U.S. federal income tax purposes if the individual either (i) is the holder of a green card, generally during any point of such year, or (ii) is present in the U.S. for at least 31 days in that calendar year, and for an aggregate of at least 183 days during the three-year period ending on the last day of the current calendar year. For purposes of the 183-day calculation (often referred to as the Substantial Presence Test), all of the days present in the U.S. during the current year, one-third of the days present in the U.S. during the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Residents are generally treated for U.S. federal income tax purposes as if they were U.S. citizens.

Tax Classification as a U.S. Domestic Corporation

As a result of the Business Combination, pursuant to Section 7874(b) of the Code and the Treasury Regulations promulgated thereunder, notwithstanding that the Resulting Issuer is organized under the provisions of the BCBCA, solely for U.S. federal income tax purposes, it is anticipated that the Resulting Issuer will be treated as a U.S. domestic corporation.

The Resulting Issuer anticipates that it will experience a number of significant and complicated U.S. federal income tax consequences as a result of being treated as a U.S. domestic corporation for U.S. federal income tax purposes, and this summary does not attempt to describe all such U.S. federal income tax consequences. Section 7874 of the Code and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from the Resulting Issuer being treated as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to the Resulting Issuer that are not discussed in this summary.

Generally, the Resulting Issuer will be subject to U.S. federal income tax on its worldwide taxable income (regardless of whether such income is "U.S. source" or "foreign source") and will be required to file a U.S. federal income tax return annually with the IRS. The Resulting Issuer anticipates that it will also be subject to tax in Canada. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of the Resulting Issuer as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of the Resulting Issuer in Canada. Accordingly, it is possible that the Resulting Issuer will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the Subordinate Voting Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes, notwithstanding future transfers. The remainder of this summary assumes that the Resulting Issuer will be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

Tax Considerations for U.S. Holders

Distributions

Distributions of cash or property on Subordinate Voting Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Resulting Issuer's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends will generally be taxable to a non-corporate U.S. Holder at the preferential rates applicable to long-term capital gains, provided that such holder meets certain holding period and other requirements. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a U.S. Holder's adjusted tax basis in its Subordinate Voting Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described under "– *Sale or Other Taxable Disposition*" below.

Dividends received by corporate U.S. Holders may be eligible for a dividends received deduction, subject to certain restrictions relating to, among others, the corporate U.S. Holder's taxable income, holding period and debt financing.

Sale or Other Taxable Disposition

Upon the sale or other taxable disposition of Subordinate Voting Shares, a U.S. Holder will generally recognize capital gain or loss equal to the difference between (i) the amount realized by such U.S. Holder in connection with such sale or other taxable disposition, and (ii) such U.S. Holder's adjusted tax basis in such stock. Such capital gain or loss will generally be long-term capital gain or loss if the U.S. Holder's holding period respecting such stock is more than twelve months. U.S. Holders who are individuals are eligible for preferential rates of taxation respecting their long-term capital gains. Deductions for capital losses are subject to limitations.

Foreign Tax Credit Limitations

Because it is anticipated that the Resulting Issuer will be subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on its Subordinate Voting Shares. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of the Resulting Issuer as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by the Resulting Issuer to be treated as U.S. source rather than foreign source for this purpose. As a result, a foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Resulting Issuer. Similarly, to the extent a sale or disposition of the Subordinate Voting Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, because the Subordinate Voting Shares constitute taxable Canadian property within the meaning of the Tax Act), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder should be able to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year.

The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisors regarding these rules.

Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Subordinate Voting Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Information Reporting and Backup Withholding

U.S. backup withholding (currently at a rate of 24%) is imposed upon certain payments to persons that fail (or are unable) to furnish the information required pursuant to U.S. information reporting requirements. Distributions to U.S. Holders will generally be exempt from backup withholding, provided the U.S. Holder meets applicable certification requirements, including providing a U.S. taxpayer identification number on a properly completed IRS Form W-9, or otherwise establishes an exemption. The Resulting Issuer must report annually to the IRS and to each U.S. Holder the amount of distributions and dividends paid to that U.S. Holder and the proceeds from the sale or other disposition of Subordinate Voting Shares, unless such U.S. Holder is an exempt recipient.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will generally be allowed as a credit against such U.S. Holder's U.S. federal income tax liability, and may entitle such U.S. Holder to a refund, provided the required information and returns are timely furnished by such U.S. Holder to the IRS.

Tax Considerations for Non-U.S. Holders

Definition of a Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of Subordinate Voting Shares after giving effect to the Business Combination that is neither a "U.S. Holder" nor an entity treated as a partnership for U.S. federal income tax purposes.

Distributions

Distributions of cash or property on Subordinate Voting Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Resulting Issuer's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its Subordinate Voting Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described under "– *Sale or Other Taxable Disposition*" below.

Subject to the discussions under "– *Information Reporting and Backup Withholding*" and under "– *FATCA*" below, any dividend paid to a Non-U.S. Holder of Subordinate Voting Shares that is not effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S. will be subject to U.S. federal withholding tax at a rate of 30%, or such lower rate as may be specified under an applicable income tax treaty. In order to receive a reduced treaty rate, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or an appropriate successor form), properly certifying such holder's eligibility for the reduced rate. If a Non-U.S. Holder holds Subordinate Voting Shares through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to such agent, and the Non-U.S. Holder's agent will then be required to provide such (or a similar) certification to us, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required certification, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder) generally will be exempt from the withholding tax described above and instead will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if the Non-U.S. Holder were a U.S. person. In such case, the Resulting Issuer will not have to withhold U.S. federal tax so long as the Non-U.S. Holder timely complies with the applicable certification and disclosure requirements. In order to obtain this exemption from withholding tax, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8ECI properly certifying its eligibility for such exemption. Any such effectively connected dividends received by a corporate Non-U.S. Holder may be subject to an additional "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items. Non-U.S. Holders should consult their own tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussions under "– *Information Reporting and Backup Withholding*" and under "– *FATCA*" below, any gain realized on the sale or other disposition of Subordinate Voting Shares by a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder);

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met; or

- the rules of the Foreign Investment in Real Property Tax Act of 1980 ("**FIRPTA**") apply to treat the gain as effectively connected with a U.S. trade or business.

A Non-U.S. Holder who has gain that is described in the first bullet point immediately above will be subject to U.S. federal income tax on the gain derived from the sale or other disposition pursuant to regular graduated U.S. federal income tax rates in the same manner as if it were a U.S. person. In addition, a corporate Non-U.S. Holder described in the first bullet point immediately above may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits (or at such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items.

A Non-U.S. Holder who meets the requirements described in the second bullet point immediately above will be subject to a flat 30% tax (or a lower tax rate specified by an applicable tax treaty) on the gain derived from the sale or other disposition, which gain may be offset by certain U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, pursuant to FIRPTA, in general, a Non-U.S. Holder is subject to U.S. federal income tax in the same manner as a U.S. Holder on any gain realized on the sale or other disposition of a "U.S. real property interest" ("**USRPI**"). For purposes of these rules, a USRPI generally includes stock in a U.S. corporation (like Subordinate Voting Shares) assuming the U.S. corporation's interests in U.S. real property constitute 50% or more, by value, of the sum of the U.S. corporation's (i) assets used in a trade or business, (ii) U.S. real property interests, and (iii) interests in real property outside of the U.S. A U.S. corporation whose interests in U.S. real property constitute 50% or more, by value, of the sum of such assets is commonly referred to as a U.S. real property holding corporation ("**USRPHC**"). The Resulting Issuer is not, and does not anticipate becoming as a result of the Business Combination, a USRPHC.

Information Reporting and Backup Withholding

With respect to distributions and dividends on Subordinate Voting Shares, the Resulting Issuer must report annually to the IRS and to each Non-U.S. Holder the amount of distributions and dividends paid to such Non-U.S. Holder and any tax withheld with respect to such distributions and dividends, regardless of whether withholding was required with respect thereto. Copies of the information returns reporting such dividends and distributions and withholding also may be made available to the tax authorities in the country in which the Non-U.S. Holder resides or is established under the provisions of an applicable income tax treaty, tax information exchange agreement or other arrangement. A Non-U.S. Holder will be subject to backup withholding for dividends and distributions paid to such Non-U.S. Holder unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

With respect to sales or other dispositions of Subordinate Voting Shares, information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of Subordinate Voting Shares within the U.S. or conducted through certain U.S.-related financial intermediaries, unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

Whether with respect to distributions and dividends, or the sale or other disposition of Subordinate Voting Shares, backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be

allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

FATCA

Withholding taxes may be imposed pursuant to FATCA (Sections 1471 through 1474 of the Code) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, except as discussed below, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition (including certain distributions treated as a sale or other disposition) of, Subordinate Voting Shares paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code).

Such 30% FATCA withholding will not apply to a foreign financial institution if such institution undertakes certain diligence and reporting obligations, or otherwise qualifies for an exemption from these rules. The diligence and reporting obligations include, among others, entering into an agreement with the U.S. Department of Treasury pursuant to which the foreign financial institution must (i) undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), (ii) annually report certain information about such accounts, and (iii) withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

The 30% FATCA withholding will not apply to a non-financial foreign entity which either certifies that it does not have any "substantial United States owners" (as defined in the Code), furnishes identifying information regarding each substantial United States owner, or otherwise qualifies for an exemption from these rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA (i) generally applies currently to payments of dividends on Subordinate Voting Shares, and (ii) will apply to payments of gross proceeds from the sale or other disposition of such stock (including certain distributions treated as a sale or other disposition) on or after January 1, 2019.

26. FINANCIAL STATEMENTS

Please see attached the following financial statements:

- the audited consolidated financial statements of Curaleaf as of and for the years ended December 31, 2017 and 2016, and related notes thereto attached hereto as Schedule "C";
- the unaudited condensed interim financial statements of Curaleaf as of and for the three and six month period ended June 30, 2018 and 2017, and related notes thereto attached hereto as Schedule "D";
- the audited financial statements of LVI for the years ended December 31, 2017, 2016 and 2015, and related notes thereto attached hereto as Schedule "E"; and
- the unaudited condensed interim financial statements of LVI as of and for the three and six month period ended June 30, 2018 and 2017, and related notes thereto attached hereto as Schedule "F".
- pro-forma financial statements of Curaleaf as of and for June 30, 2018 attached hereto as Schedule "G."

Certificate of Issuer

Pursuant to a resolution duly passed by its Board of Directors, Curaleaf Holdings, Inc., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Curaleaf Holdings, Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 26th day of October, 2018.

(s) Joseph Lusardi

Joseph Lusardi
President and Chief Executive Officer

(s) Jonathan Faucher

Jonathan Faucher
Chief Financial Officer, Executive Vice President of Finance, Treasurer and Corporate Secretary

(s) Boris Jordan

Boris Jordan
Director

(s) Steven Patierno

Steven Patierno
Director

Schedule A – Summary of the Transactions

The principal steps of the Business Combination pursuant to which a reverse takeover of LVI by the security holders of Curaleaf and the listing for trading of the Subordinate Voting Shares on the CSE will be effected, are as follows:

(i) Curaleaf FinCo will complete the SR Offering for gross proceeds of $398,745,543;

(ii) LVI will complete the Name Change and the Share Terms Amendment;

(iii) prior to the Merger, and in consideration for Gociter Holdings Ltd.'s agreement to terminate control rights it holds under Curaleaf's shareholder agreement, Curaleaf shall make a cash payment to Gociter Holdings Ltd. in an amount which shall be agreed to by Curaleaf and Gociter Holdings Ltd.;

(iv) prior to the Merger, Gociter Holdings Ltd. shall contribute to LVI all shares of Curaleaf common stock held by Gociter Holdings Ltd. together with a cash payment in an amount which shall be agreed to by LVI and Gociter Holdings Ltd in consideration for the issuance of Multiple Voting Shares to Gociter Holdings Ltd.;

(v) Curaleaf and LVI USCo will enter into a merger agreement in respect of the Merger between Curaleaf and LVI USCo to be effected in accordance with the applicable laws in the State of Delaware. Pursuant to the Merger, Subordinate Voting Shares will be issued to all Curaleaf shareholders, and Curaleaf will continue as the surviving corporation and as a wholly-owned subsidiary of LVI governed by the laws of the State of Delaware;

(vi) the Subscription Receipts will be exchanged for their underlying Curaleaf FinCo Shares, the Escrowed Funds will be released from escrow to Curaleaf FinCo, the former holders of Subscription Receipts (as holders of Curaleaf FinCo Shares) will exchange their Curaleaf FinCo Shares for Subordinate Voting Shares, following which all such Curaleaf FinCo Shares shall be cancelled;

(vii) Curaleaf FinCo will amalgamate with and into LVI SubCo, a corporation to be formed by LVI pursuant to the provisions of the laws of the Province of British Columbia to form Amalco, which will be wholly-owned by LVI, and each LVI SubCo Share will be exchanged for one Amalco Share, following which all such LVI SubCo Shares shall be cancelled;

(viii) Amalco will issue to LVI one Amalco Share for each Subordinate Voting Share issued;

(ix) Amalco will become a wholly-owned subsidiary of LVI;

(x) Amalco will be wound up into LVI and the assets of Amalco (which will consist of the proceeds from the SR Offering net of expenses) will be transferred to LVI; and

(xi) the Resulting Issuer will issue Subordinate Voting Shares for an aggregate value of $30,000,000 in connection with the Florida Minority Buy-Out, $28,200,000 in connection with the Massachusetts Minority Buy-Out, $525,650 in connection with the Oregon Minority Buy-Out and $41,747,316 in connection with the Connecticut Minority Buy-Out.

Schedule B – Annual and Interim MD&A of Curaleaf

(*See attached*)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017 AND THE THREE MONTHS ENDED MARCH 31, 2018

(Amounts in thousands, except share and per share amounts)

*This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of PalliaTech, Inc. (the "**Company**" or "**PalliaTech**") is for the years ended December 31, 2017 and 2016 and for the three months ended March 31, 2018 and 2017. It is supplemental to, and should be read in conjunction with, the Company's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2018 and 2017 and the Company's condensed unaudited interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2018 and 2017. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Financial information presented in this MD&A is presented in United States dollars ("$" or "US$"), unless otherwise indicated.*

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward- Looking Information", located at the beginning of this Listing Statement. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

OVERVIEW OF THE COMPANY

The Company is comprised of the following companies: PalliaTech RI, LLC, PalliaTech AZ, Inc., PalliaTech Maine, Inc., PalliaTech Mass, Inc. PalliaTech MA, Inc., PalliaTech OR, LLC, CuraLeaf Ohio, Inc., PalliaTech Processing Inc., PalliaTech Nevada, Inc., PalliaTech NY Holdings, Inc., PalliaTech MD Processing, LLC, PalliaTech Maryland, LLC, PalliaTech CT, Inc., PalliaTech PA, LLC, Focused Investment Partners, LLC and PalliaTech Florida, Inc.

PalliaTech is a leading vertically integrated medical and wellness cannabis operator in the United States. Headquartered in Wakefield, Massachusetts, the Company is located in ten States and operates twenty-three dispensaries, ten cultivation sites and nine processing sites with a focus on highly populated, limited license States, including New York, New Jersey, Florida and Massachusetts. The Company leverages its extensive research and development capabilities to distribute cannabis products with the highest standard for safety, effectiveness, consistent quality and customer care. The Company is committed to being the industry's leading resource in education and advancement through research and advocacy.

The Company was one of the first professionally managed companies to enter the U.S. legal cannabis industry, which is one of the fastest growing industries in the U.S. and still in its early stages of maturity. Formed in 2010, the Company began as a medical device company, and was the first to develop and patent a medical cannabis vaporizing unit capable of delivering single metered doses of cannabis medicine to patients. The device adhered to exacting FDA standards and was the first known means of administering medical cannabis in a clinical setting.

Presently, the Company is a diversified holding company dedicated to delivering market-leading products and services in legal cannabis cultivation, formulation, manufacturing and retail (dispensary). Through its team of physicians, pharmacists, medical experts and industry visionaries, the Company has developed Curaleaf, a premier branded cannabis-based therapeutic offering, delivering premium quality medical cannabis in multiple product formats to patients through its network of branded retail dispensaries. PalliaTech's Florida operations are the first in the cannabis industry to receive the Safe Quality Food certification under the Global Food Safety Initiative, setting a new standard of excellence.

In order to achieve its strategy, the Company has completed several acquisitions since its formation. The Company expects to continue to actively pursue other acquisition, disposition and investment opportunities in the future.

Company Performance and Objectives

The Company plans to continue growth of its operations via expansion in three dimensions: acquiring licenses in limited license markets, increasing presence in current markets, and increasing exposure in mass markets.

Limited License Markets. PalliaTech maintains an operational footprint dominated by limited-license states, thus forming natural high barriers to entry with limited market participants. The majority of the markets in which the Company operates have formal regulations limiting the number of cannabis licenses that will be awarded, helping to ensure its market share remains protected in these limited-market States. PalliaTech will aim to expand its presence either by applying to receive new licenses or by acquiring additional existing businesses in states with medical marijuana programs.

Increasing Presence in Current Markets. In the recreational markets in which the Company currently operates, there exists a free market dynamic typical of other industries. PalliaTech has established itself as a market leader and has become a dominant player due to its competitive pricing, experienced management, strong capitalization and strong brand goodwill. The Company plans to grow in these markets by pursuing opportunities for vertical integration, acquiring additional dispensary licenses to further build its retail brand and expand its retail footprint, and apply for new licenses as available and determined by each State.

Increasing Exposure in Mass Markets. In mass market states, the Company intends to apply its "know how" to grow cannabis efficiently at a lower cost than competition indoors while taking advantage of wholesale opportunities.

The Company expects acquisition related costs, marketing and selling expenses and capital expenditures to increase as it expands its presence in current markets and expand into new markets.

Operating Segments

The Company currently operates in two segments: the production and sale of cannabis; and providing non-cannabis services to licensed cannabis operators in the areas of cultivation, extraction and production and retail operations.

Cannabis Operations

The Company engages in the production and sale of cannabis via retail and wholesale channels. The Company operates twenty-three retail dispensaries in nine States. The Company operates ten cultivation sites and nine processing sites in ten States which sell cannabis through wholesale channels.

Non-cannabis Operations

The Company manages five integrated medical cannabis licenses; one license in New Jersey, two licenses in Maine and one license in Massachusetts. The Company provides lending facilities, intellectual property licensing, professional services and real estate leasing services to these licensees pursuant to management service agreements.

During the year ended December 31, 2017, the Company's cannabis operations and non-cannabis operations segments contributed 38% and 62%, respectively, of its revenue. During the year ended December 31, 2016, non-cannabis operations comprised 100% of the Company's revenue. During the three months ended March 31, 2018 and 2017, cannabis operations and non-cannabis operations segments contributed 63% and 37%, respectively, and 30% and 70%, respectively.

The States We Operate In, Their Legal Framework and How It Affects Our Business

Arizona Operations

Arizona's medical cannabis market was introduced in November 2010 when voters approved the Proposition 203 "Arizona Medical Marijuana Initiative" ballot measure that legalized medical cannabis for patients with certain qualifying conditions. The first sales were made to patients in December 2012.

In June 2018, an Arizona appeals court ruled that extracted cannabis oils such as vaporizer cartridges were illegal. These products have been available in Arizona dispensaries since the launch of the program, and many dispensaries have continued to sell extracted oils until a final ruling is issued by the Arizona Supreme Court.

The Arizona Department of Health Services has allocated 130 medical cannabis dispensary certificates. Each dispensary certificate permits the license holder to open one dispensary, and also gives the license holder the option to open one cultivation facility and/or one processing facility. Cultivation and processing sites can be located anywhere in the State and are not restricted based on where the license holder's dispensary is located. Dispensaries are limited to their district (Community Health Analysis Area) for their first three years of operation. All dispensaries must be not-for profit.

Extracted oils, edibles, and flower products are permitted. Extracted products face the risk of being prohibited pending a decision by the Arizona Supreme Court, as outlined above. Wholesale transactions are permitted.

In April 2018, PalliaTech acquired Swell, a holding company that operates four licensed dispensaries through management service agreements. The dispensaries are located in the Phoenix-area, which boasts 110,000 of the State's 170,000 patients. The Company plans to acquire additional dispensaries in this market, which is one of the biggest markets in the U.S. and growing at a rate of over 3,000 patients per month. In May 2018, the Company entered into a 10-year lease to operate a 100,000 square foot indoor cultivation facility, 25,000 square feet of which is already constructed for cultivation, on a 68-acre plot of land with the prospect of further expansion, including greenhouse and outdoor grows.

California Operations

California's medical cannabis program was introduced in 1996 when voters passed the Proposition 215 ballot initiative, which allowed patients with a valid doctors' recommendation to possess and cultivate cannabis for personal medical use. In October 2015, Governor Brown signed the Medical Cannabis Regulation and Safety Act (MCRSA) into law, which provided a regulatory framework around the longstanding, though unregulated, medical cannabis industry. In November 2016, voters approved

Proposition 64, the Adult Use of Marijuana Act, with 57% of the vote, legalizing adult-use cannabis in the state. Adult-use dispensaries began selling to customers 21 and older in January 2018.

The Medicinal and Recreational Cannabis Regulation and Safety Act (MAUCRSA) creates the general framework for the regulation of commercial medicinal and adult-use cannabis in California. Three state agencies are responsible for licensing and regulating each aspect of the industry: the Bureau of Cannabis Control regulates retailers, distributors, testing labs, microbusinesses, and temporary cannabis events; the Manufactured Cannabis Safety Branch, a division of the California Department of Public Health, regulates manufacturers of cannabis-infused edibles for both medical and nonmedical use; and the California Department of Food and Agriculture regulates cultivators of medicinal and adult-use cannabis.

Permitted products include oil-based formulations, edibles, and flower. Wholesaling and home delivery is permitted.

In August 2018, PalliaTech received an Administrative Use Permit for cannabis manufacturing from the City of Davis, California. PalliaTech expects to receive a State license by the end of the 2018 fiscal year.

Connecticut Operations

Connecticut's medical cannabis market was introduced in May 2012 when the General Assembly passed legislation PA 12-55 'An Act Concerning the Palliative Use of Marijuana.' The first dispensaries sold to patients in September 2014. The market launched with six dispensary licensees and four producer licensees.

In January 2016, the Connecticut Department of Consumer Protection ("**CTDCP**"), the agency that oversees the program, approved three additional dispensary licenses. In April 2018, the CTDCP accepted applications for new dispensary licenses. The CTDCP expects to issue three to ten new licenses by the end of 2018.

The market is divided into two classes of licenses: dispensaries and producers. Producers cultivate and process medicinal cannabis and wholesale to dispensaries. Dispensaries must have a pharmacist on staff. Extracted oils and flower products are permitted. Edibles are permitted with the exception of confectionaries.

PalliaTech holds one of the four approved medical cannabis producer licenses in the State. PalliaTech's Connecticut business began selling to the wholesale market in October 2014 and sells to all nine of Connecticut's licensed dispensaries located throughout the State. PalliaTech operates a 40,000 square foot facility which includes cultivation space, supercritical CO2 extraction and purification facilities and a commercial kitchen for the production of edibles. PalliaTech is developing additional cultivation space to meet the growing demand and applied for a dispensary license in the recent dispensary application process.

Florida Operations

Florida's medical cannabis program was introduced in June 2014 when the Florida Legislature passed the Compassionate Medical Cannabis Act of 2014. The Compassionate Medical Cannabis Act of 2014 permitted low-THC cannabis oils to be dispensed and purchased by patients suffering from cancer and epilepsy. Under this program, six organizations, called Medical Marijuana Treatment Centers ("**MMTCs**") were licensed to dispense low-THC medical cannabis to patients.

In November 2016, Florida voters approved the Amendment 2 "Expand Medical Marijuana" ballot measure with 71.3% of the vote. This constitutional amendment expanded the program by legalizing

medical cannabis oils for individuals with specific debilitating diseases or conditions, including chronic pain, as determined by a licensed State physician. In June 2017, Governor Rick Scott signed Senate Bill 8-A: "Medical Use of Marijuana," which outlined how patients can qualify and receive medical cannabis under the State's constitutional amendment. The bill also increased the number of available MMTC licenses to 17.

A single MMTC license allows for the cultivation, processing, and dispensing of medical cannabis products. Originally, each MMTC was permitted to open up to 25 dispensaries Statewide. With each additional 100,000 patients that register for the program, the dispensary cap increases by five for each MMTC. As of August 3, 2018, there were over 100,000 registered patients, meaning each MMTC may open up to 30 dispensaries Statewide with permission from the Florida Department of Public Health, which allocates the number of MMTCs throughout five regions. Licensees are permitted to open an unlimited number of cultivation and processing facilities.

Permitted products include oil-based formulations (vaporizer cartridges, tinctures, capsules), and flower sold in tamper-proof vessels. Rules permitting the sale of edible medical cannabis products are under development. In May 2018, a district court judge ruled that Florida's medical cannabis constitutional amendment requires the Department of Health to permit sales of smokable medical cannabis flower. It is expected that this decision will go into force if upheld on appeal. Each MMTC is required to cultivate and process all medical cannabis products they dispense. Wholesale transactions are permitted on a case by case basis to alleviate shortages. Home delivery is permitted.

PalliaTech holds one of the original six "vertically-integrated" (grow-process-dispense) medical cannabis licenses issued in the State. PalliaTech's Florida business was the third license holder to begin sales to patients in October 2016. PalliaTech operates a 17,231 square foot indoor growing facility and ten dispensaries as of August 2018 **[with plans to open an additional 13 dispensaries in 2018 and a total of 35 by the end of 2019]**. To service this demand, the Company plans to build a 250,000 square foot greenhouse for cultivation.

PalliaTech holds one of the original six "vertically-integrated" (grow-process-dispense) medical cannabis licenses issued in the State. PalliaTech's Florida business was the third license holder to begin sales to patients in October 2016. PalliaTech operates a 24,000 square foot indoor growing facility and twelve dispensaries as of August 2018 with plans to open an additional 13 dispensaries in 2018 and a total of 30 by the end of 2019. To service this demand, the Company has leased an existing Dutch glass greenhouse facility in Mt. Dora, Florida, providing for approximately 250,000 square feet of cultivation space. The lease has a five-year term expiring in 2023 with two five-year optional extensions terms. PalliaTech has an option to purchase the facility starting in 2023 at the then-fair market value, with a floor of $8,500,000. PalliaTech anticipates its first harvest from the facility will be at the beginning of the 2019 fiscal year.

Maine Operations

Maine's medical cannabis market was introduced in November 1999 when voters approved Question 2, the 'Maine Medical Marijuana for Specific Illnesses Initiative,' with 61% of the vote. In November 2009, Maine voters expanded the medical program by passing Question 5, the 'Maine Medical Marijuana Initiative,' with 59% of the vote, which established a structure in which dispensaries can sell medical cannabis to patients. The first dispensary opened to patients in October 2010.

In November 2016, Maine voters approved Question 1, the 'Maine Marijuana Legalization Measure,' which legalized adult-use cannabis sales in the State. In May 2018, the Maine legislature overrode a veto by Governor LePage to formally approve the cannabis legalization legislation that lays the groundwork

for the adult-use market. The market is expected to launch early 2019. In July 2018, the Maine legislature overrode a veto by Governor LePage to formally approve a sweeping medical marijuana reform bill that regulates caregiver operations and approves the issuance of six new dispensary licenses. The bill also removes the requirement that medical cannabis license holders operate as non-profit entities, paving the way for the conversion of existing license holders to for-profit corporations.

The medical cannabis program is regulated by the Maine Department of Administrative and Financial Services. Medical dispensaries are vertically-integrated and cultivate, process, and dispense products to patients. Wholesaling is only permitted in emergency situations. Each licensee is permitted to open one dispensary, though the medical bill passed in July 2018 allows existing licensees to open one additional dispensary, if they are awarded a license in an upcoming bid application process.

Regulations are not yet finalized for the adult-use program, though the law passed in May 2018 establishes separate classes of licenses (dispensaries, cultivators, processors) with no caps in place on the number of licenses that can be issued. Extracted oils, edibles, and flower products are permitted.

PalliaTech provides management services to two of the eight integrated medical cannabis licensees in the State: Maine Organic Therapy ("**Maine OT**") and Remedy Compassion Center ("**RCC**"). Maine OT operates a 30,000 square foot indoor grow facility and a dispensary. RCC also operates a small grow facility and a dispensary and obtains most of its product wholesale via Maine OT. Maine OT and RCC have both been serving patients since 2010.

Maryland Operations

Maryland's medical cannabis program was introduced in May 2013 when then Governor O'Malley signed House Bill 1101 into law. Pre-approval for licenses were awarded in 2016, when the Maryland Medical Cannabis Commission issued Stage One licenses to 102 dispensaries, 15 cultivators, and 15 processors. The first dispensaries opened to patients in December 2017.

In April 2018, the Maryland House and Senate approved a bill, which was later signed by Governor Hogan, that expanded the license pool, adding seven additional cultivation licenses and 13 additional processing licenses.

The market is divided into three primary classes of licenses: dispensaries, cultivators, and processors. Wholesaling occurs between cultivators and processors, cultivators and dispensaries, and processors and dispensaries. Dispensary locations are tied to the Senate District in which they were awarded, with the exception of dispensary licenses that were awarded to applicants who also were awarded a cultivation license—these dispensaries can be located at the discretion of the license holder. Permitted products include oil-based formulations and flower. Edibles are prohibited. No one company can directly control multiple licenses of the same class.

PalliaTech received one of 102 preliminary medical cannabis dispensary licenses issued in this State in December 2016. The Company launched its dispensary in the first quarter of the 2018 fiscal year, shortly after the market launched in December 2017. PalliaTech has also acquired a company holding a cannabis processing license, which also began operations in the first quarter of the 2018 fiscal year. Additionally, PalliaTech plans to complete an acquisition in the fourth quarter of the 2018 fiscal year, pursuant to which it expects to acquire two additional operating dispensaries and a 20,000 square foot cultivation facility, which is already approved for expansion up to 48,000 square feet, a processing license, and a dispensary. The Company also expects to enter into a management services agreement with a dispensary in Gaithersburg, Maryland, which will commence in the fourth quarter of 2018, and provide for its operation

under the Curaleaf brand. Prior to the closing of the aforementioned acquisitions, Curaleaf plans to reorganize its ownership of the existing assets to comply with the regulations of the State.

Massachusetts Operations

Massachusetts' medical cannabis market was established by "An Act for the Humanitarian Medical Use of Marijuana" in November 2012 when voters passed Ballot Question 3 "Massachusetts Medical Marijuana Initiative" with 63% of the vote. The first dispensary opened in June 2015.

In November 2016, Massachusetts voters legalized adult-use cannabis by passing ballot Question 4 – Legalize Marijuana with 54% of the vote. In July 2017, Governor Baker signed legislation that laid the groundwork for the adult-use market. In March 2018, the Cannabis Control Commission, the regulatory body set up to regulate the adult-use market, approved the rules that will govern the industry. While the Cannabis Control Commission original aimed to officially launch adult-use sales on July 1, 2018, issues such as a lack of licensed testing labs and disagreements with city and town officials over agreements with cannabis business have slowed the rollout and, as of August 2018, adult-use sales have yet to begin.

The Department of Health oversees the medical cannabis program. Each medical licensee must be vertically-integrated and may have up to two locations. Licensed medical dispensaries are given priority in adult-use licensing.

The Cannabis Control Commission oversees the adult-use cannabis program. Adult-use cultivators will be grouped into 11 tiers of production—ranging from up to 5,000 square feet to no larger than 100,000 square feet—and regulators will bump a licensee down to a lower tier if that licensee has not shown an ability to sell at least 70 percent of what it produced. Medical dispensaries that wish to add the ability to sell cannabis products to non-patients will be required to reserve 35 percent of their inventory or the six-month average of their medical cannabis sales for medical cannabis patients. In order to achieve an adult-use license, a prospective licensee must first sign a "Host Community Agreement" with the town in which it wishes to locate. Roughly two-thirds of municipalities in the State have a ban or moratorium in place that prohibits cannabis businesses from operating within their jurisdiction.

In both the medical and adult-use markets, extracted oils, edibles, and flower products are permitted. Wholesaling is also permitted.

PalliaTech's Massachusetts subsidiary, Curaleaf MA, holds an integrated medical cannabis license and operates a 54,000 square foot indoor grow and two dispensaries, one in Oxford and one in Hanover, Massachusetts, with a third dispensary expected to open in Provincetown, Massachusetts in the third quarter of the 2018 fiscal year. Curaleaf MA's first harvest yielded in Fall of 2017 and Curaleaf MA has an option to expand its cultivation facility to 104,000 square feet under the current lease. Pursuant to the terms of a pending acquisition, which the Company anticipates to close in the third quarter of the 2018 fiscal year, Curaleaf expects to acquire ATG, another licensed medical cannabis operator in Massachusetts, which operates a 53,600 square foot cultivation facility and a medical dispensary in Salem, MA. ATG has applied to receive an adult-use license for its dispensary in Salem.

Nevada Operations

In November 2016, Nevada voters approved Question 2 with 55% of the vote, legalizing adult-use cannabis in the State. Adult-use sales launched under an "early-start" program on July 1, 2017.

In September 2018, the Nevada Department of Taxation, the agency which oversees the cannabis program, accepted applications for new dispensary licenses, which are expected to be issued in November 2018.

This market is divided into five classes of licenses: dispensaries, cultivators, distribution, product manufacturing, and testing. Licenses are tied to the locality in which they were awarded. Extracted oils, edibles, and flower products are permitted.

PalliaTech has agreed to acquire, pending regulatory approval, a 10,000 square foot licensed indoor cannabis cultivation and a licensed dispensary, both operating in in Las Vegas, Nevada. Both businesses are licensed for both medical and adult use sales

New Jersey Operations

In March 2018, under the direction of Governor Phil Murphy, who campaigned on a platform that included cannabis legalization, the New Jersey Department of Health ("**NJDOH**") issued the *Executive Order 6 Report*, which immediately expanded the medical cannabis program in numerous ways including adding chronic pain and anxiety as qualifying conditions, doubling the monthly product limit, and permitting current licensees to open satellite dispensaries. In August 2018, the NJDOH began accepting applications for the licensing of six additional ATCs. These licenses are expected to be awarded before the end of the 2018 fiscal year.

A single ATC license allows for the cultivation, processing, and dispensing of medical cannabis products. Originally, each ATC was permitted to open one dispensary Statewide, located within the same facility in which the ATC cultivated and processed. With the *Executive Order 6 Report*, each ATC can now open two additional satellite dispensaries within their NJDOH-designated region for a total of three dispensaries each, as well as satellite production facilities. Each ATC must produce every product they dispense; wholesaling is prohibited. At this time, ATC's must be not-for-profit.

Extracted oils and flower products are permitted. The *Executive Order 6 Report* recommended adding edibles as a permitted product, with rulemaking for edibles now subject to the legislative timeline.

PalliaTech manages Compassionate Sciences Alternative Treatment Center ("**CS-ATC**"), a non-profit with an integrated medical cannabis license, under a management services agreement. Curaleaf owns a property that includes 34,200 square feet of cultivation space, of which 17,200 square feet was initially built-out for cultivation and processing operations. PalliaTech is now building out the additional 17,000 square feet to meet growing demand in the State. PalliaTech also owns an adjacent 12,000 foot facility, of which 4,000 square feet is utilized for dispensary operations, with the remainder used for ancillary operations such as packaging and storage. Since the start of sales in October 2015, CS-ATC has established itself as a market leader, dispensing 44% of all product sold in the State in 2017. Due to the recent regulations described above, PalliaTech plans to open two more dispensary locations by the end of 2018. Beyond 2018, in anticipation of future market growth and a continued favorable regulatory trend, PalliaTech is in advanced discussions to lease land in southern New Jersey to accommodate approximately 435,000 square foot of greenhouse space, which is expected to be operational in phases, starting in the third quarter of 2019. CS-ATC was rebranded in the second quarter of the 2018 fiscal year under the PalliaTech banner. Describe the land we own better, owning the whole property.

New York Operations

New York's medical cannabis program was introduced in July 2014 when Governor Andrew Cuomo signed the Compassionate Care Act, which legalized medical cannabis oils for patients with certain

qualifying conditions. Under this program, five organizations, called Registered Organizations ("**ROs**") were licensed to dispense cannabis oil to patients, with the first sale to a patient completed in January 2016.

In December 2016, the New York State Department of Health ("**NYSDOH**") added chronic pain as a qualifying condition. In the month-and-a-half following the addition of chronic pain, the number of registered patients increased by 18%. In August 2017, the NYSDOH granted licenses to five additional ROs. In November 2017, Governor Cuomo signed a bill to add PTSD as a qualifying condition, and, in July 2018, the NYSDOH added opioid replacement as a qualifying condition, meaning any condition for which an opioid could be prescribed is now a qualifying condition for medical cannabis. In August 2019, Governor Cuomo, prompted by a NYSDOH study which concluded the "positive effects" of cannabis legalization "outweigh the potential negative impacts", appointed a group to draft a bill for regulating legal adult-use cannabis sales in New York.

A single RO license allows for the cultivation, processing, and dispensing of medical cannabis products. Each RO is permitted to open four dispensaries in NYSDOH-designated regions throughout the State. Each RO is permitted to open one cultivation/processing facility. Permitted products include oil-based formulations (vaporizer cartridges, tinctures, capsules), and ground-flower sold in tamper-proof vessels. Each RO is required to cultivate and process all medical cannabis products they dispense; however, wholesale transactions are permitted with approval from the State. Home delivery is also permitted.

PalliaTech was awarded a "vertically-integrated" license in May 2017 with the right to open four dispensaries. The Company is only one of ten license holders in the State. PalliaTech currently operates three dispensaries located in Newburgh, Plattsburgh, and Queens, with a fourth dispensary expected to open in Nassau County before the end of the 2018 fiscal year. The construction of the 72,000 square foot cultivation and manufacturing facility in Ravena, New York is near completion and is expected to commence operations in the third quarter of the 2018 fiscal year, with plans to build an additional 86,000 square foot greenhouse in anticipation of increased demand.

Oregon Operations

Oregon's medical cannabis program was introduced in November 1998 when voters approved Measure 67, the Oregon Medical Marijuana Act, with 55% of the vote.

In November 2014, voters approved Measure 91, the 'Oregon Legalized Marijuana Initiative,' which legalized adult-use cannabis in the State. In October 2015, the first adult-use dispensaries opened for sale.

The market is divided into six classes of licenses: dispensaries, cultivators, wholesalers, processors, laboratories and research. The market has to date had a more relaxed licensing structure which has led to an oversupply of product. In 2017, Oregon cultivators grew three times the amount of cannabis that could legally be consumed in the market. In response to a report highlighting the issues in Oregon, the U.S. Attorney for Oregon, Billy Williams, said, "The recent HIDTA Insight Report on marijuana production, distribution, and consumption in Oregon confirms what we already know—it is out of control."

In June 2018, the Oregon Liquor Control Commission, which regulates the adult-use program, announced they would not process any new adult-use license applications in order to work through the backlog that has developed as the result of 3,432 applications being submitted as of May 23, 2018. In July 2018, the Oregon Health Authority, which regulates the medical program, conceded in a report that it has not provided effective oversight of growers and others in the industry. Extracted oils, edibles, and flower products are permitted.

PalliaTech holds a producer license and a processing license for adult-use. PalliaTech operates a 20,000 square foot outdoor cultivation center and an adjacent 17,002 square foot indoor facility for large scale CO2 extraction, distillate and formulated products manufacturing. Sales of outdoor flower and pre-rolls commenced in January 2016. Sales of concentrates and oils commenced in April 2017. Sales of indoor flower commenced in June 2017. In July 2017, PalliaTech acquired a dispensary, which launched operations in Portland, Oregon at the end of 2017.

Pennsylvania Operations

Pennsylvania's medical cannabis program was introduced in April 2016 when Governor Tom Wolf signed into law SB 3 "Medical Marijuana Act," which legalized medical cannabis oils for patients with certain qualifying conditions. The law also called for a class of licenses, called "clinical registrant" licenses, whereby accredited medical institutions in the State can partner with medical cannabis companies to conduct research. In mid-June 2017, the Pennsylvania Department of Health ("**PADOH**") awarded licenses to 12 grower/processors. In late June 2018, the PADOH awarded licenses to 27 different entities to open a total of 52 dispensaries across the State. In February 2018, the first dispensaries opened to patients.

In April 2018, the PADOH approved flower as a permitted medical cannabis product offering, and dispensaries began to offer flower to patients in August 2018. In May 2018, a Commonwealth Court judge halted the Department of Health's planned "clinical registrant" program whereby up to eight Pennsylvania medical schools would partner with licensed medical cannabis organizations to conduct research. In June 2018, Governor Wolf signed a bill to re-implement the clinical registrant program. Regulations for this program are in development. In July 2017, the PADOH licensed 13 additional grower/processors.

There are two primary classes of licenses: licenses to grow and process medical cannabis products, and licenses to dispense medical cannabis products to patients. Grower/processors wholesale products to dispensaries. Originally, only oil-based formulations were permitted, though flower was approved as a product offering in April 2018.

Though it is not currently licensed in Pennsylvania, PalliaTech has partnered with an accredited medical school to obtain a "clinical registrant" license in Pennsylvania. Pennsylvania's medical cannabis program has created this class of license to promote cooperation between industry and academia in the research of medical benefits of cannabis. Under the Medical Marijuana Act and the regulations governing the clinical registrant program, published on August 18, 2018, this license will permit a clinical registrant to operate a cultivation and processing center as well as up to six dispensaries (as opposed to three under the regular licenses). Only a private operator that has entered into a research contract with certain in-state medical schools is eligible to receive a clinical registrant license. The first of such licenses are expected to be issued in the Fall of 2018. The Company anticipates that it will be operational in Pennsylvania in Q1 2019. To support its expected presence in Pennsylvania, the Company has leased a 49,200 square foot production facility in King of Prussia, Pennsylvania.

Additionally, the Company has licensing applications pending in the States of California, Connecticut, Rhode Island, and Virginia

Components of Our Results of Operations

Revenue

Retail and Wholesale Revenue

The Company derives its retail and wholesale revenue in states in which it is licensed to cultivate, process, sell, and distribute cannabis. The Company sells directly to customers at its retail stores and sells wholesale to other dispensaries not owned by the Company. During the three months ended March 31, 2018 and 2017 and the fiscal year ended December 31, 2017, wholesale revenue represented approximately 81%, 96% and 93% of total retail and wholesale revenue, respectively. The Company did not have any retail and wholesale revenue for the year ended December 31, 2016.

Management Fee Income

Management fee income represents revenue related to management services agreements that provide lending facilities, intellectual property licensing, professional services and real estate leasing services to Compassionate Sciences ("CS") in New Jersey, Primary Organic Therapy ("Maine OT") in Maine and Remedy Compassion Center ("RCC") in Maine. The Company recognizes revenue from these consulting services on a straight-line basis over the term of third-party consulting agreements as services are provided.

Cost of Goods Sold

Cost of goods sold are derived from costs related to the cultivation and production of cannabis and from wholesale purchases made from other licensed producers operating within state markets in which the Company operates.

There is no cost of goods sold associated with management fee income.

Change in Fair Value of Biological Assets

Plants that are actively growing are considered biological assets. In accordance with IFRS 41, biological assets are recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory. The amount transferred becomes the carrying value of the inventory on a go-forward basis. When the inventory is sold, the fair value is relieved from inventory and the amount if expensed to the cost of goods sold. The cost of goods sold also includes the product cost and costs related to products acquired from other suppliers.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to the production of inventory and includes amounts incurred in the cultivation and manufacture of finished goods, such as flower, concentrates, and edibles. Costs include direct labor, packaging, supplies, fees for services, and allocated overhead. Overhead includes rent, indirect administrative salary allocations, utilities and depreciation.

During the fiscal year ended December 31, 2017 [and three months ended March 31, 2018], the Company did not operate at full capacity and the company expects gross profit to increase over the foreseeable future as it continues to invest its current operations.

Operating Expenses

Salaries and benefits include non-cost-of-goods sold labor for each retail location and corporate labor expenses. The Company expects salaries and benefits to increase proportionally with store openings in the foreseeable future, but these expenses are expected to level off as operations are scaled in each market.

Sales and marketing expenses consist of selling costs to support the Company's retail stores and include branding and marketing expenses and product development expenses. The Company expects selling costs to increase proportionally with each retail store opening.

Professional fees consist of accounting, legal and acquisition related expenses. The Company expects these fees to continue as expansion continues and subsequent acquisitions occur.

General and administrative expenses consist of insurance, director fees and product development expenses.

Other Income (Expense)

Gain on sale of subsidiary

In July 2017, the Company entered into a membership interest transfer agreement to sell its wholly-owned subsidiary, Viridis Analytics MA, LLC. The Company recognized a gain on the sale from the disposition of $772.

Gain on bargain purchase, net of tax

In June 2017, the Company entered into a Preferred Stock Purchase Agreement with Groen Investment Group, Inc. to acquire 50.5% of the outstanding shares of Groen. In connection with the acquisition, the Company recorded a gain on the bargain purchase of $289.

Interest income

The Company has notes receivable with various parties that earn interest income at rates ranging from 10% to 20%.

Interest expense

Interest expense consists of interest on outstanding borrowings under our various promissory note agreements as well as amortization of debt discount.

Other income

Other income primarily includes the gain on the sale of a convertible note in connection with a September 2017 Transfer Agreement to cancel a note due to PhytaTech Co, LLC in exchange for the issuance of a second promissory note.

Income Taxes

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable.

As the Company operates in the legal cannabis industry, the company is subject to section 280E of the Internal Revenue Code (IRC) which prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, however due to the fact that cannabis remains a Schedule I controlled substance for Federal purposes, the IRS has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The non-deductible expenses shown in the

effective rate reconciliation above is comprised primarily of the impact of applying IRC Section 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

SELECTED FINANCIAL INFORMATION

PalliaTech reports results of operations of its affiliates from the date that control commences, either through the purchase of the business or control through a management agreement. The following selected financial information includes only the results of operations after the Company established control of its affiliates. Accordingly, the information included below may not be representative of the results of operations if such affiliates had included their results of operations for the entire reporting period.

The following table sets forth selected consolidated financial information for the periods indicated that was derived from our audited consolidated financial statements and condensed interim unaudited consolidated financial statements and the respective accompanying notes prepared in accordance with IFRS.

The selected consolidated financial information set out below may not be indicative of PalliaTech's future performance:

	Three Months Ended March 31,		Year Ended December 31,	
	2018	2017	2017	2016
Revenue	$ 9,082	$ 3,101	$ 19,313	$ 3,708
Cost of Goods Sold	6,321	1,828	11,029	-
Increase (decrease) in fair value of biological assets	1,966	(138)	7,313	-
Gross Profit	4,727	1,135	15,597	3,708
Operating Expenses	9,006	4,349	22,142	4,848
Other Income, Net	643	350	2,569	1,294
Net Loss	(3,413)	(2,982)	(5,044)	(13)

	March 31,	December 31,	
	2018	2017	2016
Total Assets	$ 172,883	$ 149,551	$ 89,853
Long-term Debt	11,347	10,194	8,229

RESULTS OF OPERATIONS

Comparison of the Three Months Ended March 31, 2018 and 2017

The following table summarizes our results of operations for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,			
	2018	2017	$ Change	% Change
Revenues:				
Retail and wholesale revenue	$ 5,710	$ 940	$ 4,770	507%
Management fee income	3,372	2,161	1,211	56%
Total revenues	9,082	3,101	5,981	193%
Cost of goods sold	6,321	1,828	4,493	246%
Increase (decrease) in fair value of biological assets	1,966	(138)	2,104	-1525%
Gross profit	4,727	1,135	3,592	316%
Operating expenses	9,006	4,349	4,657	107%
Loss from operations	(4,279)	(3,214)	(1,065)	33%
Other income (expense), net	643	350	293	84%
Loss before provision for income taxes	(3,636)	(2,864)	(772)	27%
Income tax recovery (expense)	223	(118)	341	-289%
Net loss	(3,413)	(2,982)	(431)	14%
Less: Net loss attributable to redeemable non-controlling interest	(1,107)	(1,089)	(18)	2%
Net loss attributable to PalliaTech, Inc.	$ (2,306)	$ (1,893)	$ (413)	22%

Revenue

Revenue for the three months ended March 31, 2018 was $9,082, an increase of $5,981 or 193% compared to revenue of $3,101 for the three months ended March 31, 2017. The increase in revenue was driven by an increase of $4,770 in cannabis revenue and a $1,211 increase in management fee income.

Cannabis revenue was $5,710 for the three months ended March 31, 2018 compared to $940 for the three months ended March 31, 2017, which represents an increase of $4,770 or 507%. The increase in cannabis revenue was primarily due to acquisitions made in 2017, including Groen and PharmaCulture Corp. in July 2017 and Las Vegas Natural Caregivers in August 2017.

The increase in non-cannabis revenue was primarily due to increases in management fee income of $930 and an increase in rental income of $281.

Cost of Goods Sold & Change in Fair Value of Biological Assets

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the three months ended March 31, 2018 was $6,321, an increase of $4,493 or 246% compared to cost of goods sold for the three months ended March 31, 2017. The increase was primarily due to cultivation and processing costs associated with cannabis revenue earned from the Company's 2017 acquisitions.

Biological asset transformation totaled a net gain of $1,966 for the three months ended March 31, 2018 compared to a net loss of $137 for the three months ended March 31, 2017. The increase was primarily due to acquisitions made in 2017, including Groen and PharmaCulture Corp. in July 2017 and Las Vegas Natural Caregivers in August 2017 as well as the increased plant counts at Modern Health Concepts and Curaleaf Connecticut.

Gross Profit

Gross profit before management fee income and biological asset adjustments for the three months ended March 31, 2018 was $(611) compared to $(888) for the three months ended March 31, 2017. The increase was due to improved operating capacity of the Company's cannabis business.

Gross profit before management fee income and after net gains (losses) on biological assets for the three months ended March 31, 2018 was $1,355 or 24%, compared to $(1,026) for the three months ended March 31, 2017. The increase was primarily due to higher cannabis revenue and the net gain on biological assets described above.

Gross profit after management fee income and net gains (losses) on biological assets for the three months ended March 31, 2018 was $4,727, or 52%, compared to $1,135, or $37%.

Total Operating Expenses

	Three Months Ended March 31,		
	2018	2017	Change
Salaries and benefits	$ 3,395	$ 1,195	$ 2,200
Sales and marketing	548	405	143
Rent and occupancy	592	166	426
Travel	586	275	311
Professional fees	1,427	946	481
General and administrative	830	108	722
Depreciation and amortization	1,116	634	482
Share-based compensation	512	620	(108)
Total operating expenses	$ 9,006	$ 4,349	$ 4,657

Total operating expenses for the three months ended March 31, 2018 were $9,006, an increase of $4,657 or 107%, compared to $4,349 for the three months ended March 31, 2017, which represents 99% and 140% of total revenue for the three months ended March 31, 2018 and 2017, respectively. The increase in total operating expenses was primarily attributable to an increase in salaries and benefits, as well as professional fees and general and administrative expenses as the Company expanded its operations.

Salaries and benefits were $3,395 for the three months ended March 31, 2018, which represents an increase of $2,200 over the same period in 2017, was due to an increase in headcount at the corporate level as well as headcount from operating markets in Florida, Connecticut, Nevada, Oregon and New York.

Sales and marketing expenses totaled $548 for the three months ended March 31, 2018, compared to $405 for the three months ended March 31, 2017, which represents an increase of $143. The increase was due to branding and increased lobbying and public relations costs.

Rent and occupancy expenses totaled $592 for the three months ended March 31, 2018, compared to $166 for the three months ended March 31, 2017. The increase of $426 was due to facilities costs for the Company's various subsidiaries acquired in 2017.

Travel expenses totaled $586 for the three months ended March 31, 2018, compared to $275 for the three months ended March 31, 2017, which represents an increase of $311. The increase was due to increased executive travel associated with expanded operations.

Professional fees were $1,427 for the three months ended March 31, 2018 compared to $946 for the three months ended March 31, 2017, which represents an increase of $481. This increase was primarily due to increased legal and accounting fees in new operating markets.

General and administrative expenses were $830 for the three months ended March 31, 2018 compared to $108 for the three months ended March 31, 2017, which represents an increase of $635. This increase was primarily due to increased office supplies and monthly services, development of new products and business development.

Depreciation and amortization was $1,116 for the three months ended March 31, 2018, compared to $634 for the three months ended March 31, 2017, which represents an increase of $482. The increase was primarily due to the Company's acquisition of new businesses in Florida, Connecticut and Oregon and the construction and renovation of real estate that is leased to Compassionate Sciences in New Jersey.

Share-based compensation was $512 for the three months ended March 31, 2018, compared to $620 for the three months ended March 31, 2017 which represents a decrease of $108. The decrease was due to no options granted in 2018.

Total Other Income

	Three Months Ended March 31,		
	2018	2017	Change
Interest income	$ 1,455	$ 554	901
Interest expense	(812)	(204)	(608)
Total other income, net	$ 643	$ 350	$ 293

Total other income, net for the three months ended March 31, 2018 was $643 compared to $350 for the three months ended March 31, 2017, which represents an increase of $293.

Interest income for the three months ended March 31, 2018 and 2017 was $1,455 and $544, respectively. The increase of $901 was due to an increase in the notes receivable outstanding balances during 2018.

Interest expense for the three months ended March 31, 2018 and 2017 was $812 and $204 respectively. The increase of $608 was due to new borrowings entered into by the Company's subsidiaries in 2018, primarily Florida.

Provision for Income Taxes

The Company recorded an income tax recovery of $223 for the three months ended March 31, 2018, compared to an income tax expense of $118 for the three months ended March 31, 2017. The income tax recovery was primarily due to the deferred tax component.

Net Loss

Net loss for the three months ended March 31, 2018 and 2017 was $3,413 and $2,982, respectively, which represents an increase of $431, or 14%. The increase was primarily driven by the increase in operating expenses described above, partially offset by the increase in gross profit.

Comparison of the Year Ended December 31, 2017 and 2016

The following table summarizes our results of operations for the years ended December 31, 2017 and 2016:

	Year Ended December 31,			
	2017	2016	$ Change	% Change
Revenues:				
Retail and wholesale revenue	$ 9,358	$ -	$ 9,358	100%
Management fee income	9,955	3,708	6,247	168%
Total revenues	19,313	3,708	15,605	421%
Cost of goods sold	11,029	-	11,029	100%
Increase (decrease) in fair value of biological assets	7,313	-	7,313	100%
Gross profit	15,597	3,708	11,889	321%
Operating expenses	22,142	4,848	17,294	357%
Loss from operations	(6,545)	(1,140)	(5,405)	474%
Other income (expense), net	2,569	1,294	1,275	99%
Loss before provision for income taxes	(3,976)	154	(4,130)	-2682%
Provision for income taxes	(1,068)	(167)	(901)	540%
Net loss	(5,044)	(13)	(5,031)	38700%
Less: Net loss attributable to redeemable non-controlling interest	(2,226)	-	(2,226)	-100%
Net loss attributable to PalliaTech, Inc.	$ (2,818)	$ (13)	$ (2,805)	21577%

Revenue

Revenue for fiscal year ended December 31, 2017 was $19,313, an increase of $15,605 or 421% compared to revenue of $3,708 for the prior fiscal year ended December 31, 2016. The increase in revenue was driven by $9,358 of cannabis revenue from entities acquired in 2017 and a $6,247 increase in management fee income.

The Company did not have any cannabis revenue in 2016. The acquisition of Curaleaf Connecticut contributed $4,500 in revenue in 2017. The acquisition of Modern Health Concepts ("MHC") contributed $2,704 of revenue in 2017 and the acquisition of Groen and Las Vegas Natural Caregivers businesses contributed $1,200 and $954 respectively.

The increase in non-cannabis revenue was primarily due to increases in management fee income from Compassionate Sciences as a result of increased harvest and production activities in 2017. The Company also earned a full year of consulting services in 2017 pursuant to management service agreements with Maine OT/RCC entered into January and June 2016, respectively, as well as an increase in rental income of approximately $295.

For the fiscal year ended December 31, 2017, retail and wholesale revenue in the consolidated statements of profits and losses included non-cannabis revenue of $2,077 related to the sale of Majesty palm trees which were sold by MHC in Florida.

Cost of Goods Sold & Biological Assets

Cost of goods sold for fiscal year ended December 31, 2017 was $11,029, exclusive of any adjustments to the fair value of biological assets. The cost of goods sold for the year ended December 31, 2017 was primarily due to cultivation and processing costs associated with cannabis revenue earned from the Company's 2017 acquisitions. The Company did not have any cannabis revenue or related cost of goods sold in 2016.

For the fiscal year ended December 31, 2017, cost of goods sold pertaining to the sale of Majesty palm trees was $2,031.

Biological asset transformation totaled a net gain of $7,313 for the fiscal year ended December 31, 2017, due to biological assets obtained in the Curaleaf, Groen and Las Vegas Natural Caregivers acquisitions in 2017.

Gross Profit

Gross profit before management fee income and biological asset adjustments for the fiscal year ended December 31, 2017 was ($1,671). The negative gross profit was primarily due to the cannabis segment not operating at full capacity.

Gross profit before management fee income and after net gains on biological assets for the fiscal year ended December 31, 2017 was $5,642, or 60%.

Gross profit for the fiscal year ended December 31, 2016 was $3,708, which represented the 2016 management fee income.

Total Operating Expenses

	Year Ended December 31,		
	2017	2016	Change
Salaries and benefits	$ 6,914	$ 1,407	$ 5,507
Sales and marketing	1,542	156	1,386
Rent and occupancy	1,194	78	1,116
Travel	1,086	395	691
Professional fees	4,334	1,307	3,027
General and administrative	1,315	181	1,134
Depreciation and amortization	3,210	61	3,149
Share-based compensation	2,547	1,263	1,284
Total operating expenses	$ 22,142	$ 4,848	$ 17,294

Total operating expenses for the fiscal year ended December 31, 2017 were $22,142, an increase of $17,294 or 357%, compared to total expenses of $4,848 for the fiscal year ended December 31, 2016, which represents 115% of total revenue for the fiscal year ended December 31, 2017 compared to 131% for the prior year. The increase in total operating expenses was attributable to acquisitions and hiring additional personnel in the Company's corporate headquarters to support the growth in the business.

Salaries and benefits were $6,914 in 2017, which represented an increase of $5,507 over 2016 and was due to an increase in headcount at the corporate level as well as headcount from operating markets in Florida, Connecticut, Nevada, Oregon and New York.

Sales and marketing expenses totaled $1,542 in 2017, which represented an increase of $1,386 over 2016. The increase was due to branding, logo design, lobbying and public relations costs.

Rent and occupancy expenses totaled $1,194 in 2017, which represented an increase of $1,116 over 2016. The increase was due to facilities costs for the Company's various subsidiaries acquired in 2017.

Travel expenses totaled $1,086 in 2017, which represented an increase of $691 over 2016. The increase was due to increased executive travel associated with the increase in the Company's operations.

Professional fees were $4,334 in 2017, which represented an increased $3,027 over 2016 professional fees of $1,307. This increase was primarily due to spending in connection with acquisitions and an increase in volume of legal and accounting services in new operating markets.

General and administrative expenses totaled $1,315 in 2017, which represented an increase of $1,134 over 2016. The increase was primarily due to higher insurance, development of new products and business development.

Depreciation and amortization was $3,210 in 2017, which represented an increase of $3,149 over 2016. This was primarily due to the Company's acquisition of new businesses in Florida, Connecticut and Oregon and the construction and renovation of real estate that is leased to Compassionate Sciences in New Jersey.

Share-based compensation totaled $2,547 in 2017, which represented an increase of $1,284 over 2016. The increase was due to an increase in the per share value of options granted in 2017.

Total Other Income

	Year Ended December 31,		
	2017	2016	Change
Gain on sale of subsidiary	$ 772	$ -	$ 772
Gain on bargain purchase, net of tax	138	-	138
Interest income	2,990	1,911	1,079
Interest expense	(1,590)	(617)	(973)
Other income	259	-	259
Total other income, net	$ 2,569	$ 1,294	$ 1,275

Total other income, net for the fiscal year ended December 31, 2017 was $2,569, an increase of $1,275 compared to the fiscal year ended December 31, 2016.

Other income, net for 2017 included a gain of $772 on the sale of the Viridis subsidiary, a gain on bargain purchase, net of tax, of $138 related to the acquisition of Groen, and a gain on the sale of convertible notes of $161.

Interest income totaled $2,990 in 2017, which represented an increase of $1,079 over 2016. The increase was primarily due to an increase in the Company's note receivable with Compassionate Sciences ATC, Inc.

Interest expense totaled $1,590 in 2017, which represented an increase of $973 over 2016. The increase was due to a full year of interest incurred on the Company's senior unsecured notes, as well as interest on the Company's secured promissory notes entered into August 2017.

Provision for Income Taxes

The provision for income taxes was $1,068 in 2017, which represented an increase of $901 over 2016. The increase was due to an increase in the Company's non-deductible expenses in 2017.

Net Loss

Net loss for fiscal year ended December 31, 2017 was $5,044, an increase of $5,031 over 2016. The increase was primarily driven by the increase in operating expenses described above, partially offset by the increase in gross profit.

Liquidity, and Capital Resources

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service and for general corporate purposes. Our primary source of liquidity is funds generated by financing activities. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As of March 31, 2018, we had $31,250 of cash and $47,425 of working capital (current assets minus current liabilities), compared with $20,975 of cash and $32,372 of working capital as of December 31, 2017. The increase of $15,053 in our working capital was primarily due to a $10,275 increase cash, a $2,741 increase in accounts receivable, a $1,385 increase in inventory, a $419 increase in prepaid expenses, a $791 increase in biological assets, and a $248 decrease in accrued expenses, partially offset by an increase in accounts payable of $806.

Recent Financing Transactions

On January 5, 2018 the Company issued 1,150,747 shares of common stock for $30,000.

On May 4, 2018 the Company completed an unsecured private placement financing of $6,000 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On June 7, 2018 the Company completed an unsecured private placement bridge financing of $6,000 with a related party with a maturity date of December 7, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On July 10, 2018 the Company completed an unsecured private placement financing of $2,000 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On July 26, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 2, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 9, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 24, 2018, the Company entered into a senior secured debt financing agreement of $85,000 with a related party with a maturity date of August 23, 2021 at a rate of 15% per annum. On August 27, 2018, received the first tranche of the financing of $32,445. The proceeds from this transaction will be used for capital expenditures and acquisition purposes.

The Company is an early stage growth company. It is generating cash from sales and is investing its capital reserves in current operations and new acquisitions that will generate additional earnings in the long term.

The Company expects that its cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet its capital requirements and operational needs for the next 12 months.

Cash Flows

Cash Flows

The following table summarizes the sources and uses of cash or each of the periods presented:

	Three Months Ended March 31,		Year Ended December 31,	
	2018	2017	2017	2016
Net cash used in operating activities	$ (5,130)	$ (3,078)	$ (7,715)	$ (2,049)
Net cash used in investing activities	(9,692)	(42,256)	(57,704)	(9,310)
Net cash provided by financing activities	25,097	-	20,537	75,606
Net increase (decrease) in cash and cash equivalents	$ 10,275	$ (45,335)	$ (44,882)	$ 64,247

Operating Activities

During the three months ended March 31, 2018, operating activities used $5,130 of cash, primarily resulting from our net loss of $3,413 and net non-cash gains of $1,970, partially offset by net cash provided by changes in our operating assets and liabilities of $254. Cash provided by changes in operating assets and liabilities was primarily due to a decrease in biological assets of $3,369 and a decrease in other assets of $387, partially offset by increases in accounts receivable, inventory and prepaid expenses of $2,726, $197 and $187, respectively, and a decrease in accrued expenses of $483.

During the three months ended March 31, 2017, operating activities used $3,078 of cash, primarily resulting from our net loss of $2,982 and net cash used by changes in our operating assets and liabilities of $1,130, partially offset by net non-cash charges of $1,034. Cash used in changes in operating assets and liabilities was primarily due to a decrease in accrued expenses of $788 and increases in inventory and prepaid expenses of $693 and $231, respectively, partially offset by a decrease in biological assets of $346 and an increase in accounts payable of $262.

During the year ended December 31, 2017, operating activities used $7,715 of cash, primarily resulting from our net loss of $5,044 and net non-cash gains of $5,472, partially offset by net cash provided by changes in our operating assets and liabilities of $2,801. Cash provided by changes in operating assets and liabilities was primarily due to a decrease in biological assets of $10,905, an increase of income taxes payable of $827 and an increase in accrued expenses of $155, partially offset by increases in inventory,

accounts receivable, prepaid expenses and other assets of $7,402, $425, $472 and $590, respectively, and a decrease in accounts payable of $197.

During the year ended December 31, 2016, operating activities used $2,049 of cash, primarily resulting from an increase in other assets of $4,489, partially offset by increases in accounts payable and accrued expenses of $274 and $492, respectively, and net non-cash charges of $1,755.

Investing Activities

During the three months ended March 31, 2018, investing activities used $9,692 of cash, consisting primarily of payments totaling $6,517 in purchases of property and equipment and $3,127 in connection with the net issuances of notes receivable.

During the three months ended March 31, 2017, investing activities used $42,256 of cash, consisting primarily of net cash payments totaling $28,464 in connection with acquisitions, $2,404 in purchases of property and equipment and $11,389 in connection with net issuances of notes receivable.

During the year ended December 31, 2017, investing activities used $57,704 of cash, consisting primarily of $29,683 net cash used in connection with acquisitions, $10,593 in purchases of property and equipment, $18,341 in connection with the net issuances of notes receivable, partially offset by $998 received in connection with the disposal of certain businesses.

During the year ended December 31, 2016, investing activities used $9,310 of cash, consisting primarily of $8,085 in connection with the net issuances of notes receivable, $923 in purchases of property and equipment and $302 in purchases of investments.

Financing Activities

During the three months ended March 31, 2018, financing activities provided $25,097 of cash, consisting primarily of $28,791 in proceeds received from the issuance of common stock and $306 in proceeds from the issuance of notes payable, partially offset by $2,500 in share repurchases and $1,500 in purchases of additional interest in a subsidiary.

During the three months ended March 31, 2017, there were no cash flows related to financing activities.

During the year ended December 31, 2017, financing activities provided $20,537 of cash, consisting primarily of $19,944 in proceeds received from the issuance of common stock and $1,559 in proceeds from the issuance of notes payable, partially offset by $966 in share repurchases.

During the year ended December 31, 2016, financing activities provided $75,606 in cash, consisting primarily of $63,924 in proceeds received from the issuance of common stock and $11,682 in proceeds from the issuance of notes payable.

Contractual Obligations and Commitments

The following table summarizes contractual obligations as of March 31, 2018 and the effects that such obligations are expected to have on the Company's liquidity and cash flows in future periods:

	Payments Due by Period				
	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	More than 5 Years
Operating lease commitments (1)	$ 30,978	$ 4,872	$ 7,884	$ 7,167	$ 11,055
Debt obligations (2)	16,038	960	10,461	-	4,617
Total	$ 47,016	$ 5,832	$ 18,345	$ 7,167	$ 15,672

(1) Amounts in the table reflect minimum payments due for the Company's leased facilities under various operating lease agreements that expire through February 2028.

(2) Amounts in the table reflect the contractually required principal and interest payments payable under promissory note agreements and other long-term debt. The various borrowings bear interest a rate of 10% - 14% per annum.

On August 24, 2018, the Company entered into a senior secured financing agreement for $85,000, of which the Company has currently drawn down $32,445. The debt matures on August 23, 2021 and bears interest at a rate of 15% per annum, of which 10% is payable in cash quarterly and 5% is payable in kind. Principal payments will made quarterly. In connection with the senior secured financing agreement, the Company is required to repay an aggregate principal of $26,300, consisting of $6,000 outstanding under the Senior Unsecured Notes – 2020 and $20,300 in related party borrowings made between May and August 2018, as well as accrued interest. On August 27, 2018, the Company repaid $18,456 pertaining to these related party borrowings, consisting of $18,000 in principal and $456 in accrued interest. Such amounts are not included in the table above.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

RELATED PARTY TRANSACTIONS

As of March 31, 2018 and December 31, 2017, amounts due to related parties consisted of a loan payable to a board member, the chairman and other investors in the amount of $8,570. PalliaTech and Cetus Investments Limited, an investor, entered into a Senior Unsecured Note-2020 loan on July 27, 2016 for $6,000 for the purpose of capital expenditures and acquisitions. PalliaTech and an entity controlled by the Chairman, Boris Jordan, entered into a Senior Unsecured Note-2019 loan on September 16, 2016 for $833. The other loans dated between August 31, 2016 and October 6, 2016 in the amount of $1,737 were from minority shareholders. The related party due to balance of $8,570 is included in notes payable-related party on the consolidated statements of financial position.

For the three months ended March 31, 2018 and 2017 and fiscal years ended December 31, 2017 and 2016, the Company recognized professional fees of $1,603, $109, $522 and $95, respectively, in its

statements of profits and losses, as payment to a director for consulting, legal and business development related services.

For the three months ended March 31, 2018 and 2017 and fiscal years ended December 31, 2017 and 2016, the Company recognized general and administrative fees of $19, $19, $76 and $49, respectively, in its statements of profits and losses for amounts paid to a director for advisory fees.

PROPOSED TRANSACTIONS

In August 2018, Curaleaf entered into a purchase agreement to acquire 100% of the membership interests of ATG, a registered marijuana dispensary licensed by the Massachusetts Department of Health, operating a 53,600 square foot cultivation facility in Amesbury, Massachusetts and a medical dispensary in Salem, Massachusetts (the "ATG Acquisition"). Consideration for the ATG Acquisition consisted of $30,000 in cash and milestone payments of up to $20,000. Up to four additional milestone payments of $3,125 each are due upon the completion of an expansion of the cultivation facility and receipt of a cultivation license for adult use and the completion and permitting of each of up to three adult use dispensaries in Massachusetts. A further milestone payment of $7,500 million is due on December 31, 2019, or such later date on which all milestone conditions have been met. The ATG Acquisition is subject to regulatory approval and other customary closing conditions and is expected to be completed prior to the end of the 2018 fiscal year.

In August 2018, the Company entered into a definitive agreement to acquire 100% of the membership interests of Agua Street, LLC, a licensed cannabis cultivation and processing operator in the State of Nevada for aggregate proceeds of $4,000 (the "Agua Acquisition"). Closing of the Agua Acquisition is currently pending regulatory approval as well as other customary closing conditions and is expected to be completed prior to the end of the 2018 fiscal year.

In August 2018, the Company entered into a purchase agreement to acquire 100% of the membership interests of HMS Health, LLC, a holder of Stage 2 licenses to cultivate and dispense medical cannabis and a Stage 1 license to process medical cannabis in the State of Maryland (the "HMS Acquisition"). The Company has agreed to pay a consideration of$29,000 for HMS Health, LLC, comprised of $23,000 in cash (including a $3,000 capital injection to acquire certain assets used in the business) and a promissory note for $1,000 due 12 months from the closing date of the HMS Acquisition. A portion of the purchase price, in the amount of $3,000, is subject to payment upon receipt by the holder of a Stage 2 license for its processing facility. The HMS Acquisition is subject to regulatory approval and other customary closing conditions. The Company has also agreed to enter into a management services agreement with MI Health, LCC, a licensed Maryland medical cannabis dispensary, currently owned by the same vendors. MI Health, LLC is under contract to be sold to a third party, but will be managed by PalliaTech under the new ownership.

In April 2018, PalliaTech's subsidiary PalliaTech AZ, Inc. ("PalliaTech AZ"), entered into a purchase agreement with, among others, Swell Management, LLC., an Arizona limited liability company that, among other things, is the owner of a license to operate a medical marijuana dispensary in Arizona ("Swell"), to acquire 100% of the outstanding membership interests in Swell for a consideration of $27,636 comprised of $20,000 in cash and a promissory note in an aggregate amount of $7,636. The promissory note bears interest at a rate of 6.0% per annum with a maturity date of nine months after the closing date of the membership interest purchase agreement. The note is secured by a pledge of 49.7% of

PalliaTech AZ's membership interests. See "General Development of the Business - Arizona – PalliaTech Licenses".

CHANGES IN OR ADOPTION OF ACCOUNTING PRACTICES

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, Financial Instruments: Disclosure

IFRS 7, Financial *instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 15, Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract- based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES

The Company makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The preparation of the Company's condensed unaudited interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed unaudited interim consolidated financial statements are described below.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Biological Assets

Biological assets are dependent upon estimates of future economic benefits as a result of past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. When market observable data is not available, the Company engages third party qualified values to perform the valuation. With respect to certain biological assets, where there is no active market for the unharvested produce, the valuation committee arrives at the fair value by way of a reverse working from the value of the inventory.

Business Combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent

Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Non-controlling Interests

Non-controlling interests are classified as a separate component of equity in the Company's consolidated statement of financial positions and statements of members' equity. Net income (loss) attributable to non-controlling interests are reflected separately from consolidated statement of profits and losses net income (loss) in the consolidated statements of comprehensive loss and members' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. In addition, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value and the difference between the carrying value and fair value of the retained interest will be recorded as a gain or loss.

Redeemable Non-controlling Interests

Non-controlling interests with redemption features, such as put options, that are not solely within the Company's control are considered redeemable non-controlling interests.

A financial liability, non-controlling interest contingency, is recognized for the present value of the redemption amount if it is contractually fixed or at estimated fair value if it is not contractually fixed. A corresponding charge is made directly to an equity reserve on initial recognition. Changes in the subsequent measurement of the obligation are recognized in the consolidated statement of profits and losses.

Non-controlling Interest Contingency

The Company measures the fair value of its non-controlling interest contingency by estimating the present value of future net cash inflows from earnings associated with the proportionate shares that are subject to sale to the Company pursuant to an exercise event. This estimation is intended to approximate the redemption value of the options as indicated in the applicable agreements. The fair value of the liability is sensitive to changes in projected earnings and thereby, future cash inflows, and the discount rate applied to those future cash inflows, which could have resulted in a higher or lower fair value measurement.

Share-based Payment Arrangements

The Company uses the Black-Scholes option pricing model to determine the fair value of share-based payment arrangements granted to employee and non-employees. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the

Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Goodwill Impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Deferred Tax Asset and Valuation Allowance

Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, notes receivable, accounts payable, accrued expenses and long-term debt. The fair values of cash, restricted cash, notes receivable, accounts payable and accrued expenses approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash and restricted cash as FVTPL and accounts payable, accrued expenses and long-term debt as other financial liabilities. The fair value of cash and cash equivalents and restricted cash is based on level 1 inputs of the fair value hierarchy.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company's assets measured at fair value on a nonrecurring basis include investments, long-lived assets and indefinite-lived intangible assets and goodwill. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as at December 31, for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at March 31, 2018 and December 31, 2017 is the carrying amount of cash and cash equivalents, accounts receivable and notes receivable. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars in thousands. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At March 31, 2018 and December 31, 2017, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

Schedule C – Audited Consolidated Financial Statements of Curaleaf

(*See attached*)

PALLIATECH, INC.

Consolidated Financial Statements
As of and for the Years Ended
December 31, 2017 and 2016

(Expressed in United States Dollars)

PKF
Certified Public Accountants
A Professional Corporation

PKF
Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

PalliaTech, Inc.

Opinion

We have audited the consolidated financial statements of PalliaTech, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position at December 31, 2017 and 2016, and at January 1, 2016, and the consolidated statements of profits and losses, changes in equity, and of cash flows for the years ended December 31, 2017 and 2016, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and at January 1, 2016 and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Form 2A Listing Statement as required by the Canadian Securities Exchange. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report on this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Telephone: (617) 753-9985 | Fax: (617) 753-9986
Email: info@pkfboston.com | Website: www.pkfboston.com
PKF | 99 Summer Street | Boston | Massachusetts 02110 | US

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also—

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF, P.C.

August 30, 2018
Boston, MA

PalliaTech, Inc.
Consolidated Statements of Financial Position
(in thousands, except for share and per share amounts)

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Assets				
Current assets:				
Cash		$ 20,975	$ 65,857	$ 1,610
Accounts receivable		1,246	-	-
Inventory	6	12,661	-	-
Prepaid expenses and other current assets		844	69	-
Biological assets	7	1,439	-	-
Total current assets		37,165	65,926	1,610
Property and equipment	9	23,519	2,190	78
Notes receivable	8	21,051	16,748	8,663
Intangible assets, net	10	27,223	-	-
Goodwill	10	31,561	-	-
Investments	4	3,754	467	165
Other assets		5,278	4,522	35
Total assets		$ 149,551	$ 89,853	$ 10,551
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable		1,720	450	176
Accrued expenses		3,073	419	55
Total current liabilities		4,793	869	231
Deferred taxes	15	1,453	167	-
Notes payable – related party	11	10,194	8,229	2,800
Non-controlling interest contingency	4, 21	28,346	-	-
Total liabilities		44,786	9,265	3,031
Shareholders' equity:				
Share capital		109,855	83,812	12,587
Treasury shares		(966)	-	-
Reserves		5,404	2,857	1,000
Accumulated deficit		(8,899)	(6,081)	(6,067)
Total Palliatech, Inc. shareholders' equity	12	105,394	80,588	7,520
Redeemable non-controlling interest contingency	4, 21	(28,346)	-	-
Non-controlling interest	4, 21	1,335	-	-
Redeemable non-controlling interest	4, 21	26,382	-	-
Total shareholders' equity		104,765	80,588	7,520
Total liabilities and shareholders' equity		$ 149,551	$ 89,853	$ 10,551

Operations of the Company (*Note 1*)
Commitments and Contingencies (*Note 18*)
Subsequent Events (*Note 22*)

The accompanying notes are an integral part of these consolidated financial statements.

PalliaTech, Inc.
Consolidated Statements of Profits and Losses
(in thousands, except for share and per share amounts)

	Note	Year Ended December 31, 2017	2016
Revenues:			
Retail and wholesale revenue		$ 9,358	$ -
Management fee income		9,955	3,708
Total revenues		19,313	3,708
Cost of goods sold		11,029	-
Increase in fair value of biological assets	7	7,313	-
Gross profit		15,597	3,708
Operating expenses:			
Salaries and benefits		6,914	1,407
Sales and marketing		1,542	156
Rent and occupancy		1,194	78
Travel		1,086	395
Professional fees		4,334	1,307
General and administrative		1,315	181
Depreciation and amortization	9, 10	3,210	61
Share-based compensation	14	2,547	1,263
Total operating expenses		22,142	4,848
Loss from operations		(6,545)	(1,140)
Other income (expense):			
Gain on sale of subsidiary	5	772	-
Gain on bargain purchase, net of tax	4	138	-
Interest income		2,990	1,911
Interest expense		(1,590)	(617)
Other income		259	-
Total other income		2,569	1,294
Income (loss) before provision for income taxes	15	(3,976)	154
Provision for income taxes		(1,068)	(167)
Net loss and comprehensive loss		(5,044)	(13)
Less: Net loss attributable to non-controlling interests		(2,226)	-
Net loss attributable to PalliaTech , Inc.		$ (2,818)	$ (13)
Net loss per share attributable to PalliaTech, Inc.—basic and diluted		$ (0.29)	$ (0.00)
Weighted average common shares outstanding—basic and diluted		9,869,598	5,257,390

The accompanying notes are an integral part of these consolidated financial statements.

PalliaTech, Inc.
Consolidated Statements of Changes in Equity
(in thousands, except for share amounts)

	Share Capital														
	Series A Participating Preferred Shares (Note 11)		Common Shares (Note 12)		Treasury Shares (Note 12)	Share-Based Reserves (Note 14)	Convertible Promissory Notes Reserves (Note 11)	Warrant Reserves (Note 13)	Total Reserves	Accumulated Deficit	Total PalliaTech, Inc. Shareholders' Equity	Redeemable Non-Controlling Interest Contingency (Note 4 & 21)	Non-Controlling Interest (Note 4 & 21)	Redeemable Non-Controlling Interest (Note 4 & 21)	Total Shareholders' Equity
	# of Shares	Amount	# of Shares	Amount											
Balances as of December 31, 2015	-	$ -	3,428,845	$ 11,362	$ -	$ 1,225	$ 1,000	$ -	$ 2,225	$ (6,068)	$ 7,519	$ -	$ -	$ -	$ 7,519
Conversion of convertible promissory notes to participating preferred shares	1,707,914	5,934	-	-	-	-	(761)	-	(761)	-	5,163	-	-	-	5,163
Conversion of convertible promissory notes to common shares	-	-	137,151	1,155	-	-	(239)	-	(239)	-	916	-	-	-	916
Vesting of restricted shares	70,277	197	-	-	-	-	-	-	-	-	197	-	-	-	197
Conversion of Series A preferred shares to common shares	(1,778,191)	(6,121)	1,778,191	6,121	-	-	-	-	-	-	-	-	-	-	-
Issuance of common shares for real estate property	-	-	343,046	1,250	-	-	-	-	-	-	1,250	-	-	-	1,250
Issuance of common shares, net of issuance costs of $76	-	-	4,830,628	63,924	-	-	-	-	-	-	63,924	-	-	-	63,924
Share-based compensation	-	-	-	-	-	1,263	-	-	1,263	-	1,263	-	-	-	1,263
Issuance of warrants in connection with senior unsecured notes-2019	-	-	-	-	-	-	-	369	369	-	369	-	-	-	369
Net loss	-	-	-	-	-	-	-	-	-	(13)	(13)	-	-	-	(13)
Balances as of December 31, 2016	-	$ -	9,717,913	$ 83,812	$ -	$ 2,488	$ -	$ 369	$ 2,857	$ (6,081)	$ 80,588	$ -	$ -	$ -	$ 80,588
Issuance of common shares in connection with acquisition of Las Vegas Natural Case Covers, LLC	-	-	129,574	3,098	-	-	-	-	-	-	3,098	-	-	-	3,098
Issuance of common shares in connection with acquisition of Heinert II, LLC	-	-	125,527	3,001	-	-	-	-	-	-	3,001	-	-	-	3,001
Repurchase of common shares	-	-	(80,525)	-	(966)	-	-	-	-	-	(966)	-	-	-	(966)
Issuance of common shares, net of issuance costs of $37	-	-	836,916	19,944	-	-	-	-	-	-	19,944	-	-	-	19,944
Share based compensation	-	-	-	-	-	2,547	-	-	2,547	-	2,547	-	-	-	2,547
Non-controlling interest in connection with Crocs acquisition	-	-	-	-	-	-	-	-	-	-	-	-	1,507	-	1,507
Redeemable non-controlling interest in connection with acquisitions	-	-	-	-	-	-	-	-	-	-	-	(28,346)	-	28,436	90
Net loss	-	-	-	-	-	-	-	-	-	(2,018)	(2,018)		(172)	(2,054)	(5,044)
Balances as of December 31, 2017	-	$ -	10,729,995	$ 109,855	$ (966)	$ 5,035	$ -	$ 369	$ 5,404	$ (8,099)	$ 105,904	$ (28,346)	$ 1,335	$ 26,382	$ 104,765

The accompanying notes are an integral part of these consolidated financial statements.

PalliaTech, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	$ (5,044)	$ (13)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,726	61
Deferred compensation for the vesting of restricted stock	-	70
Share-based compensation	2,547	1,263
Noncash interest expense	241	240
Change in the fair value of biological assets	(11,234)	-
Other income	-	(46)
Deferred taxes	240	167
Bargain purchase on Groen acquisition	(138)	-
Gain on sale of Viridis	(772)	-
Gain on sale of convertible notes	(161)	-
Loss on disposal of property and equipment	79	-
Changes in operating assets and liabilities, net of the effect of acquisitions		
Accounts receivable	(425)	-
Biological assets	10,905	-
Inventory	(7,402)	-
Prepaid expenses and other current assets	(472)	(68)
Other assets	(590)	(4,489)
Accounts payable	(197)	274
Accrued expenses	154	492
Income tax payable	828	-
Net cash used in operating activities	(7,715)	(2,049)

PalliaTech, Inc.
Consolidated Statements of Cash Flows
(in thousands)

Cash flows from investing activities:		
Notes receivable	(18,341)	(8,085)
Purchases of property and equipment	(10,593)	(923)
Proceeds received from disposal of a Viridis	498	-
Proceeds received from disposal of a Phytatech	500	-
Proceeds from sale of property and equipment	62	-
Purchase of licenses	(147)	-
Purchase of investments	-	(302)
Net assets acquired as part of Costa Nursery Farms acquisition, net of cash acquired	(18,654)	-
Net assets acquired as part of Doubling Road Holdings acquisition, net of cash acquired	(9,810)	-
Net assets acquired as part of Groen acquisition, net of cash acquired	152	-
Net assets acquired as part of Las Vegas Natural Care Givers acquisition, net of cash acquired	99	-
Cash paid for acquisition of Pharmaculture	(1,470)	-
Net cash used in investing activities	(57,704)	(9,310)
Cash flows from financing activities:		
Proceeds from convertible notes	-	3,112
Proceeds from 2019 senior unsecured notes	-	2,570
Proceeds from 2020 senior unsecured notes	-	6,000
Proceeds from notes payable	1,559	-
Share repurchase	(966)	-
Issuance of common shares	19,944	63,924
Net cash provided by financing activities	20,537	75,606
Net increase (decrease) in cash	(44,882)	64,247
Cash at beginning of period	65,857	1,610
Cash and cash equivalents at end of period	$ 20,975	$ 65,857
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,076	$ -
Cash paid for income taxes	$ 14	$ 2
Supplemental disclosure of non-cash investing and financing activities:		
Notes receivable settled in connection with Groen acquisition	$ 3,413	$ -
Issuance of common stock in connection with Las Vegas Natural Care Givers acquisition	$ 3,098	$ -
Note receivable from Phytatech	$ (1,000)	$ -
Note receivable in connection sale of Viridis	$ (500)	$ -
Issuance of common stock in connection with Naturex II acquisition	$ 3,001	$ -
Notes receivable settled in connection with Costa Nursery Farms acquisition	$ 9,346	$ -
Notes receivable settled in connection with Doubling Road Holdings acquisition	$ 800	$ -

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Operations of the Company

PalliaTech, Inc. (the "Company" or the "Group") was incorporated on October 5, 2010 in Delaware. The Company is a life science company developing full scale cannabis operations, with core competencies in cultivation, manufacturing, dispensing, testing and medical cannabis research.

The Company is subject to risks common to companies in the life sciences industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations, regulatory approval, uncertainty of market acceptance of products and the need to obtain additional financing.

Note 2 – Summary of significant accounting policies

Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC") in effect as of and for the year ended December 31, 2017.

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on August 30, 2018

These financial statements for the year ended December 31, 2017 are the Company's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is January 1, 2016. For all periods up to and including the year ended December 31, 2016, the Company prepared its financial statements in accordance with United States generally accepted accounting principles ("U.S. GAAP"). Accordingly, the Company has prepared financial statements that comply with IFRS applicable as of December 31, 2017, together with the comparative period data for the year ended December 31, 2016. An explanation of the principal adjustments made in representing its U.S. GAAP financial statements, including the statement of financial position as of January 1, 2016, the Company's date of transition to IFRS and the financial statements for the year ended December 31, 2016, in order to comply with IFRS, is provided in Note 3 to the consolidated financial statements.

Functional Currency

The Company and its subsidiaries' functional currency, as determined by management, is the United States ('US") dollar. These consolidated financial statements are presented in US dollars.

Basis of consolidation

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its affiliates:

- PalliaTech RI, LLC, a Rhode Island limited liability company;
- PalliaTech Maine, Inc., a Maine corporation;
- PalliaTech OR, LLC, an Oregon limited liability company;
- Curaleaf Ohio, Inc., an Ohio corporation;
- Las Vegas Natural Caregivers, LLC., a Nevada limited liability company;

- PalliaTech NY Holdings, Inc., a New York corporation;
- Curaleaf Maryland, Inc., a Maryland corporation
- PalliaTech Maryland, LLC, a Maryland limited liability company;
- PalliaTech CT, Inc., a Connecticut corporation;
- PalliaTech PA, LLC, a Pennsylvania limited liability company;
- Focused Investment Partners, LLC, a Florida limited liability company; and
- PalliaTech FL, Inc, a Florida corporation

All significant intercompany balances and transactions were eliminated on consolidation.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and biological assets which were measured at fair value.

Segment Reporting

The Company manages its operations in two segments for the purposes of assessing performance and making operating decisions. The Company's segment are cannabis and non-cannabis operations.

Credit risk

The Company operates primarily in cash transactions with its customers at the point of sale. Accounts receivable as of December 31, 2017 consists primarily of management fee income. Management determines credit risk to be minimal with respect to accounts receivable and determined a reserve for accounts receivable is not required as of December 31, 2017 and 2016.

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents, trade and other receivables, and promissory notes receivable. The Company's cash deposits may at times exceed Federal insurance limits.

The risk exposure is limited to their carrying amounts at the statement of financial position date. The risk for cash and cash equivalents is mitigated by holding these instruments with major financial institutions. The Company periodically assesses the quality of the credit rating of the financial institutions. Trade accounts receivable and notes receivable credit risk arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities. As of December 31, 2017, the Company is not subject to externally imposed capital requirements.

(in thousands, except for gram, share and per share amounts)

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities at time of purchase of 90 days or less to be cash equivalents.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2017 and 2016, other assets includes restricted cash in the amounts of $3,625 and $4,500, respectively, which is related to amounts that are held in escrow by the PalliaTech Florida, Inc. entity with $125 being transferred to a third party on a monthly basis for consulting services. The remaining balance in other assets consists primarily of deposits for certain operating leases.

Inventory

Inventory is stated at lower of cost or net realizable value ("NRV"). NRV is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost. The Company utilizes the most reliable evidence available to determine if inventory should be written-down below its current carrying value. As of December 31, 2017 and 2016, the Company recorded an NRV inventory write-down of $292 and $0, respectively.

Biological assets

Expenditures incurred on biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in accordance with IAS 41. The gain or loss arising on initial recognition of such biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in the consolidated statement of profits and losses for the period in which it arises. The Company has elected to measure biological assets at fair value less costs to sell.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount, which may bear interest and do not require collateral. Past due balances are determined based on the contractual terms of the arrangements. The Company estimates its allowance for doubtful accounts based on specific identification of probable credit losses and historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company determined as of December 31, 2017 and 2016, there was no allowance for doubtful accounts required.

Notes receivable

The Company provides financing to select customers for use in their application for regulatory licenses and development of their business.

Notes receivable are recorded net of any unamortized deferred fees and incremental direct costs. Interest income and amortization of any fees are recorded ratably over the related term of the note. The Company considers these receivables to have similar risk characteristics as its accounts receivable, as they relate to the ongoing business agreements with customers and evaluates them as one collective portfolio segment and class for determining the allowance for doubtful accounts. The Company determined as of December 31, 2017 and 2016, there was no allowance for doubtful accounts required,

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

	Estimated Useful life
Information technology	5 years
Furniture and fixtures	7 years
Building and improvements	15 to 39 years
Leasehold improvements	Lesser of lease term or 7 to 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. Construction in progress is measured at cost. Upon completion of the construction, construction in progress will be reclassified as building or leasehold improvements depending on the nature of the assets and depreciated over the estimated useful life of the asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of profits and losses in the year the asset is derecognized.

Intangible assets subject to amortization

Intangible assets include intellectual property either owned by the Company or for which the Company has a license. Intangible assets acquired in a business combination are recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired, and reported net of accumulated amortization, separately from goodwill. Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets include licenses to cultivate, process and sell cannabis, trade names and non-compete agreements obtained through business acquisitions. Amortization is calculated on the straight-line method based on the following estimated useful lives:

Licenses	12-20 years
Trade names	5-15 years
Non-compete agreements	1-2 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. During the years ended December 31, 2017 and 2016, the Company did not recognize any impairment losses.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination. The Company has determined that the goodwill recognized in connection with all acquisitions to date belong to the cannabis segment.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statement of profits or losses in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. During the years ended December 31, 2017 and 2016, the Company did not recognize any impairment losses.

Debt with warrants and convertible options

The Company issues debt that may have separate warrants, conversion features or no equity-linked attributes. The convertible notes and debt with warrants issued by the Company are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The liability component is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not remeasured. No gain or loss is recognized at maturity or early conversion of the debt.

Leased assets

A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Income taxes

Income tax expense comprises current and deferred tax. It is recognized in the statement of profits or losses except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under *IAS 37: Provision, Contingent Liabilities and Contingent Assets*. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probably that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset if full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are delivered to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company recognizes revenue from management and consulting services on a straight-line basis over the term of third party consulting agreements as services are provided.

Sales taxes

Sales taxes collected from customers are excluded from revenues.

Share-based payment arrangements

The Company measures all stock options and other share-based payment arrangements to employees and directors at the fair value on the date of the grant using the Black-Scholes option-pricing model. The Company uses the Black-Scholes option pricing model to determine the grant-date fair value of options and warrants. The inputs into the Black- Scholes model, including the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate are determined by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

Comprehensive income (loss)

Comprehensive income (loss) includes net income (loss) as well as other changes in the consolidated statement of changes in equity that result from transactions and economic events other than those with shareholders. There was no difference between net income (loss) and comprehensive income (loss) for each of the periods presented in the accompanying consolidated financial statements.

Net income (loss) per common share, basic and diluted

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants, convertible debt and share options issued. Items with an anti-dilutive impact are excluded from the calculation. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and liabilities are recognized at fair value upon initial recognition plus any directly attributable transaction costs when not subsequently measured at fair value through profit or loss.

Subsequent measurement

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, available for sale, and other financial liabilities.

Financial assets

Financial assets
Financial assets not classified as Fair Value Through Profit or Loss ("FVTPL"), including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debt or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both the individual and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.
In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.
An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit and loss.

Equity-accounted investments

An impairment loss with respect to an equity-accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit and loss and is reversed if there has been favorable change in the estimates used to determine recoverable amount.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in

the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the combined financial statements are described below.

Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Biological assets

Biological assets are dependent upon estimates of future economic benefits as a result of past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. When market observable data is not available, the Company engages qualified third party valuation consultants to perform the valuation. With respect to certain biological assets, where there is no active market for the unharvested produce, the valuation committee arrives at the fair value by way of a reverse working from the value of the inventory.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Non-controlling interests

Non-controlling interests are classified as a separate component of equity in the Company's consolidated statements of financial position and statements of members' equity. Net income (loss) attributable to non-controlling interests are reflected separately from consolidated statement of profits and losses net income (loss) in the consolidated statements of comprehensive loss and members' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. In addition, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value and the difference between the carrying value and fair value of the retained interest will be recorded as a gain or loss.

Redeemable non-controlling interests

IFRS do not have a specific standard or interpretation for the accounting of commitments to purchase non-controlling interests, mainly with respect to the accounting for the subsequent remeasurement of the carrying amount of the related financial liability. In such circumstances, the Company has to define its own accounting policy in accordance with IAS 8 until the issuance of new standards and interpretations by the IASB or the IFRS IC.

Non-controlling interests with redemption features, such as put options, that are not solely within the Company's control are considered redeemable non-controlling interests and are recognized in equity and attributed its share or profit or loss when the risk and rewards of ownership remain with the non-controlling interests.

A financial liability, non-controlling interest contingency, is recognized for the present value of the redemption amount if it is contractually fixed or at estimated fair value if it is not contractually fixed. A corresponding charge is made directly to an equity reserve on initial recognition. Changes in the subsequent measurement of the obligation are recognized in the consolidated statement of profits and losses.

Non-controlling interest contingency

The Company measures the fair value of its non-controlling interest contingency by estimating the present value of future net cash inflows from earnings associated with the proportionate shares that are subject to sale to the Company pursuant to an exercise event. This estimation is intended to approximate the redemption value of the options as indicated in the applicable agreements. The fair value of the liability is sensitive to changes in projected earnings and thereby, future cash inflows, and the discount rate applied to those future cash inflows, which could have resulted in a higher or lower fair value measurement.

Compound financial instruments

The identification of components compound financial instruments is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Measurements of fair values

The Company's financial instruments consist of cash, restricted cash, notes receivable, accounts payable, accrued expenses, long-term debt and redeemable non-controlling contingency. The fair values of cash, restricted cash, notes receivable, accounts payable and accrued expenses approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash and restricted cash as FVTPL and accounts payable, accrued expenses and long-term debt as other financial liabilities. The fair value of cash and restricted cash is based on level 1 inputs of the fair value hierarchy.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company's assets measured at fair value on a nonrecurring basis include long-lived assets and indefinite-lived intangible assets. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of December 31, for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements

There have been no transfers between fair value levels during the year.

Share-based payment arrangements

The Company uses the Black-Scholes option pricing model to determine the fair value of share-based payment arrangements granted to employee and non-employees. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Goodwill impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill

Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Recent accounting pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, Financial instruments: Disclosure

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 15, Revenue from Contracts with Customers

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract- based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset

is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

Note 3 – Transition to IFRS

These financial statements for the year ended December 31, 2017 are the Company's first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is January 1, 2016. For periods up to and including the year ended December 31, 2016, the Company prepared its consolidated financial statements in accordance with U.S. GAAP.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as of December 31, 2017, together with the comparative period data for the year ended December 31, 2016, as described in the summary of significant accounting policies (Note 2). In preparing the financial statements, the Company's opening consolidated statement of financial position was prepared as of January 1, 2016, the Company's date of transition to IFRS.

This note explains the principal adjustments made by the Company in representing its U.S. GAAP financial statements, including the statement of financial position as of January 1, 2016 and the financial statements for the year ended December 31, 2016, in order to comply with IFRS.

As a first-time adopter of IFRS, the Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards. The Standard contains a number of voluntary and mandatory exemptions from the requirement to retrospectively apply IFRS, none of which applied to the Company as of January 1, 2016.

Reconciliation of statements of financial position as of January 1, 2016 and December 31, 2016:

(in thousands, except for gram, share and per share amounts)

	Note	As of January 1, 2016 (date of transition to IFRS)		
		U.S. GAAP	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 1,610		$ 1,610
Total current assets		1,610	-	1,610
Property and equipment		78		78
Notes receivable		8,663		8,663
Investments		165		165
Other assets		35		35
Total assets		$ 10,551	$ -	$ 10,551
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable		$ 176		$ 176
Accrued expenses		55		55
Total current liabilities		231	-	231
Notes payable - related party	*A*	3,652	(852)	2,800
Total liabilities		3,883	(852)	3,031
Shareholders' equity				
Share capital	*B*	12,462	125	12,587
Reserves	*A*	-	1,000	1,000
Accumulated deficit	*A, B*	(5,794)	(273)	(6,067)
Total shareholders' equity		6,668	852	7,520
Total liabilities and shareholders' equity		$ 10,551	$ -	$ 10,551

(in thousands, except for gram, share and per share amounts)

	Note	As of December 31, 2016		
		U.S. GAAP	Adjustments	IFRS
Assets				
Current assets:				
Cash		$ 65,857		$ 65,857
Prepaid expenses and other current assets		69		69
Total current assets		65,926	-	65,926
Property and equipment		2,190		2,190
Notes receivable		16,748		16,748
Investments		467		467
Other assets		4,522		4,522
Total assets		$ 89,853	$ -	$ 89,853
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable		$ 450		$ 450
Accrued expenses		419		419
Total current liabilities		869	-	869
Deferred income taxes		167		167
Notes payable - related party	*A, C*	7,411	818	8,229
Total liabilities		8,447	818	9,265
Shareholders' equity				
Share capital	*A, B, C*	84,652	(840)	83,812
Reserves	*A, C*	2,488	369	2,857
Accumulated deficit		(5,734)	(347)	(6,081)
Total shareholders' equity		81,406	(818)	80,588
Total liabilities and shareholders' equity		$ 89,853	$ -	$ 89,853

Reconciliation of the consolidated statement of profit and loss for the year ended December 31, 2016:

(in thousands, except for gram, share and per share amounts)

	Note	Year ended December 31, 2016 U.S. GAAP	Adjustments	IFRS
Revenue:				
Management fee income		$ 3,708	$ -	$ 3,708
		3,708	-	3,708
Operating expenses:				
General and administrative		3,524		3,524
Share based compensation	*B*	1,332	(69)	1,263
Depreciation and amortization		61		61
Total operating expenses		4,917	(69)	4,848
Income (loss) from operations		(1,209)	69	(1,140)
Other income (expense):				
Interest income		1,911		1,911
Interest expense	*A, C*	(474)	(143)	(617)
Total other income		1,437	(143)	1,294
Income (loss) before provision for income taxes		228	(74)	154
Provision for income taxes		(167)		(167)
Net income (loss) and comprehensive loss		$ 61	$ (74)	$ (13)

Note A: Under US GAAP, the Company recognized $3,652 of convertible debt as traditional convertible debt with no amounts attributed to the conversion feature. Under IFRS, the convertible debt is a compound financial instrument under which the liability component is initially recognized at fair value and the residual amount is recognized as an equity component. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not remeasured. No gain or loss is recognized at maturity or early conversion of the debt.

As of January 1, 2016, $1,000 was reclassified to the equity component and the corresponding debt accretion in the amount $148 was recognized in accumulated deficit.

As of December 31, 2016, the adjustments represent the conversion of all existing convertible debt in July 2017, which included additional convertible debt in the amount of $3,084 issued during July 2017. No separation of the equity component was done for this additional debt due to the timing of the conversion. Accordingly, the $1,000 equity component was reclassified to share capital and the corresponding debt accretion for the period in the amount of $213 was recognized in the statement of profits and losses (resulting in a cumulative adjustment of $361 to accumulated deficit and to share capital upon conversion).

Note B: The Company has share-based payment awards that vest in installments based on service conditions only. Under the U.S. GAAP, the Company recognized its share-based compensation expense in accordance with the straight-line method. In accordance with the IFRS, the Company uses the accelerated method.

As a result, as of January 1, 2016 and December 31, 2016, share capital increased in the aggregate by $125 and $56, respectively against the Company's accumulated earnings. Share-based compensation expense decreased by $69 for the year ended December 31, 2016 compared to share-based compensation expense reported under U.S. GAAP.

Note C: During 2016 the Company issued debt with detachable warrants. Under US GAAP, the Company recognized the debt at its face value of $2,570 less a debt discount of $1,257 representing the relative fair value of the warrants issued, which qualified for equity accounting. The discount is accreted over the term of the loan using the effective interest method. Under IFRS, the debt with warrants is a compound financial

(in thousands, except for gram, share and per share amounts)

instrument under which the liability component of $2,228 is initially recognized at fair value and the residual amount of $369 is recognized as an equity component. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not remeasured.

As of December 31, 2016 a debt adjustment in the amount of $818 was made representing the difference in the carrying of the debt giving effect to the accretion of the debt. The relative fair value of the warrants in the amount of $1,257 was derecognized from share capital and a debt accretion adjustment in the amount of $70 was recognized in accumulated deficit. Interest expense decreased by $70 for the year ended December 31, 2016 compared to the expense reported under U.S. GAAP.

Note 4 – Acquisitions

2017 Acquisitions

Costa Nursery Farms, LLC, a Florida limited liability company d/b/a Modern Health Concepts

The Company, through its wholly owned subsidiary PalliaTech Florida, Inc., owns 75% of PalliaTech Florida, LLC ("PT Florida"). On December 8, 2016, PT Florida entered into a Membership Interest Purchase Agreement (the "MHC Agreement") with Costa CB Holdings, LLC ("CB Holdings") to acquire 70% of all outstanding membership units of Costa Nursery Farms, LLC dba Modern Health Concepts ("MHC"), a wholly owned subsidiary of CB Holdings. The transaction closed on January 3, 2017. The resulting purchase resulted in the Company effectively acquiring a 52.5% ownership interest in MHC. MHC is a South Florida based fully-fledged medical cannabis facility. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation and manufacturing.

This acquisition qualified as a business combination under IFRS 3 and the Company has recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the purchase price and non-controlling interest in MHC over the fair value of the tangible and identifiable intangible assets acquired less the liabilities assumed has been recorded as goodwill. The goodwill of $13,470 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

The Company acquired 70% of MHC through a cash purchase price of $28,000 which included a debt repayment of $9,346 to a third party on behalf of MHC.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

Accounts receivable	$	730
Prepaid expenses and other assets		183
Inventory		2,013
Property and equipment		4,140
Intangible assets:		
Licenses		19,710
Trade names		330
Non-compete agreements		700
Goodwill		13,470
Liabilities		(1,276)
Redeemable non-controlling interest		(12,000)
Consideration transferred	$	28,000

The assets and liabilities of MHC are recorded in the Company's consolidated financial statements at their estimated fair values. Goodwill, which is expected to be deductible for statutory tax purposes, is calculated as the excess value of consideration paid over the fair value of assets acquired and liabilities assumed, net of the non-controlling interest. The purchase price resulted in goodwill of $13,470. The historical carrying values of current assets and liabilities approximate their fair value on the date of acquisition due to their short-term nature. The net

book value of acquired property and equipment acquired approximates the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements, trade names and non-compete agreements valued at $20,740. Licensing agreements, trade names and non-compete agreements are being amortized on a straight-line basis over their respective useful lives of twelve, six and two years respectively. Valuation of the licensing agreements was derived from the discounted cash flow method. Valuation of the trade name intangible assets was derived from the relief from royalty method. Valuation of the non-compete agreements was derived from the with or without cash flow method.

The results of MHC have been included in the consolidated financial statements since the date of acquisition. Revenue and net loss of MHC included in the consolidated financial statements from the acquisition date through December 31, 2017 were $2,704 and $9,659, respectively.

During the year ended December 31, 2017, the Company recorded $212 of transaction expenses related to travel and third-party legal and accounting services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

The non-controlling interest of $12,000 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the Fair Value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The MHC Agreement contains a put option under which the noncontrolling interest may require the Company to redeem its equity interest in MHC at the latest of the second anniversary of the date of acquisition or the issuance of certain regulatory agency policies or at any time prior to certain liquidity events. The redemption value is to be determined by mutual agreement or by an outside valuation expert subject to certain parameters that include a "floor" amount of $12,000 and a "ceiling" amount equal to 75% of the excess of the fair market value over $40,000 times the percentage interest held by the noncontrolling interest (30% at the acquisition date). The Company has a call option under which it may require the noncontrolling interest to sell under the same terms at the latest of the third anniversary of the acquisition date and either the issuance of certain regulatory agency policies or the implementation of such policies. The noncontrolling interest may elect to receive the redemption amount either in cash or in shares of the Company at fair market value. If a cash settlement election is made the Company has the option to pay 50% of redemption amount in cash and the remainder by issuing a senior secured promissory note with a one-year maturity, subject to change under certain circumstances.

Doubling Road Holdings, LLC, a Delaware limited liability company

On December 15, 2016 the Company, through its subsidiary PalliaTech CT, LLC, entered into a Preferred Unit Purchase Agreement (the "DRH Agreement") with Doubling Road Holdings, LLC, a Delaware limited liability company ("DRH") and certain members of DRH as listed in the DRH Agreement (the "Members") to acquire 51% of all outstanding membership units in DRH (The "Purchased Units"). DRH is a Connecticut based licensed cannabis facility.

The acquisition was accomplished through a series of transactions that included a redemption by DRH of the number of Preferred Units equal to the number of the Purchased Units in the DRH Agreement, extinguishment of the Priority Returns on the Preferred Units and a redemption of all of its outstanding common units. All of the Preferred Units that remain outstanding immediately following the unit redemptions were converted into a new series of membership interests in DRH to be designated as Series A2 Preferred Units. DRH then issued the Series A2 Preferred Units to the Company, such that on March 8, 2017, upon consummation of the transaction the Company owned 51% of all of the membership interests in DRH. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation, manufacturing, processing and dispensing.

This acquisition qualified as a business combination under IFRS 3 and the Company has recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the purchase price and non-controlling interest in DRH over the fair value of the tangible and identifiable intangible assets acquired less the liabilities assumed has been recorded as goodwill. The goodwill of $14,302 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

The Company acquired a 51% ownership in DRH through a cash purchase price of $10,835.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

(in thousands, except for gram, share and per share amounts)

Cash	$	235
Accounts receivable		78
Prepaid expenses and other current assets		123
Inventory		596
Biological assets		293
Property and equipment		3,530
Other assets		240
Intangible assets :		
Licenses		4,250
Trade name		1,040
Goodwill		14,302
Liabilities		(463)
Redeemable non-controlling interest		(13,389)
Consideration transferred	$	10,835

The assets and liabilities of DRH are recorded in the Company's consolidated financial statements at their estimated fair values. Goodwill, which is expected to be deductible for statutory tax purposes, is calculated as the excess value of consideration paid over the fair value of assets acquired and liabilities assumed, net of the non-controlling interest. The purchase price resulted in goodwill of $14,302. The historical carrying values of current assets and liabilities approximated their fair value on the date of acquisition due to their short-term nature. The net book value of property and equipment acquired approximated the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements and trade names that were valued at $5,290. Licensing agreements and trade names are being amortized on a straight-line basis over their respective useful lives of 20 and 14 years respectively. Valuation of the licensing agreements was derived from the discounted cash flow method. Valuation of the trade names was derived from the relief from royalty method.

The results of DRH have been included in the consolidated financial statements since the date of the acquisition. Revenue and net income of DRH included in the consolidated financial statements from the acquisition date through December 31, 2017 were $4,538 and $183, respectively.

During the year ended December 31, 2017, the Company recorded $124 of transaction expenses related to third-party legal, accounting and shareholder representative services incurred in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

The non-controlling interest of $13,389 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The DRH purchase agreement contains a put option under which the noncontrolling interest may require the Company to redeem its equity interest in DRH after one year of the date of acquisition or at any time prior to certain liquidity events in exchange for shares of the Company at fair market value. The Company has a call option under which it may require the noncontrolling interest to sell under the same terms. The redemption value is to be determined by mutual agreement or by an outside valuation expert.

Groen Investment Group, Inc., a Delaware corporation

On June 6, 2017, the Company through its subsidiary PalliaTech OR, LLC, entered into a Preferred Stock Purchase Agreement (the "Groen Agreement") with Groen Investment Group, Inc., a Delaware corporation ("Groen") and certain members of Groen as listed in the Groen Agreement to acquire 50.5% of the outstanding shares of Series B Preferred Stock. The Series B Preferred Stock is convertible into common stock representing 50.5% of the total outstanding capital stock of Groen and is entitled to vote on any matter. Groen is an Oregon based manufacturer of high quality sustainable cannabis.

On June 6, 2017, upon consummation of this transaction, the Company purchased 222,914 shares of Series B preferred stock for $6.89 per share for a total consideration of $1,537. The purchase price of $1,537 consisted of a $737 cash consideration and loan forgiveness in the amount of $800. In addition to the purchase price, the total consideration included $2,613 of remaining debt due to the Company. The

(in thousands, except for gram, share and per share amounts)

acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation.

This acquisition qualified as a business combination under IFRS 3 and the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The fair value of the net assets acquired, including identifiable intangible assets exceeded the purchase price of $4,150. Accordingly, the Company recognized the excess of the fair value of the net assets acquired over purchase price paid of $289 as a gain on bargain purchase. The gain on bargain purchase is included in other income in the consolidated statement of profits and losses. The Company believes it was able to negotiate a bargain purchase as a result of it access to the liquidity necessary to complete the transaction and the recurring losses of Groen.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

Cash	$	889
Restricted cash		18
Accounts receivable		30
Inventory		1,674
Biological assets		530
Property and equipment		2,895
Intangible assets :		
Licenses		980
Trade name		90
Bargain purchase gain		(289)
Liabilities		(1,160)
Non-controlling interest		(1,507)
Consideration transferred	$	4,150

The assets and liabilities of Groen are recorded in the Company's consolidated financial statements at their estimated fair values. Gain on bargain purchase is calculated as the excess of the fair value of assets acquired and liabilities assumed, net of the non-controlling interest over the consideration paid. The purchase price resulted in a bargain purchase gain of $289. As a result of the bargain purchase, the Company recorded an additional $150 of deferred tax liability to offset the tax effect of the gain on the bargain purchase. The historical carrying values of current assets and liabilities approximated their fair value on the date of acquisition due to their short-term nature. The net book value of property and equipment acquired approximated the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements and trade name valued at $1,070. Licensing agreements and trade names are being amortized on a straight-line basis over their respective useful lives of 15 and 6 years respectively. Valuation of the licensing agreements was derived from the discounted cash flow method. Valuation of the trade name intangible asset was derived from the relief from royalty method.

The results of Groen have been included in the consolidated financial statements from the acquisition date. Net revenue and net loss of Groen included in the consolidated financial statements from the acquisition date through December 31, 2017 was $1,200 and $1,522, respectively.

During the year ended December 31, 2017, the Company incurred $96 of transaction expenses related to third-party legal, accounting and shareholder representative services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

The non-controlling interest of $1,507 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interests.

PharmaCulture Corp., a Maryland corporation

On June 16, 2017, the Company through its subsidiary PalliaTech MD Processing, LLC, entered into a Stock Purchase Agreement (the "PC Agreement") with PharmaCulture Corp., a Maryland corporation ("PC") and certain individuals ('Sellers") as listed in the PC Agreement to acquire 85% of the outstanding capital stock in PC. PC is a Maryland based processor of medical marijuana. The acquisition was completed

(in thousands, except for gram, share and per share amounts)

as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation, processing and dispensing of medical and recreational cannabis.

This acquisition qualifies as a business combination under IFRS 3 and the Company has recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the purchase price and non-controlling interest in PC over the fair value of the tangible and identifiable intangible assets acquired less the liabilities assumed has been recorded as goodwill. The goodwill of $852 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

Total consideration paid by the Company to the Sellers consisted of a cash payment in the amount of $2,000 and the settlement of a promissory note of $800.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

Cash	$	530
Prepaid expenses and other current assets		40
Property and equipment		37
Other assets		82
Intangible assets :		
Licenses		1,590
Trade name		50
Non-compete agreements		30
Goodwill		1,748
Deferred tax liability		(895)
Liabilities		(59)
Redeemable non-controlling interest		(353)
Consideration transferred	$	2,800

The assets and liabilities of PC are recorded in the Company's consolidated financial statements at their estimated fair values. Goodwill, which is not expected to be deductible for statutory tax purposes, is calculated as the excess value of consideration paid over the fair value of assets acquired and liabilities assumed, net of the non-controlling interest. The purchase price resulted in initial goodwill of $852. The historical carrying values of current assets and liabilities approximated their fair values on the date of acquisition due to their short-term nature. The net book value of property and equipment acquired approximated the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements, trade name and non-compete agreements valued at $1,670. Valuation of the licensing agreements was derived from the discounted cash flow method. Licensing agreements, trade names and non-compete agreements are being amortized on a straight-line basis over their respective useful lives of 12, 5 and 1 years respectively. Valuation of the trade name intangible assets was derived from the relief from royalty method. Valuation of the non-compete agreements was derived from the with or without cash flow method. The excess of the fair value of the assets acquired and liabilities assumed was recorded as goodwill.

The results of PC have been included in the Company's consolidated financial statements from the acquisition date. Revenue and net loss of PC included in the consolidated financial statements from the acquisition date through December 31, 2017 were $0 and $397, respectively.

During the year ended December 31, 2017, the Company incurred $409 of transaction expenses related to travel, third-party legal, accounting and shareholder representative services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

Non-controlling interest of $353 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The PC Agreement contains a put option under which the noncontrolling interest may require the Company to redeem its equity interest in PC after the fourth-year anniversary of the date of acquisition or at any time prior to certain liquidity events. The Company has a call option under which it may require the noncontrolling interest to sell under the same terms. The redemption value is to be determined based on six times EBITDA, as defined. At the election of the

(in thousands, except for gram, share and per share amounts)

Company, the redemption value may be paid either in cash or in shares of the Company at fair value. If the Company's shares are not publicly traded, then the put right is suspended until such time as the Company's shares become publicly traded.

Las Vegas Natural Caregivers, L.L.C . a Nevada limited liability company

On August 22, 2017, the Company acquired 57% of Las Vegas Natural Care Givers, LLC, dba House of Herbs ("HOH Agreement") through an equity purchase agreement. House of Herbs cultivates high quality cannabis for Las Vegas area dispensaries. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation.

The purchase price of $3,098 consisted of an issuance of 129,574 shares of common shares with an acquisition date fair value of $23.91 per share to House of Herbs in exchange for a 57% ownership.

This acquisition qualifies as a business combination under IFRS 3 and the Company has recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the purchase price in HOH over the fair value of the tangible and identifiable intangible assets acquired less the liabilities assumed has been recorded as goodwill. The goodwill of $2,041 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

Cash	$	99
Accounts receivable		50
Inventory		975
Biological assets		287
Property and equipment		1,795
Intangible assets :		
Licenses		670
Trade name		70
Goodwill		2,041
Liabilities		(195)
Redeemable non-controlling interest		(2,694)
Consideration transferred	$	3,098

The assets and liabilities of HOH are recorded in the Company's consolidated financial statements at their estimated fair values. Goodwill, which is not expected to be deductible for statutory tax purposes, is calculated as the excess value of consideration paid over the fair value of assets acquired and liabilities assumed, net of the non-controlling interest. The purchase price resulted in goodwill of $2,041. The historical carrying values of current assets and liabilities approximated their fair values on the date of acquisition due to their short-term nature. The net book value of property and equipment acquired approximated the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements and trade names valued at $740. Licensing agreements and trade names are being amortized on a straight-line basis over their respective useful lives of 12 and 6 years respectively. Valuation of the licensing agreements was derived from the discounted cash flow method. Valuation of the trade name intangible assets was derived from the relief from royalty method. The excess of the fair value of the assets acquired and liabilities assumed was recorded as goodwill.

The results of HOH have been included in the Company's consolidated financial statements from the acquisition date. Revenue and net income of HOH included in the consolidated financial statements from the acquisition date through December 31, 2017 were $947 and $365, respectively.

During the year ended December 31, 2017, the Company incurred $44 of transaction expenses related to third-party legal and accounting services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

Non-controlling interest of $2,694 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The HOH Agreement contains a put option under which the noncontrolling interest may require the Company to redeem its equity interest in HOH beginning at the second anniversary of the date of acquisition and ending on the three-year anniversary. The redemption value is the greater of the HOH fair market value and $6,266 times the percentage interest held by the noncontrolling interest (16.05% at the acquisition date). The Company has a call option under which it may require the noncontrolling interest to sell under the same terms. The noncontrolling interest may elect to receive the redemption amount either in cash or in shares of the Company at fair market value.

Naturex II, LLC, a Nevada limited liability company

On October 30, 2017, the Company through its subsidiary PalliaTech NV, Inc., entered into an agreement to acquire 64% of Naturex II, LLC, dba Blackjack Collective ("Blackjack Agreement") through an equity purchase agreement. Blackjack is a cannabis dispensary located in Las Vegas. The acquisition agreement was entered into as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation, processing and dispensing of medical and recreational cannabis. The purchase price of $3,001 consist of an issuance of 125,527 shares of common stock with a fair value of $23.91 per share to Blackjack Collective in exchange for a 64% ownership. The Company has transferred the shares to an escrow account which will be transferred to members of Blackjack upon the closing of the transaction.

The closing of the transaction is currently pending regulatory approval by the Nevada Department of Taxation (the "Department") and the Business Licensing Commission of the City of Las Vegas (the "Commission"). While it has taken a considerable period of time for the Company to clarify certain regulatory requirements with the Department and Commission and to provide required information required for the approval, the Company believes it has compiled all required information and is not aware of any reason why the Department or the Commission would not approve the completion of the purchase of Blackjack. As of December 31, 2017, the Company has not obtained control of Blackjack, accordingly, the fair value of the shares transferred is included in investments on the consolidated statement of financial position.

Note 5 – Disposal

On July 26, 2017, the Company entered into a membership interest transfer agreement (the "Signal Bay Purchase Agreement") with Signal Bay, Inc., a Colorado corporation, to sell its wholly-owned subsidiary, Viridis Analytics MA, LLC, a Delaware limited liability company. Viridis is a full service analytical testing laboratory in the business of conducting comprehensive testing of the chemistry and microbiology of Cannabis, cannabis-based products, and the soil and water used in the cultivation of cannabis. The sale was completed on July 31, 2017 for total consideration of $1,000, which consisted of a cash payment of $500 plus the issuance of a promissory note in favor of the Company in the amount of $500. The note bears an interest at a rate of 8 % per annum and is due at August 1, 2018. This disposal does not represent a strategic shift of the Company that has or will have a major effect on the Company's operations and financial results. Accordingly, the assets and liabilities of Viridis were not segregated and were presented as continued operations in the consolidated financial statements herein. The carrying value of Viridis at the time of disposal was $228 resulting in a pre-tax gain on the sale from the disposition of $772 for the year ended December 31, 2017 within the consolidated statement of profits and losses.

On May 14, 2014 the Company entered into an agreement with PhytaTech Co, LLC, a Colorado limited liability company ("PhytaTech") for a convertible unsecured promissory note receivable in the amount of $1,000. On September 6, 2017 the Company entered into a Transfer Agreement to cancel the note in exchange for the issuance of a second promissory note.

Pursuant to the terms of the Transfer Agreement, PalliaTech cancelled the convertible unsecured promissory note with a principal amount of $1,000 and transferred the assets of PhytaTech to EVIO, Inc. in exchange for $500 cash and a secured promissory note issued by EVIO, Inc. with a principal amount of $1,000. The result of the transaction was a pre-tax gain on the sale of the convertible note of $161 for the year ended December 31, 2017 within the consolidated statement of profits and losses.

Note 6 – Inventory

See accounting policies in Note 2.

(in thousands, except for gram, share and per share amounts)

Inventory consisted the following:

	December 31, 2017	December 31, 2016
Raw materials:		
Harvested cannabis	$ 7,465	$ -
Harvested trim	596	-
Total raw materials	8,061	-
Work-in-process:		
Processing	2,131	-
Finished goods:		
Consumables	383	-
Flower	36	-
Extracts	551	-
Majesty palms	1,791	-
Total finished goods	2,761	-
Inventory write-down	(292)	-
	$ 12,661	$ -

During the year ended December 31, 2017, relief of inventories of $8,058 were recognized as an expense and included in cost of goods sold on the consolidated statement of profits and losses. As of December 31, 2017, the Company recorded NRV inventory write-down of $292. The Company had no inventory as of December 31, 2016.

Note 7 – Biological assets

See accounting policies in Note 2.

The following table is a reconciliation of carrying amount of the biological assets:

Balance at December 31, 2016	$ -
Assets obtained in the acquisition of DRH	293
Assets obtained in the acquisition of Groen	530
Assets obtained in the acquisition of Las Vegas Natural Caregivers	287
Changes in fair value less cost to sell due to biological transformation	11,234
Transferred to inventory upon harvest	(10,905)
Balance at December 31, 2017	$ 1,439

At December 31, 2017, biological assets consisted of actively growing cannabis plants to be harvested as agricultural produce.

The average grow cycle of plants up to the point of harvest is approximately twelve weeks. Plants not in production are valued at the fair market value less costs to sell. Plants in production are plants that are in the flowering stage and are valued at fair value less cost to complete and cost to sell, where fair value represents the Company's selling price per gram of dried cannabis. The Company did not have any biological assets as of December 31, 2016. See Note 20 for the inputs and sensitivity analysis for the fair value of the biological assets.

(in thousands, except for gram, share and per share amounts)

As of December 31, 2017, it was expected that the Company's biological assets would yield 585,331 grams of medical cannabis when harvested. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

Note 8 – Notes receivable

Notes receivable consisted the following:

	December 31,	
	2017	2016
Notes receivable from CS-ATC	$ 15,980	$ 11,908
Notes receivable from MassOrganic	2,726	565
Notes receivable Evio Labs	1,043	-
Notes receivable Signal Bay	500	-
Notes receivable from RMC	574	514
Notes receivable from PhytaTech	-	1,416
Notes receivable from Groen	-	2,345
Notes receivable from other third parties	228	-
	$ 21,051	$ 16,748

In September 2017, the Company entered into a $1,000 note receivable with Evio, Inc. ("Evio") payable to the Company on the tenth month anniversary of the note issuance ("Maturity date"). The note receivable has an interest rate of 8% per annum with all outstanding interest payable on the Maturity date. The notes receivable contain certain financial and non-financial covenants. During the year ended December 31, 2017, the Company recorded $43 of interest income related to the Evio note receivable.

In August 2017, the Company entered into a $500 note receivable with Signal Bay, Inc. ("Signal Bay") in connection with the Viridis disposal (See Note 5). The note receivable is payable to the Company on August 1, 2018 ("Maturity date"). The note receivable has an interest rate of 8% per annum with all outstanding interest payable on the Maturity date. The notes receivable contain certain financial and non-financial covenants. During the year ended December 31, 2017, the Company did not record any interest income related to the Signal Bay note receivable.

In October 2016, the Company entered into a $500 note receivable with Remedy Compassion Center, Inc ("RMC"). The note receivable has an interest rate of 12% and interest payments are payable monthly. The principal balance of the loan is payable upon the maturity date of December 31, 2019. The notes receivable carries certain financial and non-financial covenants. During the years ended December 31, 2017 and 2016, the Company recorded $60 and $14 of interest income, respectively. In July 2016, the Company entered into a $300 note receivable with Groen. In August 2016, the Company entered into a $500 notes receivable with Groen. In October 2016, the Company entered into an additional $1,500 notes receivable with Groen. The notes receivable have an interest rate of 10% and interest payments are payable monthly. The principal balance of the loans are payable two years after the notes receivable were entered into between the parties. The notes receivable contain certain financial and non-financial covenants. During the years ended December 31, 2017 and 2016, the Company recorded $7 and $143 of interest income, respectively. In connection with the acquisition of Groen (see Note 4) the loans were settled by the Company.

In January 2016, the Company entered into a $2,500 note receivable with Mass Organic Therapy, Inc ("MOT") payable to the Company in four tranches upon the certain conditions being met by MOT. The note receivable has an interest rate of 20% and interest payments are payable monthly. The balance of the loan is payable in two tranches with 10% being due upon certain conditions being met and the remaining balance is due upon the maturity date of January 28, 2020. The notes receivable contain certain financial and non-financial covenants. During the years ended December 31, 2017 and 2016, the Company recorded $260 and $48 of interest income, respectively.

In May 2014, the Company entered into a $1,000 note receivable with PhytaTech CO, LLC ("PhytaTech"). The note receivable has an interest rate of 18% and interest payments are payable monthly which become payable starting in January 2014. The balance of the loan is payable

(in thousands, except for gram, share and per share amounts)

upon the maturity date of December 31, 2019. The outstanding principal and accrued interest were transferred in 2017 (See Note 5) . During the years ended December 31, 2017 and 2016, the Company recorded $158 and $216 of interest income, respectively.

In February 2011, the Company entered into a management services agreement which includes a $2,500 credit facility, structured as a ten year term loan, with Compassionate Sciences ATC, Inc. ("CS-ATC"). The term loan has an interest rate of 18% and interest payments are payable quarterly. The principle balance of the loan is payable upon the maturity date of December 15, 2021. During the years ended December 31, 2017 and 2016, the Company recorded $2,364 and $1,503 of interest income, respectively. Additionally, the Company has provided CS-ACT with management services for fees. These amounts remain unpaid and are added to the total of the notes receivable.

The notes receivable are secured by assets or ownership interests in the customers' business. The Company did not have any past due notes receivable amounts as of December 31, 2017 or 2016.

Note 9 – Property and equipment

Property and equipment and related depreciation consist of the following:

	December 31,	
	2017	2016
Land	$ 210	$ 210
Building and improvements	17,725	1,602
Furniture and fixtures	5,053	347
Information technology	243	76
Construction in progress	1,513	-
Total property and equipment, gross	24,744	2,235
Less: Accumulated depreciation	(1,225)	(45)
Property and equipment, net	$ 23,519	$ 2,190

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	Land	Building and Improvements	Furniture and Fixtures	Information Technology	Construction in Progress	Total
Cost						
As of December 31, 2016	$ 210	$ 1,602	$ 347	$ 76	$ -	$ 2,235
Additions	-	5,471	1,775	236	3,043	10,525
Business acquisitions	-	8,756	2,623	14	1,004	12,397
Disposals	-	(8)	(35)	(78)	-	(121)
Transfers	-	1,904	343	(5)	(2,534)	(292)
Balance as of December 31, 2017	$ 210	$ 17,725	$ 5,053	$ 243	$ 1,513	$ 24,744

	Land	Building and Improvements	Furniture and Fixtures	Information Technology	Construction in Progress	Total
Accumulated depreciation						
As of December 31, 2016	$ -	$ 25	$ 19	$ 1	$ -	$ 45
Depreciation	-	760	480	52	-	1,292
Disposals	-	(1)	(10)	-	-	(11)
Transfers	-	(103)	(27)	29	-	(101)
Balance as of December 31, 2017	$ -	$ 681	$ 462	$ 82	$ -	$ 1,225

(in thousands, except for gram, share and per share amounts)

	Land	Building and Improvements	Furniture and Fixtures	Information Technology	Construction in Progress	Total
Cost						
As of December 31, 2015	$ -	$ -	$ 80	$ 12	$ -	$ 92
Additions	210	1,602	267	94	-	2,173
Business acquisitions	-	-	-	-	-	-
Disposals	-	-	-	(30)	-	(30)
Transfers	-	-	-	-	-	-
Balance as of December 31, 2016	$ 210	$ 1,602	$ 347	$ 76	$ -	$ 2,235

	Land	Building and Improvements	Furniture and Fixtures	Information Technology	Construction in Progress	Total
Accumulated depreciation						
As of December 31, 2015	$ -	$ -	$ 3	$ 11	$ -	$ 14
Depreciation	-	25	16	20	-	61
Disposals	-	-	-	(30)	-	(30)
Impairment losses	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance as of December 31, 2016	$ -	$ 25	$ 19	$ 1	$ -	$ 45

Total depreciation expense of $1,292 for the year ended December 31, 2017 which includes $537 recognized as cost of goods sold and $755 recognized as a part of operating expenses on the consolidated statement of profits and loss.

Note 10 – Goodwill and intangible assets

The Company has determined that the goodwill associated with all acquisitions belong to the cannabis segment. There was no goodwill associated with the management services segment for the years ended December 31, 2017 and 2016. The changes in the carrying amount of goodwill for the cannabis segment are as follows:

	Balance at December 31, 2016	Additions from Acquisitions	Balance at December 31, 2017
Acquisition of MHC	$ -	$ 13,470	$ 13,470
Acquisition of DRH	-	14,302	14,302
Acquisition of PC	-	1,748	1,748
Acquisition of HOH	-	2,041	2,041
Total Goodwill	$ -	$ 31,561	$ 31,561

There were no impairments recorded against goodwill during the year ended December 31, 2017 (see Note 2). The Company did not have any goodwill recorded during the year ended December 31, 2016.

Identifiable intangible assets consisted of the following as of December 31, 2017:

(in thousands, except for gram, share and per share amounts)

	Balance at December 31, 2016	Additions from Acquisitions	Accumulated Amortization	Balance at December 31, 2017
Licenses	$ -	$ 27,347	$ (1,937)	$ 25,410
Trade names	-	1,580	(133)	1,447
Non-compete agreements	-	730	(364)	366
Total	$ -	$ 29,657	$ (2,434)	$ 27,223

Amortization of intangible assets was $2,434 and $0 for the years ended December 31, 2017 and 2016, respectively. Estimated future annual amortization expense related to these intangibles assets is as follows:

Year Ending December 31	Estimated Amortization
2018	$ 2,648
2019	2,286
2020	2,285
2021	2,285
2022	2,279
2023 and thereafter	15,440
	$ 27,223

Note 11 – Long-term debt

Long-term debt consists of the following:

	December 31, 2017	December 31, 2016
Senior unsecured notes – 2019		
Principal amount	$ 2,570	$ 2,570
Unamortized debt discount	(248)	(341)
Net carrying amount	2,322	2,229
Senior unsecured note – 2020	6,000	6,000
Secured promissory notes – 2029	1,872	-
Total long-term debt	$ 10,194	$ 8,229

The 2019 and 2020 notes rank pari passu with respect to payment and are senior to all other indebtedness of the Company. The notes contain customary terms and conditions, representations and warranties, and events of default. In addition, all amounts outstanding may become immediately due upon the consummation of a change of control transaction or the sale of the business, as defined in the agreement.

Senior Unsecured Notes – 2019

In 2016, the Company entered into promissory note agreements (altogether, the "Senior Unsecured Notes – 2019") with various related parties (see Note 19) for an aggregate principal amount of $2,570.

The Senior Unsecured Notes – 2019 require interest-only payments at a rate of 14% per annum, payable quarterly, prior to maturity on December 30, 2019. Upon maturity, the Company shall pay all principal and accrued but unpaid interest. At its option, the Company may prepay the notes in full at any time before maturity

In connection with the Senior Unsecured Notes – 2019, the Company issued to the noteholders warrants to purchase 140,914 shares of common stock at an exercise price of $3.64 per share. These notes with warrants are compound financial instruments which are accounted for separately by their components. The liability component of the notes was recorded at fair value in the amount of $2,201 and the equity component at the residual amount of $369. A debt discount is reflected as a reduction of the carrying value of the long-term debt on the Company's consolidated statement of financial position and is being amortized to interest expense over the term of the notes using the effective interest method.

The Company recognized interest expense under the Senior Unsecured Notes – 2019 of $452 and $147 for the years ended December 31, 2017 and 2016, respectively, including interest expense related to the amortization of the debt discount of $93 and $27.

Senior Unsecured Note – 2020

In July 2016, in connection with the Company's private placement for the issuance of shares of common stock, the Company entered into a promissory note agreement (the "Senior Unsecured Note – 2020") with a related party (see Note 19) for a principal amount of $6,000.

The Senior Unsecured Note – 2020 requires interest-only payments at a rate of 10% per annum, payable quarterly, prior to maturity on July 29, 2020. Upon maturity, the Company shall pay all principal and accrued but unpaid interest. At its option, upon three months prior notice, the Company may prepay all or part of the notes on any interest payment date before maturity.

The Company recognized interest expense under the Senior Unsecured Note – 2020 of $608 and $258 for the years ended December 31, 2017 and 2016, respectively.

Secured promissory notes

In August 2017, the Company entered into two secured promissory notes (collectively the "Promissory Notes") with certain individuals for an aggregate principal amount of $1,616 or $808 for each Promissory Note. The Promissory Notes accrue interest at a rate of 12% per annum on the first $112 and 14% per annum on the remaining balance. Principal and interest are due in full on May 1, 2029.

The Company recognized interest expense under the Promissory Notes of $219 for the year ended December 31, 2017.

Convertible promissory notes

As of December 31, 2015, the Company had outstanding convertible promissory notes of $3,605 and issued an additional $3,113 in convertible notes in July 2016. In July 2016, all outstanding convertible promissory notes of $6,718 were converted into 1,707,914 shares of Series A Preferred Stock and 137,153 shares of common stock. The convertible promissory notes bore interest at 3%. Due to the brief time from the issuance to the conversion of the notes in 2016 the Company did not recognize an equity component for the debt.

The Company recognized interest expense under the convertible promissory notes of $281 for the year ended December 31, 2016.

Future maturities

As of December 31, 2017, future principal payments due under the Senior Unsecured Notes – 2019, Senior Unsecured Note – 2020 and Secured Promissory Notes were as follows:

(in thousands, except for gram, share and per share amounts)

Year Ending December 31	Amount
2019	$ 2,570
2020	6,000
2021	-
2022	-
2023 and thereafter	1,872
	$ 10,442

Note 12 – Stockholders' equity

Series A Participating Preferred Stock

In July 2015, the Company designated 2,000,000 shares of its common stock as Series A Participating Preferred Stock with a par value of $0.00001 ("Series A Preferred Stock"). As of December 31, 2017 and 2016, the Company had 2,000,000 shares designated as Series A Preferred Stock.

In June 2016, the Company issued an aggregate of 1,778,191 shares of Series A Preferred Stock for an aggregate amount of $6,856, including 1,707,914 shares of preferred stock and 70,277 shares of restricted preferred stock related to deferred salaries. The shares of Series A Preferred Stock were issued pursuant to the conversion of principal and accrued interest on the Company's convertible promissory notes.

Immediately following the Series A issuance, the Company converted all then outstanding shares of Series A Preferred Stock and restricted preferred stock into 1,778,191 shares of common stock.

The holders of the Series A Preferred Stock have the following rights and preferences:

Voting

Each share of Series A Preferred Stock shall entitle the holder to one vote on all matters submitted to a vote of the stockholders of the Company. The holders of Series A preferred stock shall vote together with the holders of common stock, together as one class, on all matters submitted to a vote of stockholders of the Company.

Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company shall be retired and cancelled. All such shares will become authorized but unissued shares of Series A Preferred Stock upon cancellation.

Dividends

Each holder of one-hundredth (1/100) of a share of Series A Preferred Stock shall only be entitled to a dividend as if and when declared by the board of directors.

Liquidation Preference

In the event of any voluntary or involuntary liquidation, deemed liquidation event, dissolution, or winding up of the Company, as defined in the Company's Amended Certificate of Incorporation, the holders of Series A Preferred Stock are first entitled to be paid an amount equal to the greater of the Series A Original Issue Price plus accrued and unpaid dividends and the Liquidation Ratio multiplied by the aggregate amount of proceeds available for distribution ("Series A Liquidation Preference"). The Liquidation Ratio is defined as the Series A Original Issue Price divided by $11,500. The Series Original Issue Price is defined as $10,000 divided by the number of shares of common stock issued and outstanding at the Conversion Date.

In the event that the Company issues equity securities other than securities issued to members of management or the board of directors or securities issues in connection with an acquisition, each then issued and outstanding share of Series A Preferred stock shall be redeemed at a price equal to the Series A Liquidation Preference.

Common stock

As of December 31, 2017 and 2016, the Company was authorized to issue up to 16,250,000 and 12,000,000 shares of common stock, respectively, with a par value $0.00001 per share.

In June 2016, the Company issued 1,778,191 shares of common stock in connection with the conversion of the then outstanding shares of Series A Preferred Stock.

In June 2016, the Company issued 137,153 shares of common stock upon the conversion of principal and accrued interest on convertible promissory notes of $1,033.

In July 2016, the Company issued 343,096 shares of common stock in connection with the purchase of land, building and improvements for $1,250.

In July 2016, the Company completed a private placement, issuing an aggregate of 1,520,431 shares of common stock at a price of $15.785 per share for aggregate proceeds of $24,000.

In November 2016, the Company completed a private placement, issuing an aggregate of 2,510,197 shares of common stock at a price of $15.935 per share for aggregate proceeds of $40,000.

In connection with the Company's acquisition of House of Herbs in August 2017, the Company issued 129,574 shares of common stock to the sellers at a fair value of $23.91 per share, or a total fair value of $3,098 (See Note 4).

In connection with the Company's acquisition of Blackjack Collective in October 2017, the Company issued 125,527 shares of common stock to the sellers at a fair value of $23.91 per share, or a total fair value of $3,001 (See Note 4).

In November 2017, the Company completed a private placement, issuing 836,506 shares of common stock at a price of $23.91 per share for cash proceeds of $19,944, net of issuance costs of $57.

As of December 31, 2017 and 2016, the Company had 10,728,995 and 9,717,913 shares of common stock issued and outstanding, respectively.

As of December 31, 2017 and 2016, the Company had reserved 1,080,525 and 1,000,000 shares of common stock, respectively, for the exercise of outstanding stock options, the number of shares remaining available for grant under the Company's 2011 and 2015 Equity Incentive Plans (see Note 14) and the exercise of outstanding warrants to purchase shares of common stock (see Note 13).

The voting, dividend and liquidation rights of the holders of the Company's common stock are subject to and qualified by the rights, powers and preferences of the holders of the Series A Preferred Stock set forth above.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the board of directors, if any, subject to the preferential dividend rights of Series A Preferred Stock. The Company does not pay dividends to common stockholders unless an equivalent dividend is simultaneously paid on the Series A Preferred Stock. As of December 31, 2017 and 2016, no cash dividends had been declared or paid.

Treasury shares

In March 2017, the Company repurchased an aggregate of 80,525 shares of common stock for a purchase price of $12.00 per share, or a total of $966. The amount is reflected as treasury shares in the consolidated statement of financial position.

(in thousands, except for gram, share and per share amounts)

Note 13 – Warrants

As of each balance sheet date, outstanding warrants to purchase shares of common stock consisted of the following:

December 31, 2017

Date Exercisable	Number of Shares Issuable	Exercise Price	Exercisable for	Classification	Expiration
September 30, 2016	1,578	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2016	10,583	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
March 31, 2017	10,573	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
June 30, 2017	10,696	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
September 30, 2017	10,812	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2017	10,812	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
	55,054				

December 31, 2016

Date Exercisable	Number of Shares Issuable	Exercise Price	Exercisable for	Classification	Expiration
September 30, 2016	1,578	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2016	10,583	$3.64	Common Stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
	12,161				

In connection with the Senior Unsecured Notes – 2019, the Company issued to the noteholders warrants to purchase 140,914 shares of common stock at an exercise price of $3.64 per share with an issuance-date fair value of $1,257. The fair value of the warrants at issuance was calculated using the Black-Scholes option-pricing model. The inputs used in valuing the warrants are the historical volatility of the Company's common stock price (85%), contractual term of the warrants (10 years), and the risk-free interest rate based on the U.S. Treasury yield curve in effect at the measurement date (1.6%). Any significant increases or decreases in inputs, with the exception of the risk-free interest rate, would have resulted in a significantly higher or lower fair value measurement.

The warrants become exercisable at a rate of 6% per annum, in respect of the principal amount of the note. The warrants expire on the tenth anniversary of each respective note agreement, at various dates during 2026. The warrants are derivatives that qualify for equity accounting as the terms of the warrants are fixed upon grant.

As of December 31, 2017 and 2016, the Company had accrued a total of 55,054 and 12,161 of exercisable warrants to purchase shares of common stock, respectively. As of December 31, 2017 and 2016, 85,860 and 128,753 warrants remain issued but not exercisable.

Note 14 – Share-based payment arrangements

Share option programs (equity settled)

The 2011 and the 2015 Equity Incentive Plans (the "Plans") provide for the grant of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units, stock appreciation rights and other share-based awards. Under these plans, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date.

The number of shares reserved for issuance under the Plans is 1,000,000 shares of common stock. The number of shares reserved for issuance may be increased by the number of shares that expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company.

The board of directors determines the terms and conditions of the awards. Option awards are generally granted with an exercise price of not less than the estimated fair value of common shares as of the date of grant, and vest based on one to three years of continuous service and have a 10-year term. The value of common stock is determined by the board of directors by taking into consideration its most recently available valuation of common shares performed by management and the board of directors as well as additional factors which might have changed since the date of the most recent contemporaneous valuation through the date of grant.

(in thousands, except for gram, share and per share amounts)

Stock option valuation

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model.

The inputs used in the measurement of the fair values grant date of the equity-settled share-based payment plans were as follows:

	December 31,	
	2017	2016
Fair value at grant date	$ 12.94	$ 6.93
Share price at grant date	15.94	7.44
Exercise price	15.94	7.44
Expected volatility (weighted average)	100.6%	138.1%
Expected life (weighted average)	7.4 years	8.4 years
Expected dividends	0%	0%
Risk-free interest rate (based on government bonds)	2.16%	1.54%

The Company is a private company and lacks company-specific historical and implied volatility information. The expected stock volatility is estimated based on the historical volatility of a publicly traded set of peer companies. The expected term of stock options to employees is estimated as the mid-point between the requisite service period and the end of the contractual term of the option. The expected term of stock options granted to nonemployees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option program were as follows:

	Number of Options 2017	Weighted average exercise price 2017	Number of Options 2016	Weighted average exercise price 2016
Outstanding at January 1	825,992	$ 6.17	426,168	$ 4.99
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Granted during the year	225,000	$ 15.94	399,824	$ 7.44
Outstanding at December 31	1,050,992	$ 8.26	825,992	$ 6.17
Options exercisable at December 31	564,468	$ 5.33	316,610	$ 6.20

Year	Number outstanding	Range of exercise prices	Weighted average remaining contractual life (years)
Through 2015	426,168	$2.92 - 7.29	4.8 - 7.9
2016	399,824	$3.64 - 15.79	8.3 - 8.7
2017	225,000	$15.94	9.1 - 9.6
Outstanding at December 31, 2017	1,050,992	$2.92 - 15.94	7.7 - 9.6

The options outstanding at December 31, 2017 had a weighted average exercise price of $8.26. and a weighted-average contractual life of 7.8 years. The options outstanding at December 31, 2016 had a weighted average exercise price of $8.4 and a weighted-average contractual life of 8.4 years.

(in thousands, except for gram, share and per share amounts)

Restricted stock units

In 2015, the Company awarded restricted stock units with vesting conditional on the conversion of certain convertible debt into preferred stock. In 2016 the award vested resulting in the issuance of 70,277 shares of Series A Participating Preferred stock. At December 31, 2017 and 2016 there are no outstanding restricted stock units.

Share-based payment arrangements expense

During the years ended December 31, 2017 and 2016, the Company recorded share-based compensation expense related to stock options, vesting of restricted common stock and grants of common stock in the amount of $2,547 and $1,263, respectively.

Note 15 – Income taxes

The tax provision amounts recognized in the consolidated statement of profits and losses are as follows:

	Year Ended December 31,	
	2017	2016
Current tax expense		
Current year	$ 828	$ -
Changes in estimate related to prior years	-	-
	828	-
Deferred tax expense		
Origination and reversal of temporary differences	2,856	167
Reduction in tax rate	(672)	-
Reduction of previously unrecognised tax losses	92	-
Recognition of previously unrecognized (derecognition of previously recognised) deductible temporary differences	(2,036)	
Total deferred tax expense	240	167
Provision for income taxes	$ 1,068	$ 167

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into United States law. The Tax Act includes a number of changes to existing tax law, including, among other things, a permanent reduction in the federal corporate income tax rate from 34% to 21%, effective as of January 1, 2018, as well as limitation of the deduction for net operating losses to 80% of annual taxable income and elimination of net operating loss carrybacks, in each case, for losses arising in taxable years beginning after December 31, 2017 (though any such net operating losses may be carried forward indefinitely). Under the Tax Act, the Company's deferred tax assets and liabilities were remeasured at the lower federal tax rate, resulting in an income tax benefit of $672. All of the Company's recorded income tax benefits and provisions related to the Tax Act are estimated based on guidance, interpretations and other information available. The impact of the changes in U.S. tax law may be refined as further guidance, interpretations or information becomes available.

The Company's provision for income taxes differs from applying the U.S. federal income tax rate to income before taxes primarily due to state income taxes, certain stock compensation, warrants accretion, tax credits and miscellaneous permanent differences.

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

(in thousands, except for gram, share and per share amounts)

	December 31, 2017		December 31, 2016	
Income (loss) before provision for income taxes	$ (1,068)		$ (167)	
Tax using the company's domestic tax rate	$ (1,452)	34.0%	$ 29	34.0%
Reduction in tax rate	(627)	15.7%	(3)	-3.2%
Tax effect of:				
State taxes, net of federal benefit	439	-10.3%	51	60.2%
Stock compensation	507	-11.8%	104	122.1%
Warrant accretion	-	0.0%	33	38.7%
Non-taxable partnership income	287	-6.7%	15	18.0%
Non-deductible expenses	4,105	-96.0%	148	173.6%
Transaction costs	216	-5.1%	-	0.0%
Non-taxable gain	(354)	7.1%	-	0.0%
Tax credits	(64)	1.5%	(25)	-29.4%
Other	(36)	0.9%	4	4.4%
Recognition of previously unrecognized (derecognition of previously recognised) deductible temporary differences	(1,953)	45.7%	(189)	-221.8%
	$ 1,068	-25.0%	$ 167	196.6%

Under Section 280E of the Internal Revenue Code ("IRC") prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for Federal purposes, the IRS has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The non-deductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying IRC Sec. 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses.

Changes in the Company's deferred taxes for the years ended December 31, 2017 and 2016 are as follows:

	Net balance at January 1	Recognised in profit or loss	Acquired in business combination	Net	Deferred tax assets	Deferred tax liabilities
As of December 31, 2017						
Depreciation	$ -	$ (340)	$ -	$ (340)	$ -	$ (340)
Amortization	-	17	(1,046)	(1,029)	-	(1,029)
Accrued & prepaid expenses	(167)	(871)	-	(1,038)	-	(1,038)
Stock compensation	-	815	-	815	815	-
Inventory	-	(1,097)	-	(1,097)	-	(1,097)
Tax loss carryforward	-	1,236	-	1,236	1,236	-
Tax assets (liabilites) before set-off	(167)	(240)	(1,046)	(1,453)	2,051	(3,504)
Set-off tax					(2,051)	2,051
Net tax assets (liabilities)	$ (167)	$ (240)	$ (1,046)	$ (1,453)	$ -	$ (1,453)

	Net balance at January 1	Recognised in profit or loss	Acquired in business combination	Net	Deferred tax assets	Deferred tax liabilities
As of December 31, 2016						
Accrued & prepaid expenses	$ -	$ (167)	$ -	$ (167)	$ -	$ (167)
Net tax assets (liabilities)	$ -	$ (167)	$ -	$ (167)	$ -	$ (167)

Future realization of the tax benefits of existing temporary differences and net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. As the Company generally files separate US and state tax returns for each Company within the consolidated group, the Company must evaluate the realization of deferred tax assets separately. As of December 31, 2017, the Company performed an evaluation to determine whether the net deferred tax assets at each filing group could be recognized. The Company considered all available evidence, both positive and negative, which included the results of operations for the current and preceding years. The Company determined that its Curaleaf Ohio and PalliaTech Maryland operations should not recognize their deferred tax assets due to those companies being in cumulative loss positions. During 2017, the parent company recognized its previously unrecognized deferred taxes due to achieving a three year cumulative profit. The Company's Curaleaf Maryland, PalliaTech Florida, and PalliaTech Connecticut businesses have recorded net deferred tax liabilities mostly attributed to intangibles including intangibles with indefinite lives such as goodwill, which is amortizable for tax purposes for certain of the Company's operations. PalliaTech Maine has also recorded a net deferred tax liability attributed to filing as a cash basis tax payer.

(in thousands, except for gram, share and per share amounts)

Deferred tax assets have not been recognized in respect of the following items, because it is deemed not probable that future taxable profit will be available against which the Company can utilize them.

	December 31, 2017		December 31, 2016	
	Gross amount	Tax amount	Gross amount	Tax amount
Deductible/(taxable) temporary differences	$ (66)	$ (18)	$ (2,434)	$ (821)
Tax losses	770	193	8,190	2,948
	$ 703	$ 175	$ 5,756	$ 2,127

At December 31, 2017 and 2016, the Company had tax loss carryforwards of $5,534 and $8,190, respectively, which begin to expire between 2020 through 2036 and 2019 through 2017, respectively. Ownership changes, as defined in the Internal Revenue Code, may limit the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations for both federal taxes and the many states in which the Company operates and conducts business.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently no pending tax examinations. The Company's tax years are still open under statute from December 31, 2015, to the present. The resolution of tax matters is not expected to have a material effect on the Company's consolidated financial statements.

Note 16 – Earnings per share

Basic and diluted net loss per share attributable to PalliaTech Inc. was calculated as follows:

	Year Ended December 31,	
	2017	2016
Numerator:		
Net loss and comprehensive loss	$ (5,044)	$ (13)
Less: Net loss attributable to redeemable non-controlling interest	(2,226)	-
Net income loss attributable to PalliaTech, Inc. - basic and diluted	$ (2,818)	$ (13)
Denominator:		
Weighted average common shares outstanding — basic and diluted	9,869,598	5,257,390
Loss per share — basic and diluted	$ (0.29)	$ (0.00)

The Company's potentially dilutive securities, which include stock options and warrants to purchase shares of common stock, restricted stock vesting for preferred stock and convertible notes payable, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to PalliaTech Inc. for the periods indicated because including them would have had an anti-dilutive effect:

(in thousands, except for gram, share and per share amounts)

	Year Ended December 31,	
	2017	2016
Options to purchase common stock	1,050,992	825,992
Warrants to purchase common stock	140,914	140,914
	1,191,906	966,906

In addition to the potentially dilutive securities noted above, as of December 31, 2017, the Company issued 125,527 shares of common stock to an escrow account which will be transferred to members of Blackjack upon the closing of the transaction (See Note 4).

(in thousands, except for gram, share and per share amounts)

Note 17 – Segment Reporting

The Company operates in two segments: the production and sale of cannabis; and providing non-cannabis services to licensed cannabis operators in the areas of cultivation, extraction and production and retail operations.

	Cannabis	Non-Cannabis	Total
For the year ended December 31, 2017:			
Revenues	$ 7,327	$ 11,986	$ 19,313
Gross profit	5,688	9,909	15,597
Income (loss) from operations	(8,245)	1,700	(6,545)
Net income (loss)	(10,124)	5,080	(5,044)
As of December 31, 2017:			
Total assets	$ 21,631	$ 127,920	$ 149,551
Total liabilities	34,549	10,237	44,786

	Cannabis	Non-Cannabis	Total
For the year ended December 31, 2016:			
Revenues	$ -	$ 3,708	$ 3,708
Gross profit	-	3,708	3,708
Loss from operations	-	(1,140)	(1,140)
Net loss	-	(13)	(13)
As of December 31, 2016:			
Total assets	$ -	$ 89,853	$ 89,853
Total liabilities	-	9,265	9,265

For the year ended December 31, 2017 non-cannabis revenue included $2,077 of revenue related to the sale of palm trees which were sold by MHC. As of December 31, 2017, the Company had a total of $1,791 of palm tree inventory on hand at MHC.

Note 18 – Commitments and contingencies

Operating lease

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent.

(in thousands, except for gram, share and per share amounts)

At December 31, 2017, approximate future minimum payments due under noncancelable operating leases are approximately as follows:

Year Ending December 31,	Scheduled Payments
2018	$ 2,569
2019	3,429
2020	3,152
2021	3,148
2022	3,005
2023 and thereafter	11,134
Total future minimum lease payments	$ 26,437

Rent expense, including real estate taxes and other operating costs amounted to $487 and $65 for the year ended December 31, 2017 and 2016.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management team that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its consolidated financial statements.

Legal

The Company is involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits are provided to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is management's opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on the Company.

Note 19 – Related party transaction

As of December 31, 2017 and 2016 amounts due to related parties consisted of a loan payable to a board member, the chairman and other investors in the amount of $8,570. PalliaTech and Cetus Investments Limited, an investor, entered into a Senior Unsecured Note-2020 loan on July 27, 2016 for $6,000 for the purpose of capital expenditures and acquisitions (See Note 11). PalliaTech and an entity controlled by the Chairman, Boris Jordan, entered into a Senior Unsecured Note-2019 loan on September 16, 2016 for $833 (See Note 11). The other loans dated between August 31, 2016 and October 6, 2016 in the amount of $1,737 were from minority shareholders. The related party due to balance of $8,570 is included in notes payable-related party on the consolidated statement of financial position.

As of December 31, 2017 and December 31, 2016, the Company recognized professional fees of $522 and $95 respectively in its statements of profits and losses, as payment to a director for consulting, legal and business development related services. As of December 31, 2017 and December 31, 2016, the Company recognized general and administrative fees of $76 and $49 respectively, in its statements of profits and losses for amounts paid to a director for advisory fees.

(in thousands, except for gram, share and per share amounts)

Note 20 – Fair value measurements

	Fair Value Measurements as of December 31, 2017 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Biological assets	$ -	$ -	$ 1,439	$ 1,439
	$ -	$ -	$ 1,439	$ 1,439
Liabilities:				
Non-controlling interest contingency	$ -	$ -	$ 28,346	$ 28,346
	$ -	$ -	$ 28,346	$ 28,346

Biological assets

The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The significant assumptions used in determining the fair value of biological assets include:

- Expected yield by plant;
- Wastage of plants;
- Duration of the production cycle;
- Percentage of costs incurred as of this date compared to the total costs expected to be incurred;
- Percentage of costs incurred for each stage of plant growth; and
- Market values.

These estimates are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. All plants are to be harvested cannabis and as of December 31, 2017, on average, were 57% complete.

Non-controlling interest contingency

The Company categorizes its non-controlling interest contingency within Level 3 of the fair value hierarchy. The Company measures the fair value of its non-controlling interest contingency by estimating the present value of future net cash inflows from earnings associated with the proportionate shares that are subject to sale to the Company pursuant to an exercise event. This estimation is intended to approximate the redemption value of the options as indicated in the applicable agreements. The fair value of the liability is sensitive to changes in projected earnings and thereby, future cash inflows, and the discount rate applied to those future cash inflows, which could have resulted in a higher or lower fair value measurement. At December 31, 2017 the Company evaluated whether there had been a change in fair value from the acquisition dates and determined that neither the purchase price nor the relevant discount rates would have materially changed since each company was acquired.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2017 and 2016 is the carrying amount of cash and cash

(in thousands, except for gram, share and per share amounts)

equivalents, accounts receivable and notes receivable. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's notes receivable and financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Note 21 – Non-controlling interest

As of December 31, 2017, the non-controlling interests of the Company for each affiliate before intercompany eliminations are as follows:

	MHC		DRH		Green		PC		HOH	
	December 31,									
Summarized statements of financial position	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Percentage of voting equity interests acquired	30%		49%		50%		15%		43%	
Current assets	4,899	-	3,367	-	3,833	-	15	-	1,807	-
Current liabilities	(5,461)	-	(501)	-	(1,697)	-	(7)	-	(364)	-
Current net assets (liabilities)	(562)	-	2,866	-	2,136	-	8	-	1,443	-
Non-current assets	39,323	-	23,466	-	4,138	-	3,704	-	4,767	-
Non-current liabilities	(2,816)	-	-	-	(3,576)	-	(1,756)	-	(106)	-
Non-current net assets (liabilities)	36,507	-	23,466	-	562	-	1,948	-	4,661	-
Accumulated NCI	8,606	-	12,902	-	1,336	-	293	-	2,944	-

	MHC		DRH		Green		PC		HOH	
	Year Ended December 31,									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Summarized statements of profit and loss										
Revenue	2,704	-	4,538	-	1,200	-	-	-	948	-
Profit (loss) for period	(11,821)	-	183	-	(1,522)	-	(397)	-	365	-
Net income (loss) attributable to NCI	(1,757)	-	(487)	-	(171)	-	(60)	-	249	-

Note 22 – Subsequent events

The Company has evaluated subsequent events through August 30, 2018, the date the consolidated financial statements were available to be issued.

Stock issuance

On January 5, 2018, the Company completed a private placement, issuing 1,150,747 shares of common stock at a price of $24.57 per share for cash proceeds of $28,500, net of issuance costs of $1,500.

Stock repurchase

In January and February 2018, the Company repurchased an aggregate of 126,918 shares of common stock for a weight average purchase price per share of $19.68, or a total consideration of $2,500.

Massachusetts Organic Therapy Conversion

On March 29, 2018 the Company obtained control over Massachusetts Organic Therapy ("MOT"). MOT's conversion from a nonprofit entity to a for-profit corporation. The name of the resulting entity is Curaleaf, Massachusetts, Inc.

Acquisition of Swell Management, LLC

In April 2018, the Company through its subsidiary PalliaTech AZ, Inc., entered into a Membership Interest Purchase Agreement with Swell Management, LLC., an Arizona limited liability company ("Swell") and certain individuals as listed in the Agreement to acquire 100% of the outstanding membership interest in Swell. Swell is the owner of a license to operate medical marijuana dispensary ("NHR License") and the Company wishes to obtain control of the NHR license in accordance with the terms of the license. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation and manufacturing. This transaction will be accounted for as a business combination under IFRS 3. Under the terms of the Agreement, the total consideration exchanged in connection with the Agreement consisted of the following payments due on the closing date:

- Cash consideration of $20,000 which included repayment of debt on behalf of Swell in the amount of $10,778; and
- Issuance of a Note by PalliaTech in favor of persons requested by Swell in an aggregate amount of $7,636 prior to the closing date. The Note bears interest at a rate of 6.0% per annum with a maturity date of nine months after the closing date of the Swell Agreement. The Note is secured by a pledge of 49.7% of the Company's membership interests.

The Company is currently in the process of valuing the assets acquired and liabilities assumed in the business combination and is not yet able to provide the amounts to be recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed and other related disclosures. The Company will disclose this and other related information in the amended listing statement containing financial information as of and for the three and six months ended June 30, 2018.

Unsecured related party debt financings

On May 4, 2018 the Company completed an unsecured private placement financing of $6,000 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On June 7, 2018 the Company completed an unsecured private placement bridge financing of $6,000 with a related party with a maturity date of December 7, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On July 10, 2018 the Company completed an unsecured private placement financing of $2,000 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On July 26, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 2, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 9, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

Name change to Curaleaf, Inc.

On August 16, 2018, the Company, PalliaTech, Inc., changed its name to "Curaleaf, Inc.".

Senior secured debt financing

On August 24, 2018, the Company issued $85,000 of senior secured debt (the "Cetus Senior Debt") to Cetus Investments Limited ("Cetus"). On August 27, 2018, received the first tranche of the financing of $32,445. In connection with this agreement, the Company paid a fee of $1,700 upon the initial financing. The debt matures on August 23, 2021 and bears interest at a rate of 15% per annum, of which 10% is payable in cash quarterly and 5% is payable in kind. Principal payments will made quarterly. The Cetus Senior Debt is secured by a guarantee of each wholly-owned direct and indirect subsidiary of the Company, as well as a pledge of the Company's assets and each such guarantor.

In connection with the issue of the Cetus Senior Debt, Cetus was also issued warrants which are exercisable for 110,012 shares of common stock for a nominal value. While the Cetus Senior Debt is outstanding, the Company is subject to certain negative covenants, including restrictions on its ability to pay dividends, invest in non-wholly owned entities and to incur non-subordinated debt.

The Cetus Senior Debt may be pre-paid in tranches of up to $25,000 or $50,000 upon 90 or 180 days' prior written notice. Any amount prepaid once the outstanding principal falls below $25,000 is subject to a prepayment premium.

Repayment of unsecured related party debt

In connection with the Cetus Senior Debt, the Company is required to repay an aggregate principal of $26,300, consisting of $6,000 outstanding under the Senior Unsecured Notes – 2020 and $20,300 in related party borrowings made between May and August 2018, as well as accrued interest. On August 27, 2018, the Company repaid $18,456 pertaining to these related party borrowings, consisting of $18,000 in principal and $456 in accrued interest.

Schedule D – Unaudited Consolidated Financial Statements of Curaleaf

(*See attached*)

PALLIATECH, INC.

Condensed Interim Unaudited Consolidated Financial Statements
As of and for the Three Months Ended
March 31, 2018 and 2017

(Expressed in United States Dollars in thousands)

PKF
Certified Public Accountants
A Professional Corporation

PKF
Accountants &
business advisers

Report on Review of Interim Financial Information

To the Board of Directors

PalliaTech, Inc.

We have reviewed the accompanying condensed interim consolidated balance sheet of PalliaTech, Inc. (the "Company") as of March 31, 2018 and the related condensed interim consolidated statements of profit and loss, changes in equity and cash flows for the three-month period ended March 31, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as at March 31, 2018, and its financial performance and its cash flows for the three-month period ended March 31, 2018 and 2017 in accordance with International Financial Reporting Standards.

PKF, P.C.

August 30, 2018

Telephone: (617) 753-9985 | Fax: (617) 753-9986
Email: info@pkfboston.com | Website: www.pkfboston.com
PKF | 99 Summer Street | Boston | Massachusetts 02110 | US

Note 1 – Operations of the Company

PalliaTech, Inc. (the "Company" or the "Group") was incorporated on October 5, 2010 as a Delaware corporation pursuant to the General Corporation Law of the State of Delaware and is headquartered in Wakefield, Massachusetts. Its fifth amended and restated articles of incorporation were adopted on August 1, 2016 and amended on November 28, 2016 and February 12, 2018. Pursuant to its Certificate of Amendment dated August 16, 2018, PalliaTech, Inc. changed its corporate name to Curaleaf, Inc. The Company is a life science company developing full scale cannabis operations, with core competencies in cultivation, manufacturing, dispensing, testing and medical cannabis research.

The resulting entity will carry on the business currently carried on by Curaleaf, Inc. (formerly, PalliaTech, Inc.).

The Company is subject to risks common to companies in the life sciences industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations, regulatory approval, uncertainty of market acceptance of products and the need to obtain additional financing.

Note 2 – Summary of Significant Accounting Policies

Basis of preparation

These condensed interim unaudited consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures required in annual financial statements have been condensed or omitted. These condensed interim unaudited consolidated financial statements are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since its recent year ended December 31, 2017.

These condensed interim unaudited consolidated financial statements were approved and authorized by the Board of Directors of the Company on August 30, 2018.

Functional currency

The Company and its subsidiaries' functional currency, as determined by management, is the United States ('US") dollar. These condensed unaudited interim consolidated financial statements are presented in US dollars.

Basis of consolidation

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On March 29, 2018 the Company obtained control over Massachusetts Organic Therapy ("MOT") as a result of MOT's conversion from a nonprofit entity to a for-profit corporation. The name of the resulting entity is Curaleaf, Massachusetts, Inc.

These consolidated financial statements include the accounts of the Company and its affiliates:

- PalliaTech RI, LLC, a Rhode Island limited liability company;

PalliaTech, Inc.
Condensed Interim Consolidated Statements of Financial Position
Unaudited
(In thousands, except for share and per share amounts)

	Note	March 31, 2018	December 31, 2017
Assets			
Current assets:			
Cash		$ 31,250	$ 20,975
Accounts receivable		3,987	1,246
Inventory	4	14,046	12,661
Prepaid expenses and other current assets		1,263	844
Biological assets	5	2,230	1,439
Total current assets		52,776	37,165
Property and equipment	7	30,450	23,519
Notes receivable	6	20,816	21,051
Intangible assets, net	8	26,556	27,223
Goodwill	8	33,383	31,561
Investments	3	3,987	3,754
Other assets		4,915	5,278
Total assets		$ 172,883	$ 149,551
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		$ 2,526	$ 1,720
Accrued expenses		2,824	3,073
Total current liabilities		5,350	4,793
Deferred taxes		1,230	1,453
Notes payable – related party	9	11,347	10,194
Non-controlling interest contingency	3, 18	28,346	28,346
Total liabilities		46,273	44,786
Shareholders' equity:			
Share capital		137,101	109,855
Treasury shares		(3,466)	(966)
Reserves		5,916	5,404
Accumulated deficit		(11,205)	(8,899)
Total PalliaTech, Inc. shareholders' equity		128,346	105,394
Redeemable non-controlling interest contingency	3, 18	(28,346)	(28,346)
Non-controlling interest contingency	3, 18	1,335	1,335
Redeemable non-controlling interest	3, 18	25,275	26,382
Total shareholders' equity		126,610	104,765
Total liabilities and shareholders' equity		$ 172,883	$ 149,551

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

PalliaTech, Inc.
Condensed Interim Consolidated Statements of Profit and Loss
Unaudited
(In thousands, except for share and per share amounts)

	Note	Three Months Ended March 31, 2018	2017
Revenues:			
Retail and wholesale revenue		$ 5,710	$ 940
Management fee income		3,372	2,161
Total revenues		9,082	3,101
Cost of goods sold		6,321	1,828
Increase (decrease) in fair value of biological assets	5	1,966	(138)
Gross profit		4,727	1,135
Operating expenses:			
Salaries and benefits		3,395	1,195
Sales and marketing		548	405
Rent and occupancy		592	166
Travel		586	275
Professional fees		1,427	946
General and administrative		830	108
Depreciation and amortization	7, 8	1,116	634
Share-based compensation	12	512	620
Total operating expenses		9,006	4,349
Loss from operations		(4,279)	(3,214)
Other income (expense):			
Interest income		1,455	554
Interest expense		(812)	(204)
Total other income (expense), net		643	350
Loss before provision for income taxes		(3,636)	(2,864)
Income tax recovery (expense)			
Current		(173)	(88)
Deferred, net		396	(30)
Net loss and comprehensive loss		(3,413)	(2,982)
Less: Net loss attributable to redeemable non-controlling interest		(1,107)	(1,089)
Net loss attributable to PalliaTech, Inc.		$ (2,306)	$ (1,893)
Net loss per share attributable to PalliaTech, Inc.—basic and diluted		$ (0.20)	$ (0.19)
Weighted average common shares outstanding—basic and diluted		11,650,447	9,711,328

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

PalliaTech, Inc.
Condensed Interim Consolidated Statements of Changes in Equity
Unaudited
(In thousands, except for share and per share amounts)

	Share Capital (Note 10)		Treasury Shares (Note 10)		Share-Based Reserves (Note 12)	Convertible Promissory Notes Reserves (Note 9)	Warrant Reserves (Note 11)	Total Reserves	Accumulated Deficit	Total PalliaTech, Inc. Shareholders' Equity	Redeemable Non-Contingency (Note 3 & 18)	Non-Controlling Interest (Note 3 & 18)	Redeemable Non-Controlling Interest (Note 3 & 18)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount										
Balances as of December 31, 2016	9,717,913	$ 83,812	-	$ -	$ 2,488	$ -	$ 349	$ 2,837	$ (6,084)	$ 80,565	$ -	$ -	$ -	$ 80,565
Redeemable non-controlling interest in connection with acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	25,389	25,389
Share based compensation	-	-	-	-	620	-	-	620	-	620	-	-	-	620
Net loss	-	-	-	-	-	-	-	-	(1,893)	(1,893)			(1,069)	(2,962)
Balances as of March 31, 2017	9,717,913	83,812	-	$ -	$ 3,108	$ -	$ 349	$ 3,457	$ (7,974)	$ 79,315	$ -	$ -	$ 24,300	$ 103,615
Balances as of December 31, 2017	10,728,995	$ 109,855	80,525	$ (966)	$ 5,035	$ -	$ 369	$ 5,404	$ (8,899)	$ 105,394	$ (28,346)	$ 1,335	$ 28,382	$ 104,765
Repurchase of common shares	-	-	126,918	(2,500)	-	-	-	-	-	(2,500)	-	-	-	(2,500)
Issuance of common shares, net of issuance costs of $1,500	1,220,733	28,791	-	-	-	-	-	-	-	28,791	-	-	-	28,791
Share-based compensation	-	-	-	-	512	-	-	512	-	512	-	-	-	512
Buyout of predecessor owner		(1,545)			-	-	-	-		(1,545)	-	-	-	(1,545)
Net loss	-	-	-	-	-	-	-	-	(2,306)	(2,306)	-	-	(1,107)	(3,413)
Balances as of March 31, 2018	11,949,728	137,101	207,443	$ (3,466)	$ 5,547	$ -	$ 369	$ 5,916	$ (11,205)	$ 128,346	$ (28,346)	$ 1,335	$ 25,275	$ 126,610

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

PalliaTech, Inc.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited
(In thousands, except for share and per share amounts)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	$ (3,413)	$ (2,982)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,347	667
Share-based compensation	512	620
Noncash interest expense	25	23
Change in the fair value of biological assets	(3,633)	(393)
Deferred taxes	(223)	118
Changes in operating assets and liabilities		
Accounts receivable	(2,726)	(56)
Biological assets	3,369	346
Inventory	(197)	(231)
Prepaid expenses and other current assets	(187)	(693)
Other assets	387	29
Accounts payable	92	262
Accrued expenses	(483)	(788)
Net cash used in operating activities	(5,130)	(3,078)
Cash flows from investing activities:		
Notes receivable	(3,127)	(11,389)
Purchases of property and equipment	(6,517)	(2,404)
Conversion of nonprofit entity, cash received	190	-
Purchase of licenses	(238)	-
Net assets acquired as part of Costa Nursery Farms acquisition, net of cash acquired	-	(18,654)
Net assets acquired as part of Doubling Road Holdings acquisition, net of cash acquired	-	(9,810)
Net cash used in investing activities	(9,692)	(42,257)
Cash flows from financing activities:		
Purchase of additional interest in subsidiary	(1,500)	-
Proceeds from senior unsecured notes	306	-
Share repurchase	(2,500)	-
Issuance of common shares	28,791	-
Net cash provided by financing activities	25,097	-
Net increase (decrease) in cash	10,275	(45,335)
Cash at beginning of period	20,975	65,857
Cash at end of period	$ 31,250	$ 20,522
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 241	$ 343
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of nonprofit entity	$ (3,284)	$ -
Settlement of debt on acquisition	3,518	-
Purchase of additional interest in subsidiary	(45)	-

The accompanying notes are an integral part of these condensed unaudited interim consolidated financial statements.

- PalliaTech Maine, Inc., a Maine corporation;
- PalliaTech OR, LLC, an Oregon limited liability company;
- Curaleaf Ohio, Inc., an Ohio corporation;
- PalliaTech NV, Inc., a Nevada corporation;
- PalliaTech NY Holdings, Inc., a New York corporation;
- Curaleaf Maryland, Inc., a Maryland corporation
- PalliaTech Maryland, LLC, Maryland limited liability company;
- PalliaTech CT, Inc., a Connecticut corporation;
- PalliaTech PA, LLC, a Pennsylvania limited liability company;
- Focused Investment Partners, LLC, a Florida limited liability company;
- PalliaTech FL, Inc, a Florida corporation, and
- Curaleaf Massachusetts, Inc. a Massachusetts corporation.

All significant intercompany balances and transactions were eliminated on consolidation.

Unaudited interim consolidated financial information

The accompanying condensed unaudited interim consolidated statement of financial position as of March 31, 2018, the condensed unaudited interim consolidated statements of profit and loss for the three months ended March 31, 2018 and 2017, the condensed unaudited interim consolidated statements of cash flows for the three months ended March 31, 2018 and 2017 and the condensed unaudited interim consolidated statement of changes in equity as of March 31, 2018 and 2017 are unaudited. The condensed unaudited interim consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of March 31, 2018 and the results of its operations for the three months ended March 31, 2018 and 2017 and its cash flows for the three months ended March 31, 2018 and 2017. The financial data and other information disclosed in these condensed unaudited interim consolidated notes related to the three months ended March 31, 2018 and 2017 are unaudited. The results for the three months ended March 31, 2018 are not necessarily indicative of results to be expected for the year ending December 31, 2018, any other interim periods or any future year or period.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and biological assets which were measured at fair value.

Segment reporting

The Company manages its operations in two segments for the purposes of assessing performance and making operating decisions. The Company's segments are cannabis and non-cannabis operations.

Credit risk

The Company operates primarily in cash transactions with its customers at the point of sale. Accounts receivable as of March 31, 2018 and December 31, 2017 consists primarily of management fee income. Management determines credit risk to be minimal with respect to accounts receivable and determined a reserve for accounts receivable is not required as of March 31, 2018 and December 31, 2017.

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents, trade and other receivables, and promissory notes receivable. The Company's cash deposits may at times exceed Federal insurance limits.

The risk exposure is limited to their carrying amounts at the statement of financial position date. The risk for cash and cash equivalents is mitigated by holding these instruments with major financial institutions. The Company periodically assesses the quality of the credit rating of the financial institutions. Trade accounts receivable and notes receivable credit risk arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

Capital management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities. As of March 31, 2018, the Company is not subject to externally imposed capital requirements.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities at time of purchase of 90 days or less to be cash equivalents.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of March 31, 2018 and December 31, 2017, restricted cash totaled $4,687 and $4,859, respectively, which is related to amounts that are held in escrow by the PalliaTech Florida, Inc. entity with $125 being transferred to

(In thousands, except for share and per share amounts)

the Company on a monthly basis as well as deposits for consulting services. The remaining balance in other assets consists primarily of deposits for certain operating leases.

Inventory

Inventory is stated at lower of cost or net realizable value ("NRV"). NRV is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost. The Company utilizes the most reliable evidence available to determine if inventory should be written-down below its current carrying value. As of March 31, 2018 and December 31, 2017, the Company recorded an NRV inventory reserve of $348 and $292, respectively.

Biological assets

Expenditures incurred on biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in accordance with IAS 41. The gain or loss arising on initial recognition of such biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in consolidated statement of profits and losses for the period in which it arises. The Company has elected to measure biological assets at fair value less cost to sell. As of March 31, 2018 and December 31, 2017, the company recorded biological assets of $2,230 and $1,439, respectively.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount, which may bear interest and do not require collateral. Past due balances are determined based on the contractual terms of the arrangements. The Company estimates its allowance for doubtful accounts based on specific identification of probable credit losses and historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company determined as of March 31, 2018 and December 31, 2017, there was no allowance for doubtful accounts required.

Notes receivable

The Company provides financing to select customers for use in their application for regulatory licenses and development of their business.

Notes receivable are recorded net of any unamortized deferred fees and incremental direct costs. Interest income and amortization of any fees are recorded ratably over the related term of the note. The Company considers these receivables to have similar risk characteristics as its accounts receivable, as they relate to the ongoing business agreements with customers and evaluates them as one collective portfolio segment and class for determining the allowance for doubtful accounts. The Company determined as of March 31, 2018 and December 31, 2017, there was no allowance for doubtful accounts required.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

	Estimated Useful life
Information technology	5 years
Furniture and fixtures	7 years
Building and improvements	15 to 39 years
Leasehold improvements	Lesser of lease term or 7 to 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year- end and adjusted prospectively if appropriate. Construction in progress is measured at cost. Upon completion of the construction, construction in progress will be reclassified as building or leasehold improvements depending on the nature of the assets and depreciated over the estimated useful life of the asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of profit and loss in the year the asset is derecognized.

Intangible assets subject to amortization

Intangible assets include intellectual property either owned by the Company or for which the Company has a license. Intangible assets acquired in a business combination are recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired, and reported net of accumulated amortization, separately from goodwill. Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets include licenses to cultivate, process and sell cannabis, trade names and non-compete agreements obtained through business acquisitions. Amortization is calculated on the straight-line method based on the following estimated useful lives:

Licenses	12-20 years
Trade names	5-15 years
Non-compete agreements	1-2 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. For the three months ended March 31, 2018 and 2017, the Company did not recognize any impairment losses.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination. The Company has determined that the goodwill recognized in connection with all acquisitions to date belong to the cannabis segment.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

Impairment is determined by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized with respect to a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statement of profit and loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. For the three months ended March 31, 2018 and 2017, the Company did not recognize any impairment losses.

Debt with warrants and convertible options

The Company issues debt that may have separate warrants, conversion features or no equity-linked attributes. The convertible notes and debt with warrants issued by the Company are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The liability component is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is

initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not remeasured. No gain or loss is recognized at maturity or early conversion of the debt.

Leased assets

A lease of property and equipment is classified as a capital lease if it transfers substantially all the risks and rewards incidental to ownership to the Company. A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the Company. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Income taxes

Interim period income tax is recognized based on the estimated effective annual tax rate.

Revenue recognition

The Company adopted IFRS 15 Revenue from Contracts with Customers on January 1, 2018 using the modified retrospective approach where the cumulative impact of adoption is recognized in retained earnings as of January 1, 2018 and comparatives are not restated. The adoption of this new standard did not have a material impact on the financial position and performance of the Company.

Revenue from the sale of cannabis is recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer.

Revenue from management and consulting services are recognized over the term of the arrangement as services are provided.

Sales taxes

Sales taxes collected from customers are excluded from revenues.

Share-based payment arrangements

The Company measures all stock options and other share-based payment arrangements to employees and directors at the fair value on the date of the grant using the Black-Scholes option-pricing model. The Company uses the Black-Scholes option pricing model to determine the grant-date fair value of options and warrants. The inputs into the Black- Scholes model, including the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate are determined by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

Comprehensive income (loss)

Comprehensive income (loss) includes net income (loss) as well as other changes in the consolidated statement of changes in equity that result from transactions and economic events other than those with shareholders. There was no difference between net income (loss) and comprehensive income (loss) for each of the periods presented in the accompanying interim consolidated financial statements.

Net loss per common share, basic and diluted

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants, convertible debt and share options issued. Items with an anti-dilutive impact are excluded from the calculation. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Initial measurement of financial assets and financial liabilities

Financial assets and liabilities are recognized at fair value upon initial recognition plus any directly attributable transaction costs when not subsequently measured at fair value through profit or loss.

Subsequent measurement

Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, available for sale, and other financial liabilities.

Financial assets

Financial assets

Financial assets not classified as Fair Value Through Profit or Loss ("FVTPL"), including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;

- indications that a debt or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at both the individual and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit and loss.

Equity-accounted investments

An impairment loss with respect to an equity-accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit and loss and is reversed if there has been a favorable change in the estimates used to determine recoverable amount.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed unaudited interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed unaudited interim consolidated financial statements are described below.

Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Biological assets

Biological assets are dependent upon estimates of future economic benefits as a result of past events to determine the fair value through an exercise of significant judgment by the Company. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. When market observable data is not available, the Company engages qualified third party valuation consultants to perform the valuation. With respect to certain biological assets, where there is no active market for the unharvested produce, the valuation committee arrives at the fair value by way of a reverse working from the value of the inventory.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Non-controlling interests

Non-controlling interests are classified as a separate component of equity in the Company's consolidated statement of financial position and statements of members' equity. Net income (loss) attributable to non-controlling interests are reflected separately from consolidated statement of profits and losses net income (loss) in the consolidated statements of comprehensive loss and members' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. In addition, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value and the difference between the carrying value and fair value of the retained interest will be recorded as a gain or loss.

Redeemable non-controlling interests

IFRS do not have a specific standard or interpretation for the accounting of commitments to purchase non-controlling interests, mainly with respect to the accounting for the subsequent remeasurement of the carrying amount of the related financial liability. In such circumstances, the Company has to define its own accounting policy in accordance with IAS 8 until the issuance of new standards and interpretations by the IASB or the IFRS IC.

Non-controlling interests with redemption features, such as put options, that are not solely within the Company's control are considered redeemable non-controlling interests and are recognized in equity and attributed its share or profit or loss when the risk and rewards of ownership remain with the non-controlling interests.

A financial liability, non-controlling interest contingency, is recognized for the present value of the redemption amount if it is contractually fixed or at estimated fair value if it is not contractually fixed. A corresponding charge is made directly to an equity reserve on initial recognition. Changes in the subsequent measurement of the obligation are recognized in the consolidated statement of profits and losses.

Non-controlling interest contingency

The Company measures the fair value of its non-controlling interest contingency by estimating the present value of future net cash inflows from earnings associated with the proportionate shares that are subject to sale to the Company pursuant to an exercise event. This estimation is intended to approximate the redemption value of the options as indicated in the applicable agreements. The fair value of the liability is sensitive to changes in projected earnings and thereby, future cash inflows, and the discount rate applied to those future cash inflows, which could have resulted in a higher or lower fair value measurement.

Measurements of fair values

The Company's financial instruments consist of cash, restricted cash, notes receivable, accounts payable, accrued expenses, long-term debt and redeemable non-controlling contingency. The fair values of cash, restricted cash, notes receivable, accounts payable and accrued expenses approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash and restricted cash as FVTPL and accounts payable, accrued expenses, and long-term debt as other financial liabilities. The fair value of cash and restricted cash is based on level 1 inputs of the fair value hierarchy.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company's assets measured at fair value on a nonrecurring basis include long-lived assets and indefinite-lived intangible assets. The Company reviews the carrying amounts of such assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable or at least annually as of December 31, for indefinite-lived intangible assets and goodwill. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered to be Level 3 measurements

There have been no transfers between fair value levels during the three months ended March 31, 2018 or 2017.

Share-based payment arrangements

The Company uses the Black-Scholes option pricing model to determine the fair value of share-based payment arrangements granted to employee and non-employees. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Goodwill impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the CGU unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Deferred tax asset

Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Recent accounting pronouncements

The following IFRS standard has been recently issued by the IASB. The Company is assessing the impact of this new standard on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

Note 3 – Acquisitions

Massachusetts Organic Therapy, a Massachusetts corporation

On March 29, 2018 ("date of control") the Company obtained control over Massachusetts Organic Therapy ("MOT") as approved by the Commonwealth of Massachusetts. The control was obtained as a result of MOT converting from a nonprofit entity to a for-profit corporation. The name of the resulting entity is Curaleaf, Massachusetts, Inc.

The following table summarizes the assets obtained and liabilities assumed as a result of the Company gaining control over MOT:

(In thousands, except for share and per share amounts)

Cash	$	190
Accounts receivable		14
Prepaids an other current assets		232
Inventory		1,188
Biological assets		527
Property and equipment		1,087
Other long term assets		26
Goodwill		1,822
Liabilities		(1,612)
Net assets	$	3,474

The assets and liabilities of MOT are recorded in the Company's consolidated financial statements at their carrying value. Preliminary goodwill is calculated as the excess carrying value of MOT's net assets. The Company will perform an analysis to identify intangible assets and will allocate goodwill as deemed appropriate. Consideration transferred consisted of the effective settlement of $3,518 in debt.

The results of MOT have been included in the consolidated financial statements since the date of control. Revenue and net loss of MOT included in the consolidated financial statements from the date of control through March 31, 2018 were $27 and $28, respectively.

Costa Nursery Farms, LLC, a Florida limited liability company d/b/a Modern Health Concepts

The Company, through its wholly owned subsidiary PalliaTech Florida, Inc., owns 75% of PalliaTech Florida, LLC ("PT Florida"). On December 8, 2016, PT Florida entered into a Membership Interest Purchase Agreement (the "MHC Agreement") with Costa CB Holdings, LLC ("CB Holdings") to acquire 70% of all outstanding membership units of Costa Nursery Farms, LLC dba Modern Health Concepts ("MHC"), a wholly owned subsidiary of CB Holdings. The transaction closed on January 3, 2017. The resulting purchase resulted in the Company effectively acquiring a 52.5% ownership interest in MHC. MHC is a South Florida based fully-fledged medical cannabis facility. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation and manufacturing.

This acquisition qualified as a business combination under IFRS 3 and the Company has recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the purchase price and non-controlling interest in MHC over the fair value of the tangible and identifiable intangible assets acquired less the liabilities assumed has been recorded as goodwill. The goodwill of $13,470 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

The Company acquired 70% of MHC through a cash purchase price of $28,000 which included a debt repayment of $9,346 to a third party on behalf of MHC.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

(In thousands, except for share and per share amounts)

Accounts receivable	$	730
Prepaid expenses and other assets		183
Inventory		2,013
Property and equipment		4,140
Intangible assets:		
Licenses		19,710
Trade names		330
Non-compete agreements		700
Goodwill		13,470
Liabilities		(1,276)
Redeemable non-controlling interest		(12,000)
Consideration transferred	$	28,000

The assets and liabilities of MHC are recorded in the Company's consolidated financial statements at their estimated fair values. Goodwill, which is expected to be deductible for statutory tax purposes, is calculated as the excess value of consideration paid over the fair value of assets acquired and liabilities assumed, net of the non-controlling interest. The purchase price resulted in goodwill of $13,470. The historical carrying values of current assets and liabilities approximate their fair value on the date of acquisition due to their short-term nature. The net book value of acquired property and equipment acquired approximates the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements, trade names and non-compete agreements valued at $20,740. Licensing agreements, trade names and non-compete agreements are being amortized on a straight-line basis over their respective useful lives of twelve, six and two years respectively. Valuation of the licensing agreements was derived from the discounted cash flow method. Valuation of the trade name intangible assets was derived from the relief from royalty method. Valuation of the non-compete agreements was derived from the with or without cash flow method.

The results of MHC have been included in the consolidated financial statements since the date of acquisition. Revenue and net loss of MHC included in the consolidated financial statements from the acquisition date through December 31, 2017 were $2,704 and $9,659, respectively.

During the year ended December 31, 2017, the Company recorded $212 of transaction expenses related to travel and third-party legal and accounting services in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

During the three months ended March 31, 2018 and 2017, the Company recorded $85 and $1 of transaction expenses related to travel and third-party legal and accounting services in connection with the acquisition, respectively. These costs are included in general and administrative expenses in the Company's consolidated statement of operations.

The non-controlling interest of $12,000 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the Fair Value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The MHC Agreement contains a put option under which the noncontrolling interest may require the Company to redeem its equity interest in MHC at the latest of the second anniversary of the date of acquisition or the issuance of certain regulatory agency policies or at any time prior to certain liquidity events. The redemption value is to be determined by mutual agreement or by an outside valuation expert subject to certain parameters that include a "floor" amount of $12,000 and a "ceiling" amount equal to 75% of the excess of the fair market value over $40,000 times the percentage interest held by the noncontrolling interest (30% at the acquisition date). The Company has a call option under which it may require the noncontrolling interest to sell under the same terms at the latest of the third anniversary of the acquisition date and either the issuance of certain regulatory agency policies or the implementation of such policies.

(In thousands, except for share and per share amounts)

The noncontrolling interest may elect to receive the redemption amount either in cash or in shares of the Company at fair market value. If a cash settlement election is made the Company has the option to pay 50% of redemption amount in cash and the remainder by issuing a senior secured promissory note with a one-year maturity, subject to change under certain circumstances.

Doubling Road Holdings, LLC, a Delaware limited liability company

On December 15, 2016 the Company, through its subsidiary PalliaTech CT, LLC, entered into a Preferred Unit Purchase Agreement (the "DRH Agreement") with Doubling Road Holdings, LLC, a Delaware limited liability ("DRH") and certain members of DRH as listed in the DRH Agreement (the "Members") to acquire 51% of all outstanding membership units in DRH (The "Purchased Units"). DRH is a Connecticut based licensed cannabis facility.

The acquisition was accomplished through a series of transactions that included a redemption by DRH of the number of Preferred Units equal to the number of the Purchased Units in the DRH Agreement, extinguishment of the Priority Returns on the Preferred Units and a redemption of all of its outstanding common units. All of the Preferred Units that remain outstanding immediately following the unit redemptions were converted into a new series of membership interests in DRH to be designated as Series A2 Preferred Units. DRH then issued the Series A2 Preferred Units to the Company, such that on March 8, 2017, upon consummation of the transaction the Company owned 51% of all of the membership interests in DRH. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation, manufacturing, processing and dispensing.

This acquisition qualified as a business combination under IFRS 3 and the Company has recorded all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the purchase price and non-controlling interest in DRH over the fair value of the tangible and identifiable intangible assets acquired less the liabilities assumed has been recorded as goodwill. The goodwill of $14,302 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the businesses. These synergies include the elimination of redundant facilities and functions and the use of the Company's existing commercial infrastructure to expand sales.

The Company acquired a 51% ownership in DRH through a cash purchase price of $10,835.

The following table summarizes the allocation of the aggregate purchase price to the estimated fair value of the net assets acquired:

Cash	$	235
Accounts receivable		78
Prepaid expenses and other current assets		123
Inventory		596
Biological assets		293
Property and equipment		3,530
Other assets		240
Intangible assets :		
Licenses		4,250
Trade name		1,040
Goodwill		14,302
Liabilities		(463)
Redeemable non-controlling interest		(13,389)
Consideration transferred	$	10,835

The assets and liabilities of DRH are recorded in the Company's consolidated financial statements at their estimated fair values. Goodwill, which is expected to be deductible for statutory tax purposes, is calculated as the excess value of consideration paid over the fair value of assets acquired and liabilities assumed, net of the non-controlling interest. The purchase price resulted in goodwill of $14,302. The historical carrying values of current assets and liabilities approximated their fair value on the date of acquisition due to their short-term nature. The net book value of property and equipment acquired approximated the fair value of the assets on the date of acquisition. The Company identified intangible assets consisting of licensing agreements and trade names that were valued at $5,290. Licensing agreements and trade names are being amortized on a straight-line basis over their respective useful lives of 20 and 14 years respectively. Valuation of the licensing agreements was derived from the discounted cash flow method. Valuation of the trade names was derived from the relief from royalty method.

The results of DRH have been included in the consolidated financial statements since the date of the acquisition. Revenue and net income of DRH included in the consolidated financial statements from the acquisition date through December 31, 2017 were $4,538 and $183, respectively.

During the year ended December 31, 2017, the Company recorded $124 of transaction expenses related to third-party legal, accounting and shareholder representative services incurred in connection with the acquisition. These costs are included in general and administrative expenses in the Company's consolidated statement of profits and losses.

During the three months ended March 31, 2018 and 2017, the Company recorded $106 and $0 of transaction expenses related to travel and third-party legal and accounting services in connection with the acquisition, respectively. These costs are included in general and administrative expenses in the Company's consolidated statement of operations.

The non-controlling interest of $13,389 was calculated using the fair value method of the assets acquired and liabilities assumed. The value used in this determination was the purchase price for the controlling interest. The Company used the fair value method as it believes that the risks and rewards of the acquired entity are shared by the Company and the non-controlling interest. The DRH purchase agreement contains a put option under which the noncontrolling interest may require the Company to redeem its equity interest in DRH after one year of the date of acquisition or at any time prior to certain liquidity events in exchange for shares of the Company at fair market value. The Company has a call option under which it may require the noncontrolling interest to sell under the same terms. The redemption value is to be determined by mutual agreement or by an outside valuation expert.

(In thousands, except for share and per share amounts)

Note 4 – Inventory

Inventory consisted the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Raw Materials		
Harvested cannabis	10,158	7,465
Harvested trim	1,086	596
Total raw materials	11,244	8,061
Work-in-process		
Processing	1,591	2,131
Finished Goods		
Consumables	531	383
Flower	139	36
Extracts	889	551
Majesty palms	-	1,791
Total finished goods	1,559	2,761
Inventory write-down	(348)	(292)
Total Inventory	$ 14,046	$ 12,661

During the years ended December 31, 2017, relief of inventories of $8,058 were recognized as an expense and included in cost of goods sold on the consolidated statement of profits and losses. As of March 31, 2018 and December 31, 2017, the Company recorded NRV inventory write-downs of $348 and $292, respectively.

Note 5 – Biological assets

The following table is a reconciliation of carrying amount of the biological assets:

Balance at December 31, 2017	$	1,439
Assets obtained in the conversion of Massachusetts Organic Therapy		527
Changes in fair value less cost to sell due to biological transformation		3,633
Transferred to inventory upon harvest		(3,369)
Balance at March 31, 2018	$	2,230

Biological assets consisted of actively growing cannabis plants to be harvested as agricultural produce.

The average grow cycle of plants up to the point of harvest is approximately twelve weeks. Plants not in production are valued at the fair market value less costs to sell. Plants in production are plants that are in the flowering stage and are valued at fair value less cost to complete and cost to sell, where fair value represents the Company's selling price per gram of dried cannabis.

(In thousands, except for share and per share amounts)

As of March 31, 2018, it was expected that the Company's biological assets would yield approximately 1,014,614 grams of medical cannabis when harvested. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

Note 6 – Notes receivable

Notes receivable bear interest at fixed rates ranging from 10% to 20% and mature at various times through 2020. Certain notes are secured by assets or ownership interests in the customers' business. The Company did not have any past due notes receivable amounts the three months ended March 31, 2018 and 2017.

Notes receivable consisted the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Notes receivable from CS-ATC	$ 19,619	$ 15,980
Notes receivable from MassOrganic	-	2,726
Notes receivable Evio Labs	534	1,043
Notes recievable Signal Bay	500	500
Notes receivable from RMC	589	574
Notes receivable from other third parties	574	228
	$ 21,816	$ 21,051

Note 7 – Property and equipment

Property and equipment and related depreciation and amortization consist of the following:

	March 31, 2018	December 31, 2017
Land	$ 210	$ 210
Building and improvements	24,430	17,725
Furniture and fixtures	6,254	5,053
Information technology	256	243
Construction in progress	1,580	1,513
Total property and equipment, gross	32,730	24,744
Less: Accumulated depreciation and amortization	(2,280)	(1,225)
Property and equipment, net	$ 30,450	$ 23,519

Note 8 – Goodwill and intangibles assets

The Company has determined that the goodwill associated with all acquisitions belong to the cannabis segment. There was no goodwill associated with the non-cannabis segment as of March 31, 2018 or December 31, 2017. The changes in the carrying amount of goodwill for the cannabis segment for the three months ended March 31, 2018 and the year ended December 31, 2017 are as follows:

(In thousands, except for share and per share amounts)

	Balance at December 31, 2017	Additions from Acquisitions	Balance at March 31, 2018
Acquisition of Modern Health Concepts	$ 13,470	$ -	$ 13,470
Acquisition of Curaleaf	14,302	-	14,302
Acquisition of Pharmaculture	1,748	-	1,748
Acquisition of Las Vegas Natural Caregivers	2,041	-	2,041
Conversion of Massachusetts Organic Therapy	-	1,822	1,822
Total Goodwill	$ 31,561	$ 1,822	$ 33,383

There were no impairments recorded against goodwill during the three months ended March 31, 2018 or 2017.

Identifiable intangible assets consisted of the following as of March 31, 2018 and December 31, 2017:

	Balance at December 31, 2017	Additions from Acquisitions	Accumulated Amortization	Balance at March 31, 2018
Licenses	$ 27,347	$ -	$ (2,467)	$ 24,880
Trade names	1,580	-	(175)	1,405
Non-compete agreements	730	-	(459)	271
Total	$ 29,657	$ -	$ (3,101)	$ 26,556

Amortization of intangible assets, calculated on a straight-line basis, was $667 and $520 for the three months ended March 31, 2018 and 2017, respectively. Estimated future annual amortization expense related to these intangibles assets is as follows:

Year Ending December 31,	Estimated Amortization
2018 *(remaining nine months)*	$ 2,570
2019	2,208
2020	2,206
2021	2,206
2022	2,200
2023 and thereafter	15,166
	$ 26,556

Note 9 – Long-term debt

Long-term debt consists of the following:

(In thousands, except for share and per share amounts)

	March 31, 2018	December 31, 2017
Senior unsecured notes – 2019		
Principal amount	$ 2,570	$ 2,570
Unamortized debt discount	(222)	(248)
Net carrying amount	2,348	2,322
Senior unsecured note – 2020	6,000	6,000
Secured promissory notes - 2029	2,179	1,872
Massachusetts third party debt	820	—
	$ 11,347	$ 10,194

The 2019 and 2020 notes rank pari passu with respect to payment and are senior to all other indebtedness of the Company. The notes contain customary terms and conditions, representations and warranties, and events of default. In addition, all amounts outstanding may become immediately due upon the consummation of a change of control transaction or the sale of the business, as defined in the agreement.

Senior unsecured notes – 2019

In 2016, the Company entered into promissory note agreements (altogether, the "Senior Unsecured Notes – 2019") with various related parties (see Note 16) for an aggregate principal amount of $2,570.

The Senior Unsecured Notes – 2019 require interest-only payments at a rate of 14% per annum, payable quarterly, prior to maturity on December 30, 2019. Upon maturity, the Company shall pay all principal and accrued but unpaid interest. At its option, the Company may prepay the notes in full at any time before maturity

In connection with the Senior Unsecured Notes – 2019, the Company issued to the noteholders warrants to purchase 140,914 shares of common stock at an exercise price of $3.64 per share. These notes with warrants are compound financial instruments which are accounted for separately by their components. The liability component of the notes was recorded at fair value in the amount of $2,201 and the equity component at the residual amount of $369. A debt discount is reflected as a reduction of the carrying value of the long-term debt on the Company's consolidated statement of financial position and is being amortized to interest expense over the term of the notes using the effective interest method.

The Company recognized interest expense under the Senior Unsecured Notes – 2019 of $116 and $111 for the three months ended March 31, 2018 and 2017, respectively, including interest expense related to the amortization of the debt discount of $26 and $21.

Senior unsecured note – 2020

In July 2016, in connection with the Company's private placement for the issuance of shares of common stock, the Company entered into a promissory note agreement (the "Senior Unsecured Note – 2020") with a related party (see Note 16) for a principal amount of $6,000.

The Senior Unsecured Note – 2020 requires interest-only payments at a rate of 10% per annum, payable quarterly, prior to maturity on July 29, 2020. Upon maturity, the Company shall pay all principal and accrued but unpaid interest. At its option, upon three months prior notice, the Company may prepay all or part of the notes on any interest payment date before maturity.

(In thousands, except for share and per share amounts)

The Company recognized interest expense under the Senior Unsecured Note – 2020 of $337 and $337 for the three months ended March 31, 2018 and 2017, respectively.

Secured promissory notes

In August 2017, the Company entered into two secured promissory notes (collectively the "Promissory Notes") with certain individuals for an aggregate principal amount of $1,616 or $808 for each Promissory Note. The Promissory Notes accrue interest at a rate of 12% per annum on the first $112 and 14% per annum on the remaining balance. Principal and interest are due in full on May 1, 2029.

The Company recognized interest expense under the Promissory of $55 and $0 for the three months ended March 31, 2018 and 2017, respectively.

Future maturities

As of March 31, 2018, future principal payments due under the Senior Unsecured Notes – 2019 and Senior Unsecured Notes – 2020 were as follows:

Year Ending December 31,	Amount
2019	$ 2,570
2020	6,000
	$ 8,570

Note 10 – Shareholders' equity

Common stock

As of March 31, 2018 and December 31, 2017, the Company was authorized to issue up to 12,000,000 and 16,500,000 shares of common stock, respectively, with a par value $0.00001 per share.

As of March 31, 2018 and December 31, 2017, the Company had 11,822,830 and 10,728,885 shares of common stock issued and outstanding, respectively.

As of March 31, 2018 and December 31, 2017, the Company had reserved 1,010,525 and 1,080,525 shares of common stock, respectively, for the exercise of outstanding stock options, the number of shares remaining available for grant under the Company's 2011 and 2015 Equity Incentive Plans and the exercise of outstanding warrants to purchase shares of common stock.

Treasury shares

In the three months ended March 31, 2018, the Company repurchased an aggregate of 126,918 shares of common stock for a purchase price of $17.50-21.00 per share, or a total of $2,500. The amount is reflected as treasury stock in consolidated statement of financial position.

Note 11 – Warrants

As of March 31, 2018 and December 31, 2017, outstanding warrants to purchase shares of common stock consisted of the following:

(In thousands, except for share and per share amounts)

March 31, 2018 (unaudited)

Date Exercisable	Number of Shares Issuable	Exercise Price	Exercisable for	Classification	Expiration
September 30, 2016	1,578	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2016	10,583	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
March 31, 2017	10,573	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
June 30, 2017	10,696	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
September 30, 2017	10,812	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2017	10,812	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
March 31, 2018	10,573	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
	65,627				

December 31, 2017

Date Exercisable	Number of Shares Issuable	Exercise Price	Exercisable for	Classification	Expiration
September 30, 2016	1,578	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2016	10,583	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
March 31, 2017	10,573	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
June 30, 2017	10,696	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
September 30, 2017	10,812	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
December 31, 2017	10,812	$ 3.64	Common stock	Equity	Ten years from the agreement date of the Senior Unsecured Notes - 2019
	55,054				

As of March 31, 2018 and December 31, 2017, the Company had accrued a total of 65,627 and 55,054 of exercisable warrants to purchase shares of common stock, respectively. As of March 31, 2018 and December 31, 2017, 75,287 and 85,860 warrants remain issued but not exercisable.

Note 12 – Share-based payment arrangements

Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option program were as follows:

(In thousands, except for share and per share amounts)

	Number of Options 2018	Weighted average exercise price 2018	Number of Options 2017	Weighted average exercise price 2017
Outstanding at January 1	1,050,992	$ 8.26	825,992	$ 8.40
Forfeited during the three month period	(62,500)	15.79	-	-
Exercised during the three month period	(70,000)	4.15	-	-
Granted during the three month period	60,000	$ 26.07	75,000	$ 15.94
Outstanding at March 31	978,492	$ 8.26	900,992	$ 6.99
Options exercisable at March 31	567,783	$ 6.25	336,243	$ 4.77

Share-based payment arrangements expense

During the three months ended March 31, 2018 and 2017, the Company recorded share-based compensation expense related to stock options, vesting of restricted common stock and grants of common stock in the amount of $512 and $620, respectively.

Note 13 – Earnings per share

Basic and diluted net loss per share attributable to PalliaTech Inc. was calculated as follows:

	Three Months Ended March 31,	
	2018	2017
Numerator:		
Net loss and comprehensive loss	$ (3,413)	$ (2,982)
Less: Net loss attributable to redeemable non-controlling interest	(1,107)	(1,089)
Net income (loss) attributable to PalliaTech, Inc. - basic and diluted	$ (2,306)	$ (1,893)
Denominator:		
Weighted average common shares outstanding — basic and diluted	11,650,447	9,711,328
Earnings (loss) per share — diluted	$ (0.20)	$ (0.19)

The Company's potentially dilutive securities, which include stock options and warrants to purchase shares of common stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common shareholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to PalliaTech Inc. for the periods indicated because including them would have had an anti-dilutive effect:

(In thousands, except for share and per share amounts)

	Three Months Ended March 31,	
	2018	2017
Options to purchase common stock	978,492	900,992
Warrants to purchase common stock	65,627	22,734
	1,044,119	923,726

In addition to the potentially dilutive securities noted above, as of March 31, 2018, the Company issued 125,527 shares of common stock to an escrow account which will be transferred to members of Blackjack upon the closing of the transaction.

Note 14 – Segment reporting

The Company operates in two segments: the production and sale of cannabis; and providing non-cannabis services to licensed cannabis operators in the areas of cultivation, extraction and production and retail operations.

	Cannabis	Non-Cannabis	Total
For the three months ended March 31, 2018:			
Revenues	$ 5,710	$ 3,372	$ 9,082
Gross profit	$ 1,355	$ 3,372	$ 4,727
Income (Loss) from operations	$ (4,895)	$ 616	$ (4,279)
Net income (loss)	$ (5,132)	$ 1,719	$ (3,413)
As of March 31, 2018:			
Total assets	$ 19,998	$ 152,885	$ 172,883
Total liabilities	$ 36,704	$ 9,569	$ 46,273

	Cannabis	Non-Cannabis	Total
For the three months ended March 31, 2017:			
Revenues	$ 940	$ 2,161	$ 3,101
Gross profit	$ (1,026)	$ 2,161	$ 1,135
Income (Loss) from operations	$ (3,594)	$ 380	$ (3,214)
Net income (loss)	$ (3,756)	$ 774	$ (2,982)
As of December 31, 2017:			
Total assets	$ 21,631	$ 127,920	$ 149,551
Total liabilities	$ 34,549	$ 10,237	$ 44,786

Note 15 – Commitments and contingencies

Operating lease

The Company leases its facilities under operating leases that provide for the payment of real estate taxes and other operating costs in addition to normal rent.

(In thousands, except for share and per share amounts)

At March 31, 2018, approximate future minimum payments due under noncancelable operating leases are approximately as follows:

As of March 31, 2018	Scheduled Payments
2018 *(remaining nine months)*	$ 3,851
2019	4,084
2020	3,914
2021	3,628
2022	3,557
2023 and thereafter	11,944
Total future minimum lease payments	$ 30,978

Rent expense, including real estate taxes and other operating costs amounted to approximately $525 and $65 for the three months ended March 31, 2018 and 2017, respectively.

Note 16 – Related party transactions

As of March 31, 2018 and December 31, 2017, amounts due to related parties consisted of a loan payable to a board member, the chairman and other investors in the amount of $8,570. PalliaTech and Cetus Investments Limited, an investor, entered into a Senior Unsecured Note-2020 loan on July 27, 2016 for $6,000 for the purpose of capital expenditures and acquisitions. PalliaTech and an entity controlled by the Chairman, Boris Jordan, entered into a Senior Unsecured Note-2019 loan on September 16, 2016 for $833 (See Note 9). The other loans dated between August 31, 2016 and October 6, 2016 in the amount of $1,737 were from minority shareholders. The related party due to balance of $8,570 is included in notes payable-related party on the consolidated statements of financial position.

For the three months ended March 31, 2018 and 2017, the Company recognized professional fees of $1,603 and $109, respectively, in its statements of profits and losses, as payment to a director for consulting, legal and business development related services.

For the three months ended March 31, 2018 and 2017, the Company recognized general and administrative fees of $19 and $19, respectively, in its statements of profits and losses for amounts paid to a director for advisory fees.

Note 17 – Fair value measurements

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis:

(In thousands, except for share and per share amounts)

	Fair Value Measurements as of March 31, 2018 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Biological assets	$ -	$ -	$ 2,230	$ 2,230
	$ -	$ -	$ 2,230	$ 2,230
Liabilities:				
Non-controlling interest contingency	$ -	$ -	$ 28,346	$ 28,346
	$ -	$ -	$ 28,346	$ 28,346

	Fair Value Measurements as of December 31, 2017 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Biological assets	$ -	$ -	$ 1,439	$ 1,439
	$ -	$ -	$ 1,439	$ 1,439
Liabilities:				
Non-controlling interest contingency	$ -	$ -	$ 28,346	$ 28,346
	$ -	$ -	$ 28,346	$ 28,346

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at March 31, 2018 and December 31, 2017 is the carrying amount of cash and cash equivalents, accounts receivable and notes receivable. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk, but has limited risk as the majority of its sales are transacted with cash.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

(In thousands, except for share and per share amounts)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Note 18 – Non-controlling interest

As of December 31, 2017, the non-controlling interests of the Company for each affiliate before intercompany eliminations are as follows:

	MBC		DRH		Green		PC		HOH	
Summarized statements of financial position	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Percentage of voting equity interests acquired	30%		49%		43%		15%		43%	
Current assets	4,484	4,899	3,910	3,367	1,352	3,833	814	13	1,139	1,507
Current liabilities	(4,961)	(5,461)	(692)	(501)	(2,944)	(1,697)	(1,076)	(7)	(492)	(164)
Current net assets (liabilities)	(477)	(562)	3,218	2,866	(692)	2,136	(262)	8	647	1,443
Non-current assets	63,269	59,323	19,819	23,466	1,955	4,138	2,506	3,704	3,478	4,767
Non-current liabilities	(13,314)	(2,816)	(692)	-	(3,609)	(3,576)	(2,128)	(1,756)	(110)	(106)
Non-current net assets (liabilities)	49,955	56,507	19,127	23,466	(1,654)	562	378	1,948	3,368	4,661
Accumulated NCI	8,063	8,606	13,443	12,902	496	1,336	214	293	59	2,944

	MBC		DRH		Green		PC		HOH	
	Three months ended March 31,									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Summarized statements of profit and loss										
Revenue	2,826	598	1,406	141	311	-	203	-	672	-
Profit (loss) for period	(3,464)	(2,483)	(73)	(14)	(599)	-	(231)	-	138	-
Net income (loss) attributable to NCI	(1,099)	(854)	(37)	(197)	(81)	-	(80)	-	160	-

Note 19 – Subsequent events

Acquisition of Swell Management, LLC

In April 2018, the Company through its subsidiary PalliaTech AZ, Inc., entered into a Membership Interest Purchase Agreement with Swell Management, LLC., an Arizona limited liability company ("Swell") and certain individuals as listed in the Agreement to acquire 100% of the outstanding membership interest in Swell. Swell is the owner of a license to operate medical marijuana dispensary ("NHR License") and the Company wishes to obtain control of the NHR license in accordance with the terms of the license. The acquisition was completed as a strategic investment to enhance the Company's ability to develop a full-scale cannabis operation with core competencies in cultivation and manufacturing. This transaction will be accounted for as a business combination under IFRS 3. Under the terms of the Agreement, the total consideration exchanged in connection with the Agreement consisted of the following payments due on the closing date:

- Cash consideration of $20,000 which included repayment of debt on behalf of Swell in the amount of $10,778; and

- Issuance of a Note by PalliaTech in favor of persons requested by Swell in an aggregate amount of $7,636 prior to the closing date. The Note bears interest at a rate of 6.0% per annum with a maturity date of nine months after the closing date of the Swell Agreement. The Note is secured by a pledge of 49.7% of the Company's membership interests.

The Company is currently in the process of valuing the assets acquired and liabilities assumed in the business combination and is not yet able to provide the amounts to be recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed and other related disclosures. The Company will disclose this and other related information in the amended listing statement containing financial information as of and for the three and six months ended June 30, 2018.

Unsecured related party debt financings

On May 4, 2018 the Company completed an unsecured private placement financing of $6,000 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On June 7, 2018 the Company completed an unsecured private placement bridge financing of $6,000 with a related party with a maturity date of December 7, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On July 10, 2018 the Company completed an unsecured private placement financing of $2,000 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On July 26, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 2, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

On August 9, 2018 the Company completed an unsecured private placement bridge financing of $2,100 with a related party with a maturity date of November 4, 2018 at a rate of 11% per annum. The proceeds from the transaction were used for working capital and capital expenditures.

Name change to Curaleaf, Inc.

On August 16, 2018, the Company, PalliaTech, Inc., changed its name to "Curaleaf, Inc.".

Senior secured debt financing

On August 24, 2018, the Company issued $85,000 of senior secured debt (the "Cetus Senior Debt") to Cetus Investments Limited ("Cetus"). On August 27, 2018, received the first tranche of the financing of $32,445. In connection with this agreement, the Company paid a fee of $1,700 upon the initial financing. The debt matures on August 23, 2021 and bears interest at a rate of 15% per annum, of which 10% is payable in cash quarterly and 5% is payable in kind. Principal payments will made quarterly. The Cetus Senior Debt is secured by a guarantee of each wholly-owned direct and indirect subsidiary of the Company, as well as a pledge of the Company's assets and each such guarantor.

In connection with the issue of the Cetus Senior Debt, Cetus was also issued warrants which are exercisable for 110,012 shares of common stock for a nominal value. While the Cetus Senior Debt is outstanding, the Company is subject to certain negative covenants, including restrictions on its ability to pay dividends, invest in non-wholly owned entities and to incur non-subordinated debt.

The Cetus Senior Debt may be pre-paid in tranches of up to $25,000 or $50,000 upon 90 or 180 days' prior written notice. Any amount prepaid once the outstanding principal falls below $25,000 is subject to a prepayment premium.

Repayment of unsecured related party debt

In connection with the Cetus Senior Debt, the Company is required to repay an aggregate principal of $26,300, consisting of $6,000 outstanding under the Senior Unsecured Notes – 2020 and $20,300 in related party borrowings made between May and August 2018, as well as accrued interest. On August 27, 2018, the Company repaid $18,456 pertaining to these related party borrowings, consisting of $18,000 in principal and $456 in accrued interest.

Schedule E – Audited Consolidated Financial Statements of LVI

(*See attached*)

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SATURNAGROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

1066 West Hastings Street, Suite 1250
Vancouver, BC Canada V6E 3X1

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lead Ventures Inc. (formerly Maccabi Ventures Inc.)

We have audited the accompanying financial statements of Lead Ventures Inc. (formerly Maccabi Ventures Inc.) which comprise the statements of financial position as at December 31, 2017, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Lead Ventures Inc. (formerly Maccabi Ventures Inc.) as at December 31, 2017 and its financial position and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Lead Ventures Inc. (formerly Maccabi Ventures Inc.) to continue as a going concern.

Other Matter

The financial statements of Lead Ventures Inc. (formerly Maccabi Ventures Inc.) for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 14, 2017.

SATURNA GROUP LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

April 27, 2018

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2017 $	December 31, 2016 $
ASSETS			
CURRENT			
Cash		1,216	29,818
Amounts receivable		3,921	499
Prepaid expenses		1,500	1,116
TOTAL CURRENT ASSETS		6,637	31,433
Exploration and evaluation assets	5	35,000	32,659
TOTAL ASSETS		**41,637**	**64,092**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		98,651	12,691
Due to related party	7	20,774	2,774
TOTAL LIABILITIES		119,425	15,465
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	6	422,866	420,366
Contributed surplus	6	63,644	63,644
Deficit		(564,298)	(435,383)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		(77,788)	48,627
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		**41,637**	**64,092**

Nature of operations (Note 1)
Subsequent events (Note 11)

Approved and authorized for issuance by the Board on April 27, 2018

"Rana Vig" Director *"Simon Yang"* Director

(The accompanying notes are an integral part of these financial statements)

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	For the year ended December 31, 2017 $	December 31, 2016 $
EXPENSES			
Consulting		45,000	10,125
Filing fees		17,670	17,254
Management fees	7	18,000	22,774
Office and miscellaneous		24,231	32,648
Professional fees		14,014	40,080
Property investigation		-	35,967
Rent		10,000	-
NET LOSS AND COMPREHENSIVE LOSS		(128,915)	(158,848)
LOSS PER SHARE – BASIC AND DILUTED		**(0.01)**	**(0.01)**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**11,543,631**	**11,459,427**

(The accompanying notes are an integral part of these financial statements)

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Common Shares		Contributed Surplus	Deficit	Total
	Number	Amount $	$	$	$
Balance December 31, 2015	1,140,000	411,366	63,644	(276,535)	198,475
Shares issued for exploration and evaluation asset	12,500	9,000	–	–	9,000
Net loss for the year	–	–	–	(158,848)	(158,848)
Balance, December 31, 2016	1,152,500	420,366	63,644	(435,383)	48,627
Shares issued for exploration and evaluation asset	10,000	2,500	–	–	2,500
Net loss for the year	–	–	–	(128,915)	(128,915)
Balance, December 31, 2017	1,162,500	422,866	63,644	(564,298)	(77,788)

(The accompanying notes are an integral part of these financial statements)

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the year ended December 31, 2017 $	December 31, 2016 $
OPERATING ACTIVITIES		
Net loss for the year	(128,915)	(158,848)
Changes in non-cash working capital balances:		
Amounts receivable	(3,422)	5,744
Prepaid expenses	(384)	6,009
Accounts payable and accrued liabilities	85,960	656
Due to related party	18,000	2,774
Net cash used in operating activities	(28,761)	(143,665)
INVESTING ACTIVITIES		
Exploration and evaluation asset costs	–	(793)
Recovery of exploration and evaluation asset costs	159	–
Net cash provided by (used in) investing activities	159	(793)
CHANGE IN CASH	(28,602)	(144,458)
CASH, BEGINNING OF YEAR	29,818	174,276
CASH, END OF YEAR	**1,216**	**29,818**
NON-CASH INVESTING ACTIVITIES		
Shares issued for exploration and evaluation asset	2,500	9,000

(The accompanying notes are an integral part of these financial statements)

1. NATURE OF OPERATIONS

Lead Ventures Inc. (formerly Maccabi Ventures Inc.) ("the Company") was incorporated on November 13, 2014 under the laws of British Columbia and is an exploration stage public company of which shares trade on the Canadian Securities Exchange under the symbol of "LEAD".

The Company is engaged in the acquisition, exploration and development of exploration and evaluation assets.

The Company's head office is located at Suite 610 – 700 West Pender Street, Vancouver, British Columbia, Canada. The registered and records office is located at Suite 900 – 885 West Georgia, Vancouver, British Columbia, Canada.

Going Concern

These financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of the business. The Company's ability to continue as a going-concern is dependent upon its ability to obtain additional financing and to achieve profitable operations in the future.

The Company's financing efforts to date are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company's requirements on an ongoing basis. The outcome of these initiatives cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International financial Reporting Interpretations Committee.

The functional and presentation currency, as determined by management, of the Company is the Canadian dollar.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments valued at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The accounting policies set out below have been applied consistently for the years presented in these financial statements.

c) Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral property projects are capitalized by property. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and evaluation assets (continued)

Management annually assesses the carrying value of the exploration and evaluation asset or which events and circumstances may indicate possible impairment. Impairment of an asset is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of the exploration and evaluation asset is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of its mineral property project, and the profitability of future operations. The Company has not yet determined whether or not its exploration and evaluation asset contains economically recoverable reserves. Amounts capitalized to the asset as exploration and development costs do not necessarily reflect present or future values.

When options are granted on the exploration and evaluation asset or the asset is sold, proceeds are credited to the cost of the asset. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain on profit or loss.

d) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred from contributed surplus to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

e) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve the issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

f) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Decommissioning, restoration, and similar liabilities

An obligation to incur restoration, rehabilitation, and environmental costs arise when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against the statement of operations over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the statement of operations. Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in the statement of operations.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation, and environmental obligations as the disturbance to date is immaterial.

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial statements date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable income.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity, or available for sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables or held to maturity assets are measured at amortized cost. As at December 31, 2017, the Company has not classified any financial assets as loans and receivables or held to maturity.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. As at December 31, 2017, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in the statement of operations unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. At December 31, 2017, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable is classified as other financial liabilities.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. assessment of indications of impairment of the exploration and evaluation assets and related determination of the net realizable value and write-down of the asset where applicable;

ii. measurement of deferred income tax assets and liabilities; and

iii. inputs used in the Black-Scholes Option Pricing Model for determining the fair value of share-based payment transactions.

Significant accounting judgments

i. evaluation of the Company's ability to continue as a going concern.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of the approval of the financial statements, a number of standards and interpretations issued but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. EXPLORATION AND EVALUATION ASSETS

Copper King Project

	Acquisition Costs $	Exploration Costs $	Total $
Balance, December 31, 2015	5,000	17,866	22,866
Acquisition costs	9,000	–	9,000
Other exploration costs	–	1,966	1,966
Exploration cost recovery	–	(1,173)	(1,173)
Balance, December 31, 2016	14,000	18,659	32,659
Acquisition costs	2,500	–	2,500
Exploration cost recovery	–	(159)	(159)
Balance, December 31, 2017	16,500	18,500	35,000

Pursuant to an option agreement dated November 28, 2014, with Rich River Exploration Ltd. (the "Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Copper King Project property (the "Property"), located near Olsen Lake, north of Powel River, British Columbia.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

To earn the 100% interest, the Company agreed to issue 62,500 common shares to the Optionor, make cash payments totalling $50,000, and incur a total of $400,000 in exploration expenditures as follows:

	Common Shares	Cash $	Exploration Expenditures $
Upon execution of the agreement (paid)	–	5,000	$ –
Upon listing of the Company's common shares on the Canadian Securities Exchange (October 20, 2015) (issued)	5,000	–	–
On or before October 20, 2016 (issued)	7,500	–	–
On or before October 20, 2017 (issued)	10,000	–	–
On or before October 20, 2018	20,000	10,000	100,000
On or before October 20, 2019	20,000	15,000	100,000
On or before October 20, 2020	–	20,000	200,000
Total	62,500	50,000	400,000

The Optionor retains a 3% Net Smelter Returns royalty on the Property. The first 1% of the royalty can be purchased by the Company at $750,000 and the 2% remaining can be purchased for $900,000.

6. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

b) Escrow shares

Pursuant to the escrow agreements, 290,000 common shares issued and outstanding were escrowed and are scheduled for release at 10% on the listing date and at 15% on every six months from the date of listing, October 20, 2015. As at December 31, 2017, 87,000 (2016 – 174,000) common shares remained in escrow.

c) Common shares

(i) During the year ended December 31, 2017, the Company issued 10,000 common shares with a fair value of $2,500 as an option payment on the Copper King Project. Refer to Note 5.

(ii) During the year ended December 31, 2016, the Company issued 12,500 common shares with a fair value of $9,000 as an option payment on the Copper King Project. Refer to Note 5.

d) Preferred shares

As of December 31, 2017, no preferred shares have been issued.

e) Warrants

A summary of the Company's warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price $
Outstanding, December 31, 2015	282,000	0.60
Expired	(250,000)	0.50
Outstanding, December 31, 2016	32,000	1.00
Expired	(32,000)	1.00
Outstanding, December 31, 2017	–	–

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

f) Stock options

The Directors of the Company adopted a stock option plan on February 23, 2015 (the "Stock Option Plan"). The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's Common Shares issued and outstanding at the time such options are granted. The Stock Option Plan will be administered by the Company's Board of Directors, which will have full and final authority with respect to the granting of all options thereunder.

The exercise price of option grants will be determined by the Board of Directors, but will not be less than the closing market price of the Company's common shares less allowable discounts at the time of grant. The Stock Option Plan provides that the number of common shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 1% of the issued common shares, if the individual is engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

As of December 31, 2017 and 2016, the Company has not granted any stock options.

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As at December 31, 2017, a balance of $20,774 (2016 – $2,774) is due to a director of the Company. The amounts owing are unsecured, non-interest bearing, and due on demand.

Key management personnel include the directors of the Company. The remuneration for the year of key management personnel is as follows:

	2017 $	2016 $
Management fees	18,000	22,774

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its mineral property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus, and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

(Expressed in Canadian dollars)

9. INCOME TAXES

The Company has losses carried forward of $524,122 available to reduce income taxes in future years which expire starting in 2034.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	December 31, 2017 $	December 31, 2016 $
Loss before income taxes	(128,915)	(158,848)
Income tax recovery at statutory rate	(33,518)	(41,300)
Effect of income taxes of:		
Permanent differences and other	4,289	15,554
Change in deferred income tax assets not recognized	29,229	25,746
Income tax provision	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	December 31, 2017 $	December 31, 2016 $
Non-capital loss carry forwards	138,442	105,710
Share issuance costs	7,883	11,386
Deferred income tax assets not recognized	(146,325)	(117,096)
	-	-

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk, currency risk, and price risk.

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2017 as follows:

	Fair value measurements using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2017 $
Cash	1,216	-	-	1,216

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and amounts due to related party, approximate their carrying values due to the relatively short-term maturity of these instruments.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists primarily of GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Interest rate risk

The Company is not exposed to any significant interest rate risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages liquidity risk by evaluating current and expected liquidity requirements and seeking financing arrangements as necessary.

(e) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is not exposed to any significant currency risk.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

11. SUBSEQUENT EVENTS

(a) On February 7, 2018, the Company approved a share consolidation of its issued and outstanding common shares on a basis of one new common share for every ten old common shares. The effects of the share consolidation have been applied on a retroactive basis.

(b) On March 22, 2018, the Company entered into secured convertible debenture agreements for proceeds of $300,000. The debentures are unsecured, bear interest at 11% per annum, are due on March 22, 2020, and are convertible into units at $0.15 per unit. Each unit is comprised of one common share of the Company and one share purchase warrant where each warrant is exercisable into one additional common share of the Company at $0.20 per share for a period of two years from the date of conversion.

On March 27, 2018, the Company issued 2,000,000 units pursuant to the conversion of $300,000 of secured convertible debentures.

(c) On April 4, 2018, the Company issued 1,744,000 units in a non-brokered private placement at $0.125 per unit for proceeds of $218,000. Each unit was comprised of one common share of the Company and one transferable share purchase warrant which is exercisable into one additional common share of the Company at $0.17 per common share until April 4, 2020.

MACCABI VENTURES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Maccabi Ventures Inc.

We have audited the accompanying financial statements of Maccabi Ventures Inc., which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive loss, change in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Maccabi Ventures Inc. as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Maccabi Ventures Inc.'s ability continue as a going concern.

Other Matter

The financial statements of Maccabi Ventures Inc. as at December 31, 2015 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on April 5, 2016.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
March 14, 2017

MACCABI VENTURES INC.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,
(Expressed in Canadian dollars)

	NOTE	2016	2015
ASSETS			
CURRENT			
Cash		$ 29,818	$ 174,276
Other receivable		499	6,243
Prepaid expenses		1,116	7,125
TOTAL CURRENT ASSETS		31,433	187,644
Exploration and evaluation asset	5	32,659	22,866
TOTAL ASSETS		**$ 64,092**	**$ 210,510**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 12,691	$ 12,035
Due to related party	7	2,774	–
TOTAL LIABILITIES		15,465	12,035
SHAREHOLDERS' EQUITY			
Share capital	6	420,366	411,366
Contributed surplus	6	63,644	63,644
Deficit		(435,383)	(276,535)
TOTAL SHAREHOLDERS' EQUITY		48,627	198,475
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 64,092**	**$ 210,510**

Approved and authorized by the Board on March 14, 2017

"Richard Penn" Director *"Wilson Fung"* Director

The accompanying notes are an integral part of these financial statements

MACCABI VENTURES INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	Note	2016	2015
EXPENSES			
Advertising and promotion		$ –	$ 2,819
Consulting		10,125	17,875
Filing Fees		17,254	35,643
Management fees	7	22,774	47,000
Office and miscellaneous		32,648	7,368
Professional fees	7	40,080	80,019
Property investigation		35,967	–
Rent	7	–	30,000
Travel		–	3,222
		(158,848)	(223,946)
OTHER ITEM			
Recovery of flow-through share premium liability		–	830
NET LOSS AND COMPREHENSIVE LOSS		**$ (158,848)**	**$ (223,116)**
LOSS PER SHARE – BASIC AND DILUTED		**$ (0.01)**	**$ (0.03)**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**11,459,427**	**8,178,083**

The accompanying notes are an integral part of these financial statements

MACCABI VENTURES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	NOTE	Common Shares		Subscriptions	Contributed		
		Number	Amount	Receivable	Surplus	Deficit	Total
December 31, 2014		7,400,001	$ 110,500	$ (10,000)	$ 37,500	$ (53,419)	$ 84,581
Subscriptions received		–	–	10,000	–	–	10,000
Shares issued for cash	6	4,000,000	400,000	–	–	–	400,000
Share issue costs	6	–	(72,990)	–	–	–	(72,990)
Agent warrants issued	6	–	(26,144)	–	26,144	–	–
Net loss and comprehensive loss for the year		–	–	–	–	(223,116)	(223,116)
Balance December 31, 2015		11,400,001	411,366	–	63,644	(276,535)	198,475
Shares issued for exploration and evaluation asset	6	125,000	9,000	–	–	–	9,000
Net loss and comprehensive loss for the year		–	–	–	–	(158,848)	(158,848)
December 31, 2016		11,525,001	$ 420,366	$ –	$ 63,644	$ (435,383)	$ 48,627

The accompanying notes are an integral part of these financial statements

MACCABI VENTURES INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31,
(Expressed in Canadian dollars)

	2016	2015
OPERATING ACTIVITIES		
Net loss for the year	$ (158,848)	$ (223,116)
Items not involving cash		
Flow-through share premium liability	–	(830)
Changes in non-cash working capital balances		
Other receivable	5,744	(5,226)
Prepaid expenses	6,009	13,425
Accounts payable and accrued liabilities	656	2,212
Due to related party	2,774	–
Cash used in operating activities	(143,665)	(213,535)
INVESTING ACTIVITIES		
Exploration and evaluation asset	(793)	(12,016)
Cash used in investing activities	(793)	(12,016)
FINANCING ACTIVITIES		
Share subscription received	–	10,000
Issuance of common shares	–	400,000
Share issuance costs	–	(72,990)
Cash provided by financing activities	–	337,010
CHANGE IN CASH	(144,458)	111,459
CASH, BEGINNING OF YEAR	174,276	62,817
CASH, END OF YEAR	**$ 29,818**	**$ 174,276**
SUPPLEMENTAL CASH DISCLOSURES		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –
NON-CASH TRANSACTIONS		
Finders units and warrants issued for private placement	$ –	$ 26,144
Shares issued for exploration and evaluation asset	$ 9,000	$ –

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Maccabi Ventures Inc. ("the Company") was incorporated on November 13, 2014 under the Laws of British Columbia and is an exploration stage public company of which shares trade on the Canadian Securities Exchange ("CSE") under the symbol of "MBE".

The Company is engaged in the acquisition, exploration and development of exploration and evaluation assets.

The Company's head office is Suite 820-1130 West Pender Street, Vancouver, British Columbia, Canada. The registered and records office is Suite 704 – 595 Howe Street, Vancouver, British Columbia, Canada.

Going Concern

These financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of the business. The Company's ability to continue as a going-concern is dependent upon its ability to obtain additional financing and to achieve profitable operations in the future.

The Company's financing efforts to date are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company's requirements on an ongoing basis. The outcome of these initiatives cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International financial Reporting Interpretations Committee ("IFRIC").

The functional and presentation currency, as determined by management, of the Company is the Canadian dollar.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments valued at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The accounting policies set out below have been applied consistently for the years presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Exploration and evaluation asset

Pre-exploration costs are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral property projects are capitalized by property. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses the carrying value of the exploration and evaluation asset or which events and circumstances may indicate possible impairment. Impairment of an asset is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of the exploration and evaluation asset is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of its mineral property project, and the profitability of future operations. The Company has not yet determined whether or not its exploration and evaluation asset contains economically recoverable reserves. Amounts capitalized to the asset as exploration and development costs do not necessarily reflect present or future values.

When options are granted on the exploration and evaluation asset or the asset is sold, proceeds are credited to the cost of the asset. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain on profit or loss.

d) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred from contributed surplus to share capital. Charges for options that are forfeited before vesting are reversed from contributed surplus.

e) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve the issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued based on the residual value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arise when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial statements date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity, or available for sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables or held to maturity assets are measured at amortized cost. As at December 31, 2016, the Company has not classified any financial assets as loans and receivables or held to maturity.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At December 31, 2016, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. At December 31, 2016, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. assessment of indications of impairment of the exploration and evaluation asset and related determination of the net realizable value and write-down of the asset where applicable;
ii. estimated value of the acquisition costs which are recorded in the statement of financial position;
iii. measurement of deferred income tax assets and liabilities; and
iv. inputs used in the Black-Scholes Option Pricing Model for determining the fair value of share-based payment transactions.

Significant accounting judgments

i. evaluation of the Company's ability to continue as a going concern.

(Expressed in Canadian dollars)

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of the approval of the financial statements, a number of standards and interpretations were in issue but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

5. EXPLORATION AND EVALUATION ASSET

Copper King Project

	Acquisition Costs	Exploration Costs	Total
Balance, December 31, 2014	$ 5,000	$ 5,850	$ 10,850
Other exploration costs	–	12,016	12,016
Balance, December 31, 2015	5,000	17,866	22,866
Acquisition costs	9,000	–	9,000
Other exploration costs	–	1,966	1,966
Exploration cost recovery	–	(1,173)	(1,173)
Balance, December 31, 2016	$ 14,000	$ 18,659	$ 32,659

Pursuant to an option agreement dated November 28, 2014, with Rich River Exploration Ltd. (the "Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Copper King Project property (the "Property"), located near Olsen Lake, north of Powel River, British Columbia.

To earn the 100% interest, the Company agreed to issue 625,000 common shares to the Optionor, make cash payments totalling $50,000, and incur a total of $400,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
Upon execution of the agreement (paid)	-	$ 5,000	$ -
Upon listing of the Company's common shares on the Canadian Securities Exchange (October 20, 2015) (the "Listing") (issued)	50,000	-	-
On or before the first anniversary of the Listing (issued)	75,000	-	-
On or before the second anniversary of the Listing	100,000	-	-
On or before the third anniversary of the Listing	200,000	10,000	100,000
On or before the fourth anniversary of the Listing	200,000	15,000	100,000
On or before the fifth anniversary of the Listing	-	20,000	200,000
Total	625,000	$ 50,000	$ 400,000

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET (continued)

The Optionor retains a 3% Net Smelter Returns royalty on the Property. The first 1% of the royalty can be purchased by the Company at $750,000 and the 2% remaining can be purchased for $900,000.

6. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

b) Escrow shares

Pursuant to the escrow agreements, 2,900,000 common shares issued and outstanding were escrowed and are scheduled for release at 10% on the listing date and at 15% on every six months from the date of listing, October 20, 2015. At December 31, 2016, 1,740,000 (2015 - 2,610,000) common shares remained in escrow.

c) Common shares

(i) During the year ended December 31, 2016, 125,000 common shares of the Company with the fair value of $9,000 were issued to the Optionor of the Copper King property (Note 5).

(ii) During the year ended December 31, 2015, the Company issued 4,000,000 common shares at a price of $0.10 per share, raising gross proceeds of $400,000. The Company incurred cash share issuance costs of $72,990 in connection with the financing and non-cash share issuance costs of $26,144.

d) Preferred shares

As of December 31, 2016, no preferred shares were issued (2015 – Nil).

e) Warrants

A summary of the Company's warrants are as follows:

	Number of Warrants	Exercise Price
December 31, 2014	2,500,000	$0.05
Issued	320,000	$0.10
December 31, 2015	2,820,000	$0.06
Expired	(2,500,000)	$0.05
December 31, 2016	320,000	$0.10

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

f) Warrants (continued)

As of December 31, 2016, the remaining contractual life of the warrants is 0.81 year.

On October 21, 2015, 320,000 warrants were issued as payment of finders fees in the initial public offering. Each warrant is exercisable into one common share of the Company at an exercise price of $0.10 and expire October 21, 2017. The Company recognized $26,144 representing the fair value of the warrants which was determined using the Black-Scholes Option Pricing Model at the issue date using the following assumptions:

	December 31, 2015
Expected option life (in years)	2
Risk-free interest rate	0.40%
Expected dividend yield	Nil
Expected stock price volatility	188%
Expected forfeiture rate	0%

g) Stock options

The Directors of the Company adopted a stock option plan on February 23, 2015 (the "Stock Option Plan"). The Stock Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's Common Shares issued and outstanding at the time such options are granted. The Stock Option Plan will be administered by the Company's Board of Directors, which will have full and final authority with respect to the granting of all options thereunder.

Options may be granted under the Stock Option Plan to such the directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director, officer, employee or consultant, or 1% of the issued Common Shares, if the individual is engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

As of December 31, 2016, the Company has not granted any stock options.

(Expressed in Canadian dollars)

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

At December 31, 2016, a balance of $2,774 (2015 – $nil) is due to a director.

Key management personnel include the directors of the Company. The remuneration of key management are as follows:

	December 31, 2016	December 31, 2015
Management fees	$ 22,774	$ 47,000
Professional fees	-	10,440
Rent	-	30,000
	$ 22,774	$ 87,440

8. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its mineral property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

9. INCOME TAXES

The Company has losses carried forward of $416,576 available to reduce income taxes in future years which expire starting in 2034.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	December 31, 2016	December 31, 2015
Loss before income taxes	$ (158,848)	$ (223,116)
Income tax recovery at statutory rate	(41,300)	(71,899)
Effect of income taxes of:		
Permanent differences and others	15,554	(16,550)
Change in deferred tax assets not recognized	25,746	88,449
Deferred income tax recoverable	$ -	$ -

9. INCOME TAXES (continued)

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	December 31, 2016	December 31, 2015
Non-capital loss carry forwards	$ 105,710	$ 76,167
Share issue costs	11,386	15,182
Deferred tax assets not recognized	(117,096)	(91,349)
	$ -	$ -

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair Value of Financial Instruments

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Cash	$ 29,818	$ –	$ -	$ 29,818

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial risk management objectives and policies (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instrument that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places this instrument with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

MACCABI VENTURES INC.

FINANCIAL STATEMENTS

FOR THE PERIODS ENDED

DECEMBER 31, 2015 AND 2014

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Directors of
Maccabi Ventures Inc.

We have audited the accompanying financial statements of Maccabi Ventures Inc. which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Maccabi Ventures Inc. as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Maccabi Ventures Inc. to continue as a going concern.

/s/ Manning Elliott LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 5, 2016

MACCABI VENTURES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	NOTES	December 31, 2015	December 31, 2014
ASSETS			
CURRENT			
Cash		$ 174,276	$ 62,817
Amounts receivable		6,243	1,017
Prepaid expenses		7,125	20,550
TOTAL CURRENT ASSETS		187,644	84,384
EXPLORATION AND EVALUATION ASSET	5	22,866	10,850
TOTAL ASSETS		$ 210,510	$ 95,234
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	7	$ 12,035	$ 9,823
Flow-through share premium liability	6(c)(iii)	-	830
		12,035	10,653
SHAREHOLDERS' EQUITY			
Share capital	6	411,366	110,500
Subscription receivable		-	(10,000)
Contributed surplus	6	63,644	37,500
Deficit		(276,535)	(53,419)
TOTAL SHAREHOLDERS' EQUITY		198,475	84,581
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 210,510	$ 95,234

Nature of business and continuing operations (Note 1)
Subsequent events (Note 11)

Approved and authorized for issue on behalf of the Board on April 5, 2016

Richard Penn Director *Roman Rubin* Director

The accompanying notes are an integral part of these financial statements

MACCABI VENTURES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	NOTES	Year ended December 31, 2015	Period from incorporation to December 31, 2014
EXPENSES			
Advertising		$ 2,819	$ 1,967
Consulting		17,875	-
Filing fees		35,643	-
Management fees	7	47,000	7,000
Office and miscellaneous		7,368	336
Professional fees	7	80,019	7,786
Rent	7	30,000	-
Share based compensation	7,6	-	37,500
Travel		3,222	-
		(223,946)	(54,589)
OTHER ITEMS			
Recovery of flow-through premium liability	6(c)(iii)	830	1,170
NET LOSS AND COMPREHENSIVE LOSS		$ (223,116)	$ (53,419)
LOSS PER SHARE – Basic and diluted		$ (0.03)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		8,178,083	4,847,044

The accompanying notes are an integral part of these financial statements

MACCABI VENTURES INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	NOTES	Common Shares Number of Shares	Common Shares Amount	Subscriptions Receivable	Contributed Surplus	Deficit	Total
Balance, November 18, 2014		–	$ –	$ –	$ –	$ –	$ –
Shares issued upon incorporation		1	–	–	–	–	–
Shares issued for cash and subscriptions receivable at $0.005		2,500,000	12,500	(10,000)	–	–	2,500
Shares issued for cash at $0.02		4,500,000	90,000	–	–	–	90,000
Shares issued for cash at $0.025 (flow through)		400,000	8,000	–	–	–	8,000
Share based compensation		–	–	–	37,500	–	37,500
Net loss and comprehensive loss for the period		–	–	–	–	(53,419)	(53,419)
Balance, December 31, 2014		7,400,001	110,500	(10,000)	37,500	(53,419)	84,581
Subscriptions received		–	–	10,000	–	–	10,000
Shares issued for cash	6	4,000,000	400,000	–	–	–	400,000
Share issue costs		–	(72,990)	–	–	–	(72,990)
Agent warrants issued	6	–	(26,144)	–	26,144	–	–
Net loss and comprehensive loss for the year		–	–	–	–	(223,116)	(223,116)
Balance, December 31, 2015		11,400,001	$ 411,366	$ –	$ 63,644	$ (276,535)	$ 198,475

The accompanying notes are an integral part of these financial statements

MACCABI VENTURES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	NOTES	Year ended December 31, 2015	Period from Incorporation to December 31, 2014
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss for the period		$ (223,116)	$ (53,419)
Adjustments			
Share based payments		–	37,500
Flow through premium liability	6	(830)	(1,170)
Changes in non-cash working capital balances:			
Amounts receivable		(5,226)	(1,017)
Prepaid expenses		13,425	(20,550)
Accounts payable and accrued liabilities		2,212	9,823
Cash used in operating activities		(213,535)	(28,833)
INVESTING ACTIVITIES			
Exploration and evaluation asset		(12,016)	(10,850)
Cash used in investing activities		(12,016)	(10,850)
FINANCING ACTIVITIES			
Issuance of shares		400,000	102,500
Share issuance costs		(72,990)	-
subscriptions received		10,000	-
Cash provided by financing activities		337,010	102,500
CHANGE IN CASH		111,459	62,817
CASH, BEGINNING OF YEAR		62,817	–
CASH, END OF YEAR		$ 174,276	$ 62,817
SUPPLEMENTAL CASH DISCLOSURES			
Interest paid		$ –	$ –
Income taxes paid		$ –	$ –
NON-CASH TRANSACTIONS			
Finders warrants issued		$ 26,144	$ –

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Maccabi Ventures Inc. ("the Company") was incorporated on November 13, 2014 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 704 – 595 Howe Street Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at December 31, 2015, the Company had not yet determined whether the Company's mineral property contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $276,535 as at December 31, 2015, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give affect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance in accordance with a resolution from the Board of Directors on April 5, 2016.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently for the periods presented in these financial statements.

c) Cash and cash equivalents

Cash in the statement of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the property, and the profitability of future operations. The Company has not yet determined whether or not its mineral property contains economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain on the statement of comprehensive loss.

e) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arise when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial statements date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. As at December 31, 2015, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At December 31, 2015, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial liabilities

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At December 31, 2015, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. the estimated value of the acquisition costs which are recorded in the statement of financial position;

iii. the measurement of deferred income tax assets and liabilities; and

iv. the inputs used in accounting for share-based payments in profit or loss.

Significant accounting judgments

i. the evaluation of the Company's ability to continue as a going concern.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

(Expressed in Canadian dollars)

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The following accounting standards were issued but not yet effective as of December 31, 2015:

New accounting standards effective for annual periods on or after January 1, 2017:

IAS 1 – Presentation of Financial Statements
In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

New accounting standards effective for annual periods on or after July 1, 2018:

IFRS 9 – Financial Instruments
The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

IFRS 7 Financial instruments: Disclosure
IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The standard is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

5. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
Balance, December 31, 2013	$ –	$ –	$ –
Acquisition costs	5,000	–	5,000
Other exploration costs	–	5,850	5,850
Balance, December 31, 2014	$ 5,000	$ 5,850	$ 10,850
Other exploration costs	–	12,016	12,016
Balance, December 31, 2015	$ 5,000	$ 17,866	$ 22,866

Copper King Project

Pursuant to an option agreement dated November 28, 2014, with Rich River Exploration Ltd. (the "Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Copper King Project property (the "Property") located near the Olsen Lake north of Powel River, British Columbia.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSET (continued)

To earn the 100% interest, the Company agreed to issue 625,000 common shares to the Optionor, make cash payments totalling $50,000, and incur a total of $400,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
Upon execution of the agreement (paid)	-	$ 5,000	$ -
Upon listing of the Company's common shares on the Canadian Securities Exchange (the "Listing") (Note 11)	50,000	-	-
On or before the first anniversary of the Listing	75,000	-	-
On or before the second anniversary of the Listing	100,000	-	-
On or before the third anniversary of the Listing	200,000	10,000	100,000
On or before the fourth anniversary of the Listing	200,000	15,000	100,000
On or before the fifth anniversary of the Listing	-	20,000	200,000
Total	625,000	$ 50,000	$ 400,000

The Optionor will retain a 3% Net Smelter Returns royalty on the Property. The first 1% of the royalty may be purchased by the Company at $750,000 and the 2% remaining can be purchased for $900,000.

6. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

b) Escrow Shares

Pursuant to the escrow agreements, 2,900,000 common shares issued and outstanding were escrowed and are scheduled for release at 10% on the listing date and at 15% on every six months from date of listing. At December 31, 2015 2,610,000 (2014: NIL) common shares remained in escrow.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

c) Issued and Outstanding as at December 31, 2015 11,400,001 common shares (2014: 7,400,001 common shares).

(i) During the year ended December 31, 2014, the Company issued 2,500,000 units at a price of $0.005 per unit, raising gross proceeds of $12,500. Each unit consisted of one common share and one share purchase warrant, with each share purchase warrant exercisable for one common share of the Company at a price of $0.02 per share for a period of two years. The fair value of the 2,500,000 units issued was estimated to be $50,000. Accordingly, the Company recorded share-based compensation expense of $37,500, and a corresponding increase to contributed surplus.

During the year ended December 31, 2015, the Company modified the exercise price of the share purchase warrants issued in connection with these units to $0.05 per common share.

(ii) During the year ended December 31, 2014, the Company issued 4,500,000 common shares at a price of $0.02 per share, raising gross proceeds of $90,000.

(iii) During the year ended December 31, 2014, the Company issued 400,000 common shares at a price of $0.025 per share, raising gross proceeds of $10,000. The common shares were issued on a flow-through basis. As of December 31, 2015, $10,000 in eligible exploration expenditures related to the flow-through shares had been incurred.

For the purposes of the calculating the tax effect of any premium related to the issuances of the flow-through shares, the Company reviewed recent financings and compared it to determine if there was a premium paid on the shares. As at December 31, 2014, the Company had a flow-through premium liability of $830 in connection to these shares. During the year ended December 31, 2015, the Company recognized $830 as other income for a reduction in the flow-through premium liability for eligible expenditures incurred during the year.

(iv) During the year ended December 31, 2015, the Company issued 4,000,000 common shares at a price of $0.10 per share, raising gross proceeds of $400,000. The Company incurred cash share issuance costs of $72,990 in connection with the financing and non cash share issuance costs of $26,144.

d) Warrants

A summary of the Company's share purchase warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price	Expiry Date
Balance at date of incorporation	-	-	
Issued	2,500,000	$ 0.05	November 13, 2016
Balance, December 31, 2014	2,500,000		
Issued	320,000	$ 0.10	October 21, 2017
Balance, December 31, 2015	2,820,000	$ 0.06	

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

d) Warrants (continued)

For the year ended December 31, 2014, no value was allocated to the warrants issued with the units as the Company uses the residual value method to allocate the value of the units. Accordingly, the value of the common shares is determined first and any residual value is allocated to the warrant.

For the year ended December 31, 2015, no additional value was recognized as a result of modification of warrants as discussed in Note 6 (c) (i).

On October 21, 2015, 320,000 Agent Warrants were issued as payment of finders fees in the initial public offering. Each warrant is exercisable into one common share of the Company at an exercise price of $0.10 and expire October 21, 2017. The Company recognized $26,144 representing the fair value of the warrants which was determined using the Black-Scholes option pricing model at the issue date using the following assumptions:

	2105
Expected option life (in years)	2
Risk-free interest rate	.40%
Expected dividend yield	Nil
Expected stock price volatility	188%
Expected forfeiture rate	0%

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	December 31, 2015	December 31, 2014
Accounts payable and accrued liabilities	$ -	$ 2,565

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management for the year ended December 31, 2015 is as follows:

	December 31, 2015	Period from Incorporation to December 31, 2014
Management fees	$ 47,000	$ 7,000
Professional fees	10,440	2,350
Share based compensation	-	37,500
Rent	30,000	-
	$ 87,440	$ 46,850

(Expressed in Canadian dollars)

8. INCOME TAXES

The Company has losses carried forward of $302,949 available to reduce income taxes in future years which expire in 2034.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended December 31, 2015	Period from Incorporation to December 31, 2014
Canadian statutory income tax rate	26%	
Income tax recovery at statutory rate	$ 71,899	$ 13,900
Effect of income taxes of:		
Permanent differences and others	16,550	(11,000)
Change in deferred tax assets not recognized	(88,449)	(2,900)
Deferred income tax recoverable	$ -	$ -

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	December 31, 2015	December 31, 2014
Non-capital loss carry forwards	$ 78,767	$ 4,400
Exploration and evaluation assets	(2,600)	(1,500)
Share issue costs	15,182	-
Deferred tax assets not recognized	(91,349)	(2,900)
	$ -	$ -

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its mineral property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at December 31, 2015 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash	$ 174,276	$ -	$ -	$ 174,276

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at December 31, 2015 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. SUBSEQUENT EVENT

In February 2016, 50,000 common shares of the Company were issued to the Optionor in accordance with the option agreement as described in Note 5.

Schedule F – Unaudited Consolidated Financial Statements of LVI

(*See attached*)

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2018
(unaudited)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Lead Ventures Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	NOTE	June 30, 2018 (unaudited)	December 31, 2017
ASSETS			
CURRENT			
Cash		$ 61,782	$ 1,216
GST receivable		17,858	3,921
Prepaid expenses	6	90,000	1,500
TOTAL CURRENT ASSETS		169,640	6,637
Exploration and evaluation asset	4	-	35,000
TOTAL ASSETS		$ 169,640	$ 41,637
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 91,651	$ 98,651
Due to related party	6	-	20,774
TOTAL LIABILITIES		91,651	119,425
SHAREHOLDERS' EQUITY			
Share capital	5	940,866	422,866
Contributed surplus		63,644	63,644
Deficit		(926,521)	(564,298)
TOTAL SHAREHOLDERS' EQUITY		77,989	(77,788)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 169,640	$ 41,637

Subsequent Event (Note 1)

Approved and authorized by the Board on August 29, 2018

"Rana Vig" Director *"David Goertz"* Director

The accompanying notes are an integral part of these condensed interim financial statements

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	NOTE	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
EXPENSES					
Consulting fees	6	60,000	-	90,000	-
Filing fees		2,609	3,754	4,657	10,684
Management fees	6	60,000	6,000	120,000	12,000
Office and miscellaneous		39,619	7,538	39,899	15,114
Professional fees		22,667	3,165	22,667	5,630
Property investigation costs		50,000	-	50,000	-
Loss before other items		$ (234,895)	$ (20,457)	$ (327,223)	$ (43,428)
Impairment of exploration and evaluation asset	4	(35,000)	-	(35,000)	-
Net loss and comprehensive loss		$ (269,895)	$ (20,457)	$ (362,223)	$ (43,428)
LOSS PER SHARE – BASIC AND DILUTED		**$ (0.06)**	**$ (0.02)**	**$ (0.14)**	**$ (0.03)**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**3,991,141**	**1,152,500**	**3,040,865**	**1,152,500**

The accompanying notes are an integral part of these condensed interim financial statements

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	NOTE	Common Shares Number	Common Shares Amount	Convertible Debenture	Contributed Surplus	Deficit	Total
Balance, January 1, 2017		1,152,500	420,366	-	63,644	(435,383)	48,627
Net loss and comprehensive loss		-	-	-	-	(43,428)	(43,428)
Balance, June 30, 2017		1,152,000	420,366	-	$ 63,644	$ (478,811)	$ 5,199
Balance, January 1, 2018		1,162,500	422,866	-	63,644	(564,298)	(77,788)
Issuance of convertible debt		-	-	73,244	-	-	73,244
Conversion of convertible debt		2,000,000	300,000	(73,244)	-	-	226,756
Issuance of common stock for cash		1,744,000	218,000	-	-	-	218,000
Net loss and comprehensive loss		-	-	-	-	(362,223)	(362,223)
June 30, 2018		4,906,500	$940,866	-	$ 63,644	$ (926,521)	$ 77,989

The accompanying notes are an integral part of these condensed interim financial statements

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF CASH FLOWS
FOR SIX MONTHS ENDED JUNE 30,
(UNAUDITED)
(Expressed in Canadian dollars)

	2018	2017
OPERATING ACTIVITIES		
Net loss	$ (362,223)	$ (43,428)
Adjustments for non-cash items:		
Impairment of exploration and evaluation asset	35,000	-
Changes in non-cash working capital balances		
GST receivable	(13,937)	(1,289)
Prepaid expenses	(88,500)	1,116
Accounts payable and accrued liabilities	(7,000)	4,060
Due to related party	(20,774)	12,000
Cash used in operating activities	(457,434)	(27,541)
FINANCING ACTIVITIES		
Private placement, net of issuance costs	218,000	-
Issuance of convertible debt	300,000	-
Cash flows from financing activities	518,000	-
CHANGE IN CASH	60,566	(27,541)
CASH, BEGINNING OF YEAR	1,216	29,818
CASH, END OF YEAR	**$61,782**	**$2,277**

The accompanying notes are an integral part of these condensed interim financial statements

1. NATURE OF OPERATIONS

Lead Ventures Inc. (formerly Maccabi Ventures Inc.) (the "Company") was incorporated on November 13, 2014 under the Laws of British Columbia and is an exploration stage public company of which shares trade on the Canadian Securities Exchange ("CSE") under the symbol of "LEAD".

On July 26, 2018, the Company entered into a transaction agreement (the "Agreement") with PalliaTech, Inc. ("Palliatech"), a private Delaware corporation and integrated medical and wellness cannabis operator in the United States. The Company and PalliaTech will effectuate a business combination that will result in the acquisition of control of the Company by the shareholders of PalliaTech and the listing for trading of the shares of the resulting issuer on the CSE. Pursuant to the agreement, the resulting issuer will become the indirect parent and sole voting stockholder of PalliaTech.

The Company's head office is Suite 610-700 West Pender Street, Vancouver, British Columbia, Canada. The registered and records office is Suite 885 West Georgia Street, Vancouver, British Columbia, Canada.

Going Concern

These condensed interim financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of the business. The Company's ability to continue as a going-concern is dependent upon its ability to obtain additional financing and to achieve profitable operations in the future. These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The condensed interim financial statements (the "Financial Statements") of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these Financial Statements comply with International Accounting Standard ("IAS") 34, Interim Financial Statements.

These condensed interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017.

New standard IFRS 9 "Financial Instruments"

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provision, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities the adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed consolidated interim financial statements for the reporting period.

The Company has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

New standard IFRS 15 *Revenue from Contracts with Customers*

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has concluded that the implementation of IFRS 15 did not have a material effect on the Company's income statement.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standard IFRS 16 "Leases"
This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. Overall, the Company does not expect the implementation of IFRS 16 to have a significant impact on its assets or liabilities.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSET

Copper King Project

	Acquisition Costs	Exploration Costs	Total
Balance, December 31, 2017	14,000	18,659	32,659
Acquisition costs	2,500	-	2,500
Exploration cost recovery	-	(159)	(159)
Impairment	(16,500)	(18,500)	(35,000)
Balance, December 31	$ -	$ -	$ -

During the period ended June 30, 2018, the Company decided to fully impair the property.

5. SHARE CAPITAL

On March 22, 2018, the Company issued convertible debentures for proceeds of $300,000. On March 27, 2018, all of the convertible debentures were converted to 2,000,000 common shares and 2,000,000 warrants.

On April 4, 2018, the Company completed a private placement with gross proceeds of $218,000 by issuing 1,744,000 common shares.

A summary of the Company's warrants are as follows:

	Number of Warrants
December 31, 2017	-
Issued	3,744,000
June 30, 2018	3,744,000

The weighted average life and weighted average exercise price is 1.8 years and $0.19, respectively.

6. RELATED PARTY BALANCES AND TRANSACTIONS

At June 30, 2018, a balance of Nil (December 31, 2017 - $20,774) is due to a director.

During the period ended June 30, 2018, $60,000 was prepaid to directors for consulting fees that have yet to be performed.

Key management personnel include the directors of the Company. The remuneration of key management is as follows:

	June 30, 2018	June 30, 2017
Management fees	$ 120,000	$ 12,000

During the period ended June 30, 2018, $30,000 was paid to a relative of a director in consulting fees.

LEAD VENTURES INC.
(FORMERLY MACCABI VENTURES INC.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2018
(unaudited)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Lead Ventures Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	NOTE	March 31, 2018 (unaudited)	December 31, 2017
ASSETS			
CURRENT			
Cash		$ 216,746	$ 1,216
Other receivable		6,921	3,921
Prepaid expenses	7	41,500	1,500
TOTAL CURRENT ASSETS		265,167	6,637
Exploration and evaluation asset	4	35,000	35,000
TOTAL ASSETS		**$ 300,167**	$ 41,637
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 98,651	$ 98,651
Due to related party	6	21,632	20,774
TOTAL LIABILITIES		120,283	119,425
SHAREHOLDERS' EQUITY			
Share capital	5	722,866	422,866
Contributed surplus	5	63,644	63,644
Deficit		(606,626)	(564,298)
TOTAL SHAREHOLDERS' EQUITY		179,884	(77,788)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 300,167**	$ 41,637

Approved and authorized by the Board on May 30, 2018

"Rana Vig" Director *"David Goertz"* Director

The accompanying notes are an integral part of these condensed interim financial statements

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31,
(UNAUDITED)
(Expressed in Canadian dollars)

	Note	2018	2017
EXPENSES			
Filing fees		$ 2,048	$ 6,930
Management fees	7	40,000	6,000
Office and miscellaneous		280	7,576
Professional fees		-	2,465
NET LOSS AND COMPREHENSIVE LOSS		$ (42,328)	$ (22,971)
LOSS PER SHARE – BASIC AND DILUTED		**$ (0.03)**	**$ (0.01)**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		**1,251,389**	**1,152,500**

The accompanying notes are an integral part of these condensed interim financial statements

LEAD VENTURES INC. (FORMERLY MACCABI VENTURES INC.)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	NOTE	Common Shares		Convertible Debenture	Contributed Surplus	Deficit	Total
		Number	Amount				
December 31, 2017		1,162,500	422,866	-	63,644	(564,298)	(77,788)
Issuance of convertible debt		-	-	73,244	-	-	73,244
Conversion of convertible debt		2,000,000	300,000	(73,244)	-	-	226,756
Net loss and comprehensive loss for the period		-	-	-	-	(42,328)	(42,328)
March 31, 2018		3,162,500	$722,866	-	$ 63,644	$ (606,626)	$ 179,884

The accompanying notes are an integral part of these condensed interim financial statements

MACCABI VENTURES INC.
STATEMENTS OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31,
(UNAUDITED)
(Expressed in Canadian dollars)

	2018	2017
OPERATING ACTIVITIES		
Net loss for the year	$ (42,328)	$ (22,971)
Changes in non-cash working capital balances		
Other receivable	(3,000)	(1,117)
Prepaid expenses	(30,000)	1,116
Accounts payable and accrued liabilities	-	2,538
Due to related party	858	6,000
Cash used in operating activities	(84,470)	(14,434)
FINANCING ACTIVITIES		
Issuance of convertible debt	300,000	-
Cash used in financing activities	300,000	-
CHANGE IN CASH	215,530	(14,434)
CASH, BEGINNING OF YEAR	1,216	29,818
CASH, END OF YEAR	**$216,746**	**$15,384**

The accompanying notes are an integral part of these condensed interim financial statements

1. NATURE OF OPERATIONS

Lead Ventures Inc. (formerly Maccabi Ventures Inc.) ("the Company") was incorporated on November 13, 2014 under the Laws of British Columbia and is an exploration stage public company of which shares trade on the Canadian Securities Exchange ("CSE") under the symbol of "LEAD".

The Company is engaged in the acquisition, exploration and development of exploration and evaluation assets.

The Company's head office is Suite 820-1130 West Pender Street, Vancouver, British Columbia, Canada. The registered and records office is Suite 704 – 595 Howe Street, Vancouver, British Columbia, Canada.

Going Concern

These condensed interim financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of the business. The Company's ability to continue as a going-concern is dependent upon its ability to obtain additional financing and to achieve profitable operations in the future. These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The condensed interim financial statements (the "Financial Statements") of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these Financial Statements comply with International Accounting Standard ("IAS") 34, Interim Financial Statements.

These condensed interim financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017.

This is the first set of the condensed consolidated interim financial statements where IFRS 15 and IFRS 9 have been applied.

New standard IFRS 9 "Financial Instruments"

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provision, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities the adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed consolidated interim financial statements for the reporting period.

The Company has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

New standard IFRS 15 *Revenue from Contracts with Customers*

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has concluded that the implementation of IFRS 15 did not have a material effect on the Company's income statement.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standard IFRS 16 "Leases"
This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. Overall, the Company does not expect the implementation of IFRS 16 to have a significant impact on its assets or liabilities.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSET

Copper King Project

	Acquisition Costs	Exploration Costs	Total
Balance, December 31, 2016	14,000	18,659	32,659
Acquisition costs	2,500	–	2,500
Exploration cost recovery	–	(159)	(159)
Balance, December 31, 2017 and March 31, 2018	$ 16,500	$ 18,500	$ 35,000

Pursuant to an option agreement dated November 28, 2014, with Rich River Exploration Ltd. (the "Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Copper King Project property (the "Property"), located near Olsen Lake, north of Powel River, British Columbia.

To earn the 100% interest, the Company agreed to issue 625,000 common shares to the Optionor, make cash payments totalling $50,000, and incur a total of $400,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
Upon execution of the agreement (paid)	–	$ 5,000	$ –
Upon listing of the Company's common shares on the Canadian Securities Exchange (October 20, 2015) (the "Listing") (issued)	50,000	–	–
On or before October 20, 2016 (issued)	75,000	–	–
On or before October 20, 2017 (issued)	100,000	–	–
On or before October 20, 2018	200,000	10,000	100,000
On or before October 20, 2019	200,000	15,000	100,000
On or before October 20, 2020	–	20,000	200,000
Total	625,000	$ 50,000	$ 400,000

The Optionor retains a 3% Net Smelter Returns royalty on the Property. The first 1% of the royalty can be purchased by the Company at $750,000 and the 2% remaining can be purchased for $900,000.

5. CONVERTIBLE DEBENTURES

During the period ended March 31, 2018, the Company issued convertible debentures for proceeds of $300,000. The convertible debentures have an interest rate of 11% per annum. The principal amount plus any accrued interest may be convertible into units of the Company at a conversion price of $0.15 per unit. Each unit consists of one common share of the Company and one share purchase warrant exercisable at a price of $0.20 per warrant for a period of two years from the conversion date. The equity value attributable to the debentures was determined to be $73,244 per the residual method. On March 27, 2018 all the convertible shares were converted to 2,000,000 common shares of the Company.

(Expressed in Canadian dollars)

6. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common and preferred shares without par value.

Issued
Common shares

During the three months ended March 31, 2018, 2,000,000 common shares of the Company were issued in connection with the conversion of the convertible debentures.

(i) During the year ended December 31, 2017, the Company issued 10,000 common with a fair value of $2,500 as an option payment on the Copper King property (Note 5).

During the year ended December 31, 2016, the Company issued 12,500 common shares with a fair value of $9,000 as an option payment on the Copper King Project. Refer to Note 5.

b) Warrants

A summary of the Company's warrants are as follows:

	Number of Warrants	Exercise Price
December 31, 2015	282,000	$0.60
Expired	(250,000)	$0.50
December 31, 2016	32,000	$1.00
Expired	(32,000)	$1.00
December 31, 2017	-	-
Issued	2,000,000	$0.20
March 31, 2018	2,000,000	-

6. SHARE CAPITAL (cont'd)

c) Stock options

(Expressed in Canadian dollars)

Options may be granted under the Stock Option Plan to such the directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise price of option grants will be determined by the Board of Directors, but will not be less than the closing market price of the Common Shares on the Exchange less allowable discounts at the time of grant. The Stock Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued Common Shares, if the individual is a director, officer, employee or consultant, or 1% of the issued Common Shares, if the individual is engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

As of March 31, 2018, the Company has not granted any stock options.

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the period ended March 31, 2018, the Company received $90,000 in gross proceeds through issuance of convertible debentures to directors of the Company.

At March 31, 2018, a balance of $21,632 (December 31, 2017 – $20,774) is due to a director.

During the period ended March 31, 2018 $40,000 was prepaid to directors for consulting fees that have yet to be performed.

Key management personnel include the directors of the Company. The remuneration of key management is as follows:

	March 31, 2018	March 31, 2017
Management fees paid to directors	$ 40,000	$ 6,000

8. SUBSEQUENT EVENTS

On April 4, 2018, the Company issued 1,744,000 units in a non-brokered private placement at $0.125 per unit for proceeds of $218,000. Each unit was comprised of one common share of the Company and one transferable share purchase warrant which is exercisable into one additional common share of the Company at $0.17 per common share until April 4, 2020.

Schedule G – Pro-Forma Financial Statements of Curaleaf

(*See attached*)

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

(Amounts in thousands, except share and per share amounts)

Introduction

Curaleaf, Inc. ("Curaleaf") (formerly PalliaTech, Inc.) is providing the following unaudited pro forma condensed combined financial information to aid you in your analysis of the financial aspects of the proposed business combination between, inter alia, Lead Ventures Inc. ("LVI") and Curaleaf pursuant to which, among other things, the securityholders of Curaleaf will complete a reverse take-over of LVI, and the subordinate voting shares (the "Subordinate Voting Shares") of the resulting issuer (the "Resulting Issuer") will be listed for trading on the Canadian Securities Exchange (the "Business Combination") and related transactions (collectively, the "Transactions").

The following unaudited pro forma condensed combined statement of financial position as of June 30, 2018 combines the unaudited historical consolidated statement of financial position of Curaleaf as of June 30, 2018 with the unaudited historical condensed consolidated statement of financial position of LVI as of June 30, 2018, giving effect to the Transactions as if they had been consummated on June 30, 2018. The unaudited historical condensed consolidated statement of financial position of LVI has been prepared in Canadian dollars. For purposes of the unaudited pro forma condensed combined statement of financial position the numbers have been translated into US dollars using an exchange rate of 1 US dollar for 1.32 Canadian dollars.

The following unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2018 combines the unaudited historical consolidated statement of operations of Curaleaf for the six months ended June 30, 2018 with the unaudited historical condensed consolidated statement of operations of LVI for the six months ended June 30, 2018, giving effect to the Transactions as if they had occurred as of the beginning of the earliest period presented. For purposes of the unaudited pro forma condensed combined statement of operations the numbers have been translated into US dollars using an exchange rate of 1 US dollar for 1.32 Canadian dollars.

The following unaudited pro forma condensed combined income statement for the year ended December 31, 2017 combines the audited historical statement of operations of Curaleaf for the year ended December 31, 2017 with the audited historical statement of operations of LVI for the year ended December 31, 2017, giving effect to the Transactions as if they had occurred as of the beginning of the earliest period presented. For purposes of the unaudited pro forma condensed combined statement of operations the numbers have been translated into US dollars using an exchange rate of 1 US dollar for 1.29 Canadian dollars.

The historical financial information of Curaleaf was derived from the unaudited consolidated financial statements of Curaleaf for the six months ended June 30, 2018 and the audited consolidated financial statements of Curaleaf for the year ended December 31, 2017, included in the listing statement of the Resulting Issuer (the "Listing Statement"). The historical financial information of LVI was derived from the unaudited condensed financial statements of LVI for the six months ended June 30, 2018 and the audited financial statements of LVI for the year ended December 31, 2017, included in the Listing Statement. This information should be read together with Curaleaf's and LVI's audited and unaudited financial statements and related notes, the sections titled "*Management's Discussion and Analysis*" and other financial information included in the Listing Statement.

Description of the Transactions

The unaudited pro forma condensed combined financial information gives pro forma effect to the following transactions:

SR Offering and Business Combination

Prior to the completion of the Business Combination, a private placement of 45,422,167 subscription receipts (the "SR Offering") for gross proceeds of $398,746 will be completed by 1177687 B.C. Ltd. ("Curaleaf FinCo"), a single purpose entity incorporated for the SR Offering, at $8.7787 per subscription receipt. As part of the Business Combination, the subscription receipts will subsequently be exchanged for their underlying common shares of Curaleaf Finco ("Curaleaf FinCo Shares"), and upon the completion of certain specified conditions, the former holders of subscription receipts will exchange their Curaleaf FinCo Shares for Subordinate Voting Shares of the Resulting Issuer.

Prior to the closing of the Business Combination, Curaleaf and 1177679 B.C. Ltd. will merge in accordance with the applicable laws of the State of Delaware (the "Merger"), pursuant to which Subordinate Voting Shares will be issued to all Curaleaf shareholders, and Curaleaf will continue as the surviving corporation and as a wholly-owned subsidiary of LVI governed by the laws of the State of Delaware. Immediately prior to the Merger, Gociter Holdings Ltd. will contribute shares of Curaleaf common stock and other cash consideration to the Resulting Issuer, pursuant to which Gociter Holdings Ltd. will be entitled to receive 32.71 multiple voting shares of the Resulting Issuer ("Multiple Voting Shares") for each one Curaleaf share of common stock and other cash consideration contributed immediately prior to the completion of the Merger. Upon completion of the Merger, the Curaleaf shareholders will be entitled to receive 32.71 Subordinate Voting Shares for each one Curaleaf share of common stock then held and exchanged.

Pursuant to the Business Combination, a series of transactions will be completed as a result of which the Resulting Issuer will become the parent of Curaleaf, and pursuant to the SR Offering for gross proceeds of $398,746 at a price of $8.7787 per subscription receipt, securityholders of Curaleaf will become the holders of approximately 91.0% of the issued and outstanding equity of the Resulting Issuer, while holders of Subordinate Voting Shares (being former LVI shareholders and former holders of subscription receipts) will become the holders of approximately 9.0% of the issued and outstanding equity of the Resulting Issuer.

Unsecured Related Party Debt Financings

On each of July 10, 2018, July 26, 2018, August 2, 2018 and August 9, 2018, Curaleaf completed an unsecured private placement financings of $2,000, $2,100, $2,100 and $2,100, respectively, with related parties for aggregate borrowings of $8,300. The notes mature between November 4, 2018 and December 7, 2018, and bear interest at a rate of 11% per annum. The total amount of the financings is expected to be repaid in full prior to the closing of the Business Combination. See "*Repayment of Unsecured Related Party Debt*" below.

Senior Secured Debt Financing

On August 24, 2018, Curaleaf entered into an $85,000 senior secured debt facility (the "Cetus Senior Debt") to Cetus Investments Limited ("Cetus"). On August 27, 2018, Curaleaf drew down the first tranche under the facility for $32,445. In connection with this agreement, Curaleaf paid a fee of $1,700 upon the initial financing. The debt matures on August 23, 2021 and bears interest at a rate of 15% per annum, of which 10% is payable in cash quarterly and 5% is payable in kind. The Cetus Senior Debt is secured by a guarantee of each wholly-owned direct and indirect subsidiaries of Curaleaf, as well as a pledge of Curaleaf's assets and each such guarantor.

In connection with the issue of the Cetus Senior Debt, Cetus was also issued warrants which are exercisable for 110,012 shares of common stock of Curaleaf for a nominal value (prior to giving effect to the Business Combination), which warrants will be exercised prior to completion of the Merger. While the Cetus Senior Debt is outstanding, Curaleaf is subject to certain negative covenants, including restrictions on its ability to pay dividends, invest in non-wholly owned entities and to incur non-subordinated debt.

The Cetus Senior Debt may be pre-paid in tranches of up to $25,000 or $50,000 upon 90 or 180 days' prior written notice. Any amount prepaid once the outstanding principal falls below $25,000 is subject to a prepayment premium.

Repayment of Unsecured Related Party Debt

In connection with the Cetus Senior Debt, Curaleaf is required to repay aggregate principal of $26,300, consisting of $6,000 outstanding under the Senior Unsecured Notes – 2020 and $20,300 in unsecured related party borrowings made between May and August 2018, including accrued but unpaid interest. On August 27, 2018, Curaleaf repaid $18,456 pertaining to these related party borrowings, consisting of $18,000 in principal and $456 in accrued interest.

Accounting for the Business Combination

The Business Combination with LVI will be accounted for in accordance with IFRS 2, Share Based Payments. The Business Combination will be accounted for in the unaudited pro forma condensed combined statement of financial position as a continuation of the financial statements of Curaleaf, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of LVI, in return for the net assets of LVI and a recapitalization of the equity of Curaleaf. The net assets of LVI will be stated at historical cost, with no goodwill or other intangible assets recorded.

Basis of Pro Forma Presentation

The historical financial information has been adjusted to give pro forma effect to events that are related and/or directly attributable to the transactions described above, are factually supportable and are expected to have a continuing impact on the results of the combined company. The adjustments presented on the unaudited pro forma condensed combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the combined company upon consummation of the Business Combination.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience. Curaleaf and LVI have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The unaudited pro forma condensed combined financial information is based on assumptions and adjustments that are described in the accompanying notes. The application of accounting guidance to certain recently completed transactions, including the issuance of senior secured debt and warrants, is dependent upon certain valuations and other studies that have yet to be completed. Accordingly, the pro forma adjustments reflected in the unaudited pro forma condensed combined financial information are preliminary and based on estimates, subject to further revision as additional information becomes available and additional analyses are performed, and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial information. Differences between the preliminary adjustments reflected in the unaudited pro forma condensed combined financial information and the final application of the accounting guidance, which is expected to be completed as soon as practicable, may arise and those differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future results of operations and financial position.

Curaleaf, Inc.
Pro Forma Condensed Combined Statement of Financial Condition as of June 30, 2018
(Unaudited)
(in thousands)

	(Historical)				
	PalliaTech, Inc.	LVI	Pro Forma Adjustments	Note	Pro Forma Combined
Assets					
Current assets:					
Cash	$ 8,154	$ 47	$ 8,300	(1)	
			30,745	(2)	
			(18,000)	(3)	
			634	(5)	
			379,933	(6)	$ 409,813
Accounts receivable	3,053	-	-		3,053
GST receivable	-	14	-		14
Inventory	17,064	-	-		17,064
Prepaid expenses and other current assets	1,560	67	-		1,627
Biological assets	2,763	-	-		2,763
Total current assets	32,594	128	401,612		434,334
Property and equipment	41,898	-	-		41,898
Notes receivable	23,558	-	-		23,558
Intangible assets, net	28,069	-	-		28,069
Goodwill	60,453	-	-		60,453
Investments	4,111	-	-		4,111
Other assets	4,647	-	-		4,647
Total assets	$ 195,330	$ 128	$ 401,612		$ 597,070
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ 7,748	$ -	$ -		$ 7,748
Accrued expenses	6,063	-	3,140	(4)	9,203
Accounts payable and accrued expenses	-	69	-		69
Current portion of notes payable - related party	19,039	-	(12,000)	(3)	7,039
Total current liabilities	32,850	69	(8,860)		24,059
Deferred taxes	1,633	-	-		1,633
Notes payable – related party	11,349	-	8,300	(1)	
			(6,000)	(3)	
			(7,616)	(5)	6,033
Notes payable	-	-	30,745	(2)	30,745
Non-controlling interest contingency	28,346	-	(25,389)	(5)	2,957
Other long-term liabilities	244	-	-		244
Total liabilities	74,422	69	(8,820)		65,671
Shareholders' equity:					
Share capital	137,101	712	-		
			379,933	(6)	
			11,716	(5)	
			(653)	(7)	528,809
Contributed surplus	-	48	(48)	(7)	-
Treasury shares	(3,466)	-	-		(3,466)
Reserves	6,565	-	-		6,565
Accumulated deficit	(16,059)	(701)	(3,140)	(4)	
			18,321	(5)	
			701	(7)	(878)
Total PalliaTech, Inc. shareholders' equity	124,141	59	406,830		531,030
Redeemable non-controlling interest contingency	(28,346)	-	25,389	(5)	(2,957)
Non-controlling interest contingency	1,335	-	(1,335)	(5)	-
Redeemable non-controlling interest	23,778	-	(20,452)	(5)	3,326
Total shareholders' equity	120,908	59	410,432		531,399
Total liabilities and shareholders' equity	$ 195,330	$ 128	$ 401,612		$ 597,070

See accompanying notes to unaudited pro forma condensed combined financial information.

Curaleaf, Inc.
Pro Forma Condensed Combined Statement of Operations for the Six Months Ended June 30, 2018
(Unaudited)
(in thousands, except share and per share amounts)

	(Historical)				
	PalliaTech, Inc.	LVI	Pro Forma Adjustments	Note	Pro Forma Combined
Revenues:					
Retail and wholesale revenue	$ 17,176	$ -	$ -		$ 17,176
Management fee income	6,550	-	-		6,550
Total revenues	23,726	-	-		23,726
Cost of goods sold	16,027	-	-		16,027
Increase (decrease) in fair value of biological assets	5,957	-	-		5,957
Gross profit	13,656	-	-		13,656
Operating expenses:					
Salaries and benefits	9,258	-	-		9,258
Sales and marketing	1,272	-	-		1,272
Rent and occupancy	2,043	-	-		2,043
Travel	1,296	-	-		1,296
Professional fees	3,808	16	-		3,824
General and administrative	2,157	-	-		2,157
Consulting fees	-	68	-		68
Filing fees	-	4	-		4
Management fees	-	91	-		91
Office and miscellaneous	-	30	-		30
Property investigation costs	-	38	-		38
Depreciation and amortization	2,544	-	-		2,544
Share-based compensation	1,161	-	-		1,161
Total operating expenses	23,539	247	-		23,786
Loss from operations	(9,883)	(247)	-		(10,130)
Other income (expense):					
Interest income	3,157	-	-		3,157
Interest expense	(2,026)	-	794	(8)	
			(2,631)	(9)	(3,863)
Impairment of exploration and evaluation asset	-	(27)	-		(27)
Total other income (expense), net	1,131	(27)	(1,837)		(733)
Loss before provision for income taxes	(8,752)	(274)	(1,837)		(10,863)
Income tax recovery (expense)					
Current	(832)				
Deferred, net	(180)	-	-		(180)
Net loss and comprehensive loss	(9,764)	(274)	(1,837)		(11,043)
Less: Net loss attributable to redeemable non-controlling interest	(2,604)	-	2,617	(5)	13
Net loss attributable to PalliaTech , Inc.	$ (7,160)	$ (274)	$ (4,454)		$ (11,056)
Net loss per share attributable to PalliaTech, Inc.—basic and diluted	$ (0.61)				
Weighted average common shares outstanding—basic and diluted	11,674,005				

See accompanying notes to unaudited pro forma condensed combined financial information.

Curaleaf, Inc.
Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2017
(Unaudited)
(in thousands, except share and per share amounts)

	(Historical)				
	PalliaTech, Inc.	LVI	Pro Forma Adjustments	Note	Pro Forma Combined
Revenues:					
Retail and wholesale revenue	$ 9,358	$ -	$ -		$ 9,358
Management fee income	9,955	-	-		9,955
Total revenues	19,313	-	-		19,313
Cost of goods sold	11,029	-	-		11,029
Increase (decrease) in fair value of biological assets	7,313	-	-		7,313
Gross profit	15,597	-	-		15,597
Operating expenses:					
Salaries and benefits	6,914	-	-		6,914
Sales and marketing	1,542	-	-		1,542
Rent and occupancy	1,194	7	-		1,201
Travel	1,086	-	-		1,086
Consulting fees	-	35	-		35
Filing fees	-	14	-		14
Management fees	-	14	-		14
Office and miscellaneous	-	19	-		19
Professional fees	4,334	11	-		4,345
General and administrative	1,315	-	-		1,315
Depreciation and amortization	3,210	-	-		3,210
Share-based compensation	2,547	-	-		2,547
Total operating expenses	22,142	100	-		22,242
Loss from operations	(6,545)	(100)	-		(6,645)
Other income (expense):					
Gain on sale of subsidiary	772	-	-		772
Gain on bargain purchase, net of tax	138	-	-		138
Interest income	2,990	-	-		2,990
Interest expense	(1,590)	-	608	(8)	
			(5,053)	(9)	(6,035)
Other income	259	-	-		259
Total other income (expense), net	2,569	-	(4,445)		(1,876)
Loss before provision for income taxes	(3,976)	(100)	(4,445)		(8,521)
Provision for income taxes	(1,068)	-	-		(1,068)
Net loss and comprehensive loss	(5,044)	(100)	(4,445)		(9,589)
Less: Net loss attributable to redeemable non-controlling interest	(2,226)	-	2,417	(5)	191
Net loss attributable to PalliaTech , Inc.	$ (2,818)	$ (100)	$ (6,862)		$ (9,780)
Net loss per share attributable to PalliaTech, Inc.—basic and diluted	$ (0.29)				
Weighted average common shares outstanding—basic and diluted	9,869,598				

See accompanying notes to unaudited pro forma condensed combined financial information.

Pro Forma Adjustments to the Unaudited Condensed Combined Financial Information (in thousands, except share and per share amounts)

The unaudited pro forma condensed combined financial statements include pro forma adjustments to give effect to the Transactions. The pro forma adjustments reflecting the completion of the Transactions are based upon the accounting analysis conclusion that the Business Combination should be accounted as a continuation of the financial statements of Curaleaf, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of LVI, in return for the net assets of LVI and a recapitalization of the equity of Curaleaf, and upon the assumptions set forth below:

(1) To reflect the issuance by Curaleaf of $8,300 aggregate principal amount of unsecured private placement notes to related parties, as if the notes had been issued as of June 30, 2018.
(2) To reflect the drawdown by Curaleaf of $32,445 in funding in connection with the Cetus Senior Debt, net of a fee of $1,700, as if the funding had been received as of June 30, 2018.
(3) To reflect Curaleaf's use of proceeds from the Cetus Senior Debt facility to repay $18,000 of unsecured related party notes, including $6,000 outstanding under the Senior Unsecured Notes – 2020 and $12,000 outstanding under the Senior Unsecured Notes - 2018, as if the repayment had occurred as of June 30, 2018. The accounting for the warrants issued to the lender has not been reflected in the pro forma adjustment as Curaleaf is still evaluating the accounting for the transaction.
(4) To reflect the payment of estimated legal, financial advisory and other professional fees related to the Business Combination.
(5) To reflect the following transactions prior to the closing of the Business Combination: (i) the exercise of warrants, options and convertible notes to purchase 413,041 shares of Curaleaf's common stock for aggregate proceeds of $634; and (ii) the issuance of an aggregate 349,897 shares of Curaleaf's common stock in connection with the Connecticut Minority Buy-Out (acquisition of minority interests in PalliaTech CT, Inc.), the Florida Minority Buy-Out (acquisition of minority interests in Curaleaf Florida, LLC.) Massachusetts Minority Buy-Out (acquisition of minority interests in Curaleaf Massachusetts, Inc.) and the Oregon Minority Buy-Out (acquisition of minority interests in Groen Investment Group, Inc.), as if each of the transactions were completed on June 30, 2018. For purposes of the pro forma condensed combined statements of operations, reflects an adjustment to net loss attributable to redeemable non-controlling interest, as if the Minority Buy-Outs occurred on January 1, 2017.
(6) To reflect the sale and issuance by the Resulting Issuer, concurrent with the closing of the Business Combination, of 45,422,167 Subordinate Voting Shares resulting from the conversion of the subscription receipts issued in the SR Offering into common shares of Curaleaf Finco and their subsequent exchange for Subordinate Voting Shares of the Resulting Issuer at a per share offering price of approximately $8.7787 for proceeds of $379,933 (the SR Offering), net of $18,503 in agency commissions and related fees and $310 in estimated other offering costs as if the SR Offering and Business Combination were completed on June 30, 2018.
(7) To record (i) the issuance of 335,120,559 Subordinate Voting Shares and 122,170,705 Multiple Voting Shares of the Resulting Issuer in exchange for 100% of the outstanding equity of Curaleaf, (ii) the issuance of 188,646 Subordinate Voting Shares of the Resulting Issuer in exchange for 100% of the outstanding equity of LVI, and (iii) the elimination of LVI's historical shareholders' equity. The number of Subordinate Voting Shares of the Resulting Issuer issued in exchange for 100% of the outstanding equity of LVI assumes a per share offering price of $8.7787 and an exchange rate of one U.S. dollar for 1.3043 Canadian dollars.
(8) Represents an adjustment to eliminate interest expense on Curaleaf's Senior Unsecured Notes – 2020 and Senior Unsecured Notes - 2018, as if the notes were repaid on January 1, 2017.
(9) To record interest expense in connection with the Cetus Senior Debt, as if the debt had been issued as of January 1, 2017.

Subordinate Voting Shares of the Resulting Issuer Outstanding upon Closing of the Business Combination

Based on the terms of the transaction agreement dated July 25, 2018 among LVI and Curaleaf (the "Transaction Agreement"), the estimated shares of Curaleaf and LVI outstanding prior to the Business Combination and the preliminary estimated exchange ratios determined in accordance with the terms of the Transaction Agreement, the number of Subordinate Voting Shares of the Resulting Issuer outstanding upon closing of the Business Combination, on a pro forma basis, as if the Business Combination was completed on June 30, 2018, was determined as follows:

	Note	Historical	Subordinate Voting Shares of Resulting Issuer
PalliaTech, Inc.			
Common shares outstanding as at June 30, 2018		11,822,830	
Subordinate Voting Shares of the Resulting Issuer issued upon the Business Combination (1)	(7)		386,724,751
Additional shares issued since June 30, 2018 to give effect to Minority Buy Outs and option / warrant exercises	(5)		24,955,700
Dilutive securities (ESOP)			50,912,313
LVI			
Common shares outstanding as at June 30, 2018		4,906,500	
Subordinate Voting Shares of the Resulting Issuer issued upon the Business Combination (2)	(7)		188,646
Curaleaf FinCo			
Subordinate Voting Shares of the Resulting Issuer issued as a result of the SR Offering	(6)		45,422,167
Total Subordinate Voting Shares of the Resulting Issuer outstanding following the Business Combination (on a fully diluted basis)			508,203,577

(1) Represents the number of Subordinate Voting Shares of the Resulting Issuer to be issued in exchange for 100% of the outstanding equity of Curaleaf not exchanged for multiple voting shares of the Resulting Issuer, subject to the exchange ratio of 1:32.71

(2) Represents the number of Subordinate Voting Shares of the Resulting Issuer to be issued in exchange for 100% of the outstanding equity of LVI, subject to the exchange ratio of 1:0.0384

VERIFICATION

I, Krista Krebs hereby state that I am a principal of Keystone Center of Integrative Wellness, a Phase I medical marijuana dispensary permit holder, and Parea BioSciences, LLC, a Phase II grower/processor permit holder, both of which are members of Medical Marijuana Advocates for Research (MMAR), that I am an officer of MMAR authorized to speak on behalf of MMAR and its members, and that the facts above set forth in the foregoing petition for review are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Krista Krebs

VERIFICATION

I, Michael Badey hereby state that I am a principal of Chamounix Ventures, LLC, a member of Medical Marijuana Advocates for Research (MMAR), authorized to speak on behalf of MMAR and its members, and that the facts above set forth in the foregoing petition for review are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Michael Badey

Date: November 27, 2018

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Medical Marijuana Advocates for Research, *Petitioner*, v. Rachel L. Levine, MD, Secretary, Pennsylvania Department of Health, *Respondent*.	:	No. MD 2018

NOTICE TO ATTORNEY GENERAL OF CONTINGENT CHALLENGE TO CONSTITUTIONALITY OF CHAPTER 20 OF THE MEDICAL MARIJUANA ACT

To: The Honorable Josh Shapiro, Attorney General of Pennsylvania:

1. Pursuant to Pa. R.A.P. 521 and Pa. R.C.P. 235, notice is hereby given that Petitioners' petition for review challenges the Department of Health's revised temporary regulations that purport to implement the academic research provisions contained in Chapter 20 of the Medical Marijuana Act, 35 P.S. §§ 10231.2001-2004 (Act or Medical Marijuana Act), *as amended*, P.L. 322, No. 43, June 22, 2018, 48 Pa.B. 5027 (Aug. 18, 2018), promulgating 28 Pa. Code §§ 1211.21-37 (Revised Chapter 20 Regulations).

2. One of the challenges is that the Revised Chapter 20 Regulations unconstitutionally delegates the crucial governmental function of choosing medical marijuana organization permittees to private parties in violation of Article 2, Section 1 of the Pennsylvania Constitution (the non-delegation doctrine).

3. As an alternate theory, the petition for review also alleges that, to the extent the regulations permitting the unconstitutional delegation are required by the Act, the Act itself provides for an unlawful delegation of government responsibility to a private entity in violation of Article 2, Section 1.

Respectfully submitted,

Kevin J. McKeon, I.D. No. 30428
Judith D. Cassel, I.D. No. 209393
Dennis A. Whitaker, I.D. No. 53975
Micah R. Bucy, I.D. No. 320196
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101
Telephone: 717-236-1300
Facsimile: 717-236-4841
kjmckeon@hmslegal.com
jdcassel@hmslegal.com
dawhitaker@hmslegal.com
mrbucy@hmslegal.com

Counsel for Petitioner Medical Marijuana Advocates for Research

Dated: November 27, 2018

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Medical Marijuana Advocates for Research, *Petitioner*, v. Rachel L. Levine, MD, Secretary, Pennsylvania Department of Health, *Respondent*.	:	No. MD 2018

CERTIFICATE OF SERVICE

I hereby certify that I am on this day serving a true and correct copy of the foregoing document upon the persons and in the manner specified below, which service satisfies the requirements of Pa. R.A.P. 121 and Pa. R.A.P. 1514(c):

VIA CERTIFIED MAIL

Hon. Rachel L. Levine
Secretary, Pennsylvania Dept. of Health
Pennsylvania Dept. of Health
Health and Welfare Building
625 Forster Street
Harrisburg, PA 17120

Hon. Josh Shapiro
Pennsylvania Office of Attorney General
Commonwealth of Pennsylvania
16th Floor, Strawberry Square
Harrisburg, PA 17120

Micah R. Bucy

Dated: November 27, 2018