

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

**Amendment No. 1
to
FORM 10**

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934

VERANO HOLDINGS CORP.
(Exact name of registrant as specified in its charter)

British Columbia, Canada
(State or other jurisdiction of
incorporation or organization)

98-1583243
(IRS Employer
Identification Number)

415 North Dearborn Street, 4th Floor,
Chicago, Illinois
(Address of principal executive offices)

60654
(Zip Code)

Registrant's telephone number, including area code: (312) 265-0730

Copies to:

George Archos
Chief Executive Officer
415 North Dearborn Street, 4th Floor
Chicago, Illinois 60654

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered

None

Name of each exchange on which each class is to be registered

None

Securities to be registered pursuant to Section 12(g) of the Act:

Class A subordinate voting shares
(Title of class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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EXPLANATORY NOTE

Unless otherwise stated or the context requires otherwise, references in this registration statement on Form 10 (this “**Registration Statement**”) to the “Company,” “Verano,” “we,” “us,” and “our” refer to Verano Holdings Corp., a British Columbia corporation.

The Company has prepared this Registration Statement to register its Class A subordinate voting shares, without par value (the “**Subordinate Voting Shares**”), under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) with the Securities and Exchange Commission (the “**SEC**”). This Registration Statement will become effective automatically 60 days from the date of the original filing (the “**Effective Date**”), pursuant to Section 12(g)(1) of the Exchange Act. As of the Effective Date, the Company will become subject to the reporting requirements of Section 13(a) under the Exchange Act and will be required to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and the Company will be required to comply with all other obligations of the Exchange Act applicable to issuers with securities registered pursuant to Section 12(g) of the Exchange Act.

Verano is a leading vertically-integrated multi-state cannabis operator as one of the top five publicly traded multi-state operators in the United States by reported annual revenue for the year ended December 31, 2021. An operator of licensed cannabis cultivation, processing, wholesale distribution and retail facilities, the Company’s goal is the ongoing development of communal wellness by providing responsible access to regulated cannabis products to discerning high-end customers.

Verano is a reporting issuer under applicable securities legislation in all provinces and territories of Canada, and the Subordinate Voting Shares are listed on the Canadian Securities Exchange (the “**CSE**”) under the symbol “VRNO”. The Subordinate Voting Shares are also quoted in the United States on the OTCQX marketplace operated by the OTC Market Group (the “**OTCQX**”) under the symbol “VRNOF”.

The Company’s head office is located at 415 North Dearborn Street, 4th Floor, Chicago, Illinois 60654. The registered office of the Company is located at 20th Floor, 250 Howe Street, Vancouver, British Columbia V6C 3R8.

Implications of Being an Emerging Growth Company

The Company qualifies as an “**Emerging Growth Company**” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “**Securities Act**”), as modified by the Jumpstart Our Business Startups Act of 2012, as amended (the “**Jobs Act**”). As an Emerging Growth Company, the Company may take advantage of specified reduced disclosure and other exemptions from requirements that are otherwise applicable to public companies that are not Emerging Growth Companies. These provisions include:

- Reduced disclosure about the Company’s executive compensation arrangements;
- Exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies;
- Exemptions from non-binding shareholder advisory votes on executive compensation or golden parachute arrangements; and
- Exemption from the auditor attestation requirement in the assessment of the Company’s internal control over financial reporting.

The Company may take advantage of these exemptions until the Company no longer qualifies as an Emerging Growth Company. The Company has elected not to use the extended transition period for adopting new or revised financial accounting standards and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for other public companies that are not Emerging Growth Companies.

The Company would cease to be an Emerging Growth Company on the first to occur of the following: (i) if the Company has more than \$1.07 billion in annual revenues as of the end of a fiscal year, (ii) if the Company is deemed to be a “large accelerated filer” under the rules of the SEC, (iii) if the Company issues more than \$1.0 billion of non-convertible debt over a three-year period, and (iv) five years after an offering to the public of the Company’s equity securities pursuant to an effective registration statement under the Securities Act. We would be deemed to be a “large accelerated filer” if the following three conditions are met: (a) the market value of the Subordinate Voting Shares held by non-affiliates exceeds \$700 million as of the last business day of the Company’s most recently completed second fiscal quarter, (b) we were subject to Exchange Act reporting requirements for at least 12 calendar months and (c) we filed at least one annual report on Form 10-K with the SEC.

Currency

The Company presents its financial statements in United States dollars. Except where otherwise indicated, all references to “\$” or “US\$” are to United States dollars, and all references to “C\$” are to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Registration Statement contains “forward-looking information” and “forward-looking statements” within the meaning of United States securities laws (together, “**forward-looking statements**”). All statements, other than statements of historical fact, made by the Company or its affiliates that address activities, events or developments that the Company or its affiliates expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may,” “will,” “would,” “could,” “should,” “believes,” “assumes,” “estimates,” “projects,” “potential,” “expects,” “plans,” “intends,” “anticipates,” “targeted,” “continues,” “forecasts,” “designed,” “goal,” or the negative of those words or other similar or comparable words.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, expectations and assumptions concerning:

- the ability of the Company and its affiliates to obtain, maintain and renew regulatory approvals in all states and localities of its operations and planned operations on a timely basis;
- government regulations, including future legislative and regulatory developments involving medical and adult-use cannabis and the timing thereof;
- the Company’s outlook on its expansion and growth of business and operations;
- the Company’s ability to achieve its goals, business plans and strategy;
- the ability of the Company to access capital and obtain necessary financing to pursue its growth and business plans;
- operational results and other financial and business conditions and prospects of the Company;
- the timing and completion of acquisitions and other commercial transactions;
- the integration and operation of acquired businesses;
- the timing and amount of capital expenditures;
- the availability of equipment, skilled labor and services needed for cannabis operations;
- demand, developments and trends in the medical and adult-use cannabis industry;
- competition in the cannabis industry in the markets in which the Company operates or plans to operate;
- the medical benefits, viability, safety, efficacy, and dosing of cannabis;
- the size of the medical cannabis market and the adult-use cannabis market in each state;
- conditions in general economic and financial markets; and
- the impacts of the coronavirus (COVID-19) pandemic and future steps to be taken in response to COVID-19.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the impacts of economic uncertainty stemming from inflation, rising interest rates, supply shortages, changes in consumer and business confidence, political unrest and conflicts and disruptions in US and global markets;
- the impacts of COVID-19 on the Company, the US and global markets;
- the Company's limited operating history;
- the Company will become an SEC reporting company in addition to remaining a public reporting company in Canada;
- heightened scrutiny from Canadian government authorities;
- the Company's outstanding indebtedness and potential future indebtedness;
- reliance on management and the potential for fraudulent activity by employees, contractors and consultants;
- uninsured or underinsured losses;
- potential product liability and recalls;
- the Company's reliance on the performance of its subsidiaries and affiliates;
- the Company's expansion-by-acquisition strategy;
- the unconventional due diligence process in the medical and adult-use cannabis industry;
- the integration and operation of acquired businesses;
- the Company's lack of portfolio diversification;
- existing competition and new market entrants;
- the introduction of synthetic alternatives by pharmaceutical and other companies;
- the immaturity of the cannabis industry and limited comparable, competitive and established industry best practices;
- the availability of third-party suppliers, contractors and manufacturers, and availability of raw or other materials;
- wholesale and retail price fluctuations;
- public opinion and perception of the cannabis industry;
- agricultural and environmental risks and the impacts of regulations on the agriculture industries and environmental protections;
- the US federal regulatory landscape and enforcement related to medical or adult-use cannabis, including political risks, civil asset forfeiture and regulation by additional regulatory authorities;
- the difficulties cannabis businesses face accessing and maintaining banking or financial services due to federal regulations;
- regulatory and political changes to US state and local laws related to medical or adult-use cannabis, including political risks and regulation by additional regulatory authorities;
- disparate state-by-state regulatory landscapes and licensing regimes for medical and adult-use cannabis;
- the requirements to abide by anti-money laundering laws and regulations;

- required public disclosure and governmental filings containing personal information of the Company’s officers, investors and other stakeholders;
- the ability to, and constraints on, promoting and marketing cannabis products;
- the potential limitations on the Company’s ability to enforce its contracts or any liens granted to it;
- the ability to access capital markets and the availability of financing opportunities;
- the lack of access to federal bankruptcy protections in the United States;
- limited intellectual property protection available for cannabis products and the potential infringement by third parties;
- reliance on information technology systems, the potential disclosure of personal information of patients and customers and cybersecurity risks;
- the Company’s elimination of monetary liability and indemnification rights against its directors, officers and employees under British Columbia law;
- the Company’s dual class capital structure with Class A subordinate voting shares and Class B proportionate voting shares;
- the Company’s shareholders’ limited participation in the Company’s affairs;
- the Company’s expectation to not declare or pay out dividends;
- the taxation of cannabis companies in the US; and
- other risks described in this Registration Statement, as more particularly described under the heading “*Item 1A. ¾ Risk Factors.*”

Although the Company believes that the expectations and assumptions on which forward-looking statements are based are reasonable at the time made, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Forward-looking statements address future events and conditions, and thus involve inherent risks and uncertainties.

The cannabis industry involves risks and uncertainties that are subject to change based on various factors. The forward-looking statements contained herein concerning the cannabis industry and the general expectations of the Company concerning the cannabis industry are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of the cannabis industry. Such data is inherently imprecise.

Consequently, all forward-looking statements made in this Registration Statement and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under applicable securities legislation.

ITEM 1: BUSINESS.

Overview

Verano is a leading vertically-integrated multi-state cannabis operator as one of the top five publicly traded multi-state operators in the United States by reported annual revenue for the year ended December 31, 2021. An operator of licensed cannabis cultivation, processing, wholesale distribution and retail facilities, our goal is the ongoing development of communal wellness by providing responsible access to regulated medical and adult-use cannabis products to discerning high-end customers. As of June 10, 2022, through our subsidiaries and affiliates we are licensed to conduct business in 14 states and actively operate businesses in 13 states, including 100 retail dispensaries and 13 cultivation and processing facilities with over 1,000,000 square feet of cultivation, with an additional facility under construction. We produce a suite of premium, artisanal cannabis products sold under our portfolio of consumer brands, including Encore™, Avexia™, MÜV™ and Verano™. We also design, build and operate branded retail environments including Zen Leaf™ and MÜV™ dispensaries that deliver a cannabis shopping experience in both medical and adult-use markets.

Notwithstanding the permissive regulatory environment of medical, and in some cases also recreational marijuana at the state level, it remains illegal under US federal law to cultivate, manufacture, distribute, sell or possess marijuana in the US. Because federal law prohibits transporting any federally restricted substance across state lines, cannabis cannot be transported across state lines. As a result of current federal law prohibitions, the US cannabis industry is conducted on a state-by-state basis. To date, in the United States 37 states plus the District of Columbia and the US territories of Puerto Rico, Guam and the US Virgin Islands have authorized comprehensive medical marijuana programs, 19 states plus the District of Columbia and the US territories of Guam and the Commonwealth of Northern Mariana Islands have authorized comprehensive programs for medical and adult-use (i.e. recreational) marijuana, and 11 states allow the use of low THC (delta-9-tetrahydrocannabinol, the main psychoactive ingredient in cannabis), high cannabidiol (“**CBD**”) cannabis products for specified medical uses. Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under US federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any of its subsidiaries.

Verano operates within states where cannabis use, medical or both medical and recreational, has been approved by state and local regulatory bodies. For 2021, medical-use sales and adult-use sales comprised approximately 60% and 40% of our consolidated revenues, respectively, and for the first quarter of 2022 our consolidated revenues were comprised approximately 65% of medical-use sales and approximately 35% of adult-use sales.

All of the Company’s business, operating results and financial condition relate to US cannabis-related activities. Our strategy is to vertically integrate as a single cohesive company in multiple states through the consolidation of seed-to-sale cultivating, manufacturing, distributing, and dispensing premium brands and products at scale. Our cultivation, processing and wholesale distribution of cannabis consumer packaged goods are designed to guarantee shelf-space in our national retail dispensary chain, as well as to develop and foster long term wholesale supply relationships with third-party retail operators. Our model includes geographic diversity by establishing a footprint to enable us to adapt to changes in both industry and market conditions seamlessly and profitably.

Verano is a reporting issuer under applicable securities legislation in all of the provinces and territories of Canada and the Subordinate Voting Shares are listed on the CSE under the symbol “VRNO.” The Subordinate Voting Shares are also quoted for trading in the United States on the OTCQX under the symbol “VRNOF.”

The head office of the Company is located at 415 North Dearborn Street, 4th Floor, Chicago, Illinois 60654. Verano’s Canadian registered office is located at 20th Floor, 250 Howe Street, Vancouver, British Columbia V6C 3R8. Our telephone number is (312) 265-0730. Our Internet address is www.verano.com. Unless and to the extent specifically referred to herein, the information on the Company’s website shall not be deemed to be incorporated by reference in this Registration Statement.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. The Company also files reports, circulars, annual information statements, and other information regarding the Company with the securities regulatory authorities of Canada via the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

History of the Company

Verano LLC

Verano Holdings, LLC, a subsidiary of the Company (“**Verano LLC**”), was the start of Verano’s business operations. Verano LLC is a Delaware limited liability company that was co-founded by George Archos, our current Chairman and Chief Executive Officer, and Sam Dorf in September 2017. Verano LLC was formed as a Chicago, Illinois based holding company to consolidate cannabis operations initially in Illinois, including cultivation and production facilities and retail dispensaries.

Beginning in August 2018, Verano LLC began to acquire control, management, ownership, and other rights to medical and adult-use cannabis licenses in US states where Verano LLC or Verano LLC’s co-founders held an existing ownership or management stake.

Starting in January 2019, Verano LLC implemented an expansion strategy whereby Verano LLC, either directly or through subsidiaries or affiliates, began acquiring control, management, ownership, and other rights to medical and adult-use cannabis businesses across multiple US states, including cultivation, production, wholesale distribution and retail dispensaries.

RTO

On December 14, 2020, Verano LLC, Majesta Minerals, Inc., an Alberta corporation (“**Majesta Minerals**”), 1276268 B.C. Ltd., a British Columbia corporation (“**Verano FinCo**”), 1277233 B.C. Ltd, a British Columbia corporation, and 1278655 B.C. Ltd., a British Columbia corporation, entered into an Arrangement Agreement (as amended January 26, 2021, the “**Arrangement Agreement**”), pursuant to which the Company would result from a reverse takeover transaction as a British Columbia public reporting company (the “**RTO**”).

In accordance with the plan of arrangement forming part of the Arrangement Agreement (the “**Plan of Arrangement**”), Majesta Minerals completed a consolidation of its common shares on the basis of 100,000 issued and outstanding common shares on a post-consolidation basis. In accordance with the Plan of Arrangement, Majesta Minerals also reorganized its capital by altering its notice of articles and articles to (i) attach special rights and restrictions to its common shares, (ii) change the identifying name of its common shares to “Class A subordinate voting shares” and (iii) create a new class of Class B proportionate voting shares (the “**Proportionate Voting Shares**”). As part of the Plan of Arrangement, Majesta Minerals also changed its name to “Verano Holdings Corp.” prior to the RTO.

The dual class structure consists of Proportionate Voting Shares, each of which is convertible into 100 Subordinate Voting Shares, and Subordinate Voting Shares, each of which is convertible into 1/100 Proportionate Voting Share. The rights, preferences and protections of the Subordinate Voting Shares and the Proportionate Voting Shares are the same and based upon the deemed conversion ratio of 100 Subordinate Voting Shares for one Proportionate Voting Share, such that each Subordinate Voting Share is entitled to one vote and each Proportionate Voting Share is entitled to 100 votes and each Proportionate Voting Share would receive 100 times the amount any dividends or distributions that is payable for one Subordinate Voting Share.

In connection with the RTO and Plan of Arrangement, the Company consummated a private placement conducted on a commercially reasonable best-efforts basis (the “**Financing**”), whereby 10,000,000 subscription receipts (the “**Subscription Receipts**”) were issued by Verano FinCo prior to the RTO in January 2021, at a price per Subscription Receipt of \$10, for aggregate gross proceeds of \$100,000,000. The net proceeds of the Financing were transferred to the Company, as the resulting corporation in the RTO.

Upon the consummation of the RTO, Verano’s authorized capital consisted of (i) an unlimited number of Subordinate Voting Shares, and (ii) an unlimited number of Proportionate Voting Shares. The shareholders of Verano FinCo received one Subordinate Voting Share for each share of Verano FinCo. for a total of 10,000,000 Subordinate Voting Shares. The members of Verano LLC, and third-party owners of some of Verano LLC’s subsidiaries, through a series of transactions, exchanged their ownership interests in Verano LLC and such subsidiaries for an aggregate of 96,892,040 Subordinate Voting Shares and an aggregate of 1,172,382 Proportionate Voting Shares, resulting in Verano LLC becoming a wholly-owned subsidiary of the Company.

The Subordinate Voting Shares were listed on the CSE and began trading on February 17, 2021 under the trading symbol “VRNO.”

AME Merger Agreement

On November 6, 2020, Verano LLC entered into an agreement and plan of merger (as amended on December 14, 2020 and February 5, 2021, the “**AME Merger Agreement**”) with Alternative Medical Enterprises LLC (“**AltMed**”), Plants of Ruskin GPS, LLC and RVC 360, LLC (together, “**Plants of Ruskin**”) and, collectively with AltMed, the “**AME Parties**”), pursuant to which the Company, as the assignee of all of Verano LLC’s rights and obligations thereunder, would acquire the AME Parties and their subsidiaries and ownership and control interests (collectively with the AME Parties, the “**AME Group**”) via a series of merger transactions. The merger transactions were contingent upon, and were consummated contemporaneously with, the RTO. The members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for an aggregate of 18,092,987 Subordinate Voting Shares and 470,984 Proportionate Voting Shares, plus cash consideration of \$35 million, of which \$20 million was paid at the closing of the mergers. An additional \$10 million was paid in August 2021, and the \$5 million balance was paid in February 2022.

The RTO and the merger transactions with Verano LLC and the AME Parties (collectively, the “Go Public Transactions”), each closed on February 11, 2021, resulting in the creation of the Company as a Canadian publicly-traded company and the parent holding company of Verano LLC, the AME Parties and their respective subsidiaries and ownership and control interests. Because of this holding company structure, Verano has no business operations and to the extent it cannot raise funds through the issuance of debt or equity securities, it is dependent on the financial health and operating performance of its subsidiaries and affiliates to meet its financial obligations. The ability of our subsidiaries and affiliates to pay dividends and other distributions to us or any of our other subsidiaries will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained, as well as contractual restrictions on dividends and distributions that may be contained in mortgages, credit facilities and other similar agreements. In the event of a liquidation or reorganization of any of our subsidiaries, lenders and trade creditors may be entitled to payment of their claims from the assets of such subsidiary before us.

Acquisitions

Verano is an early-stage growth company and acquisitions of cannabis businesses and related licenses and assets is an integral part of our growth strategy. Since the Go Public Transactions, we have entered into a number of strategic transactions, thereby expanding our footprint across the United States.

2021 Completed Transactions

After the completion of the Go Public Transactions, in 2021 the Company and its subsidiaries consummated transactions to acquire the ownership interests in or the control of the following entities.

2021 Acquisition Date	Entity	Location	Business
March 9, 2021	NSE Holdings, LLC	Pennsylvania	Dispensaries
March 10, 2021	Perpetual Healthcare Inc.	Arizona	Dispensary
March 17, 2021	The Herbal Care Center, Inc.	Illinois	Dispensaries
March 30, 2021	Patient Alternative Relief Center, Inc.	Arizona	Cultivation and dispensary
April 8, 2021	AZGM3, Inc., Vending Logistics LLC and The Medicine Room, LLC	Arizona	Cultivation, production and dispensaries
May 11, 2021	TerraVida Holistic Centers, LLC	Pennsylvania	Dispensaries
May 14, 2021	The Healing Center, LLC	Pennsylvania	Dispensaries
June 30, 2021	Ohio Grown Therapies, LLC	Ohio	Dispensary
July 1, 2021	Green RX, LLC	Ohio	Dispensary
July 8, 2021	Mad River Remedies, LLC	Ohio	Dispensary
July 12, 2021	Agri-Kind, LLC and Agronomed Holdings, Inc.	Pennsylvania	Cultivation and production
July 12, 2021	Agronomed Biologics, LLC	Pennsylvania	Dispensaries and medical research
October 25, 2021	Willow Brook Wellness, LLC	Connecticut	Dispensary
December 20, 2021	Caring Nature, LLC	Connecticut	Dispensary
December 28, 2021	Connecticut Pharmaceutical Solutions, Inc.	Connecticut	Cultivation and production

As consideration for the foregoing acquisitions consummated in 2021, Verano paid a total of \$372,782,863 in cash consideration and issued a total of 20,654,297 Subordinate Voting Shares and a total of 88,718 Proportionate Voting Shares. As of March 31, 2022, the remaining estimated purchase price obligations for acquisitions consummated in 2021 consisted of a total of \$49,893,249 in cash consideration and a total of \$95,647,815 to be paid in Subordinate Voting Shares or Proportionate Voting Shares, or a combination thereof.

In addition, our acquisition activity includes the following transactions since the completion of the Go Public Transactions.

Sierra Well Acquisition Agreement

On July 26, 2021, the Company entered into an agreement to acquire all of the equity interests of WSCC, Inc. (doing business as Sierra Well), which would add two operational dispensaries and an active cultivation and production facility in Nevada along with two real estate properties in Carson City and Reno, Nevada, respectively. The total purchase price is \$29,000,000, subject to adjustment, which will be satisfied by payment of \$5,600,000 in cash and the issuance of up to 1,536,685 Subordinate Voting Shares. Closing on the transaction is subject to customary conditions, contingencies and approvals, including Nevada state regulatory approval.

Goodness Growth Arrangement Agreement

Verano announced on February 1, 2022 that it had entered into an Arrangement Agreement with Goodness Growth Holdings, Inc., a British Columbia corporation (“**Goodness Growth**”), on January 31, 2022 (the “**Goodness Growth Agreement**”), pursuant to which the Company will acquire Goodness Growth and all of its subsidiaries and ownership and management interests. Verano will acquire all of Goodness Growth’s issued and outstanding equity securities on a fully-diluted basis in exchange for Subordinate Voting Shares valued at approximately \$413 million at the time the Goodness Growth Agreement was entered into by the parties on January 31, 2022. The number of Subordinate Voting Shares to be issued in the transaction is based on a fixed exchange ratio with each share of Goodness Growth (on an as converted basis to Goodness Growth’s subordinate voting shares) being exchanged into the right to receive 0.22652 of a Subordinate Voting Share. The terms of Goodness Growth’s outstanding stock options and restricted stock units will be adjusted to substitute Subordinate Voting Shares therein based on the fixed exchange ratio.

Goodness Growth is a Canadian public reporting company and an SEC reporting issuer in the United States. Its subordinate voting shares are listed for trading on the CSE under the symbol “GDNS” and traded in the US on the OTCQX under the symbol “GDNSF.” Goodness Growth is science-focused and dedicated to providing patients and adult-use customers with high quality cannabis-based products. At the time of entering into the Goodness Growth Agreement, Goodness Growth’s operations included 18 dispensaries, five cultivation and processing facilities, a research and development facility and the Vireo Health®, Vireo Spectrum™, 1937™, LiteBud™, Kings & Queens™, and Hi-Color™ product brands.

The acquisition of Goodness Growth is expected to expand the Company’s footprint with the addition of licenses in seven states and territories consisting of New York, Minnesota, New Mexico, Nevada, Maryland, Arizona and Puerto Rico, with five being operational, including Goodness Growth’s core markets of New York, Minnesota, Maryland and New Mexico. Verano believes it will obtain one of only ten vertically-integrated licenses in New York, which includes one cultivation license, four active dispensaries, and four additional dispensaries planned in high-traffic locations. Verano anticipates it will also acquire one of only two vertically-integrated licenses in Minnesota which includes one cultivation license and eight active dispensaries.

The Goodness Growth Agreement provides for customary provisions for similar transactions, including covenants in respect of non-solicitation of alternative transactions, \$14,875,000 reciprocal termination fees under specified termination circumstances and reciprocal expense reimbursement provisions in specified termination circumstances. The acquisition of Goodness Growth is subject to the approval of Goodness Growth’s shareholders at a special shareholders’ meeting to be held by Goodness Growth, receipt of US regulatory approvals, including pursuant to New York and Maryland state regulatory requirements, and other conditions of closing.

GreenGate Acquisition

On March 11, 2022, Verano consummated the acquisition of 420 Capital Management, LLC (doing business as GreenGate), which operates two active dispensaries in Lombard and Rogers Park, Illinois. The total purchase price was \$21,260,741, which included a cash payment of \$7,447,871 and the issuance of 1,403,067 Subordinate Voting Shares at the closing of the acquisition.

Recent Developments

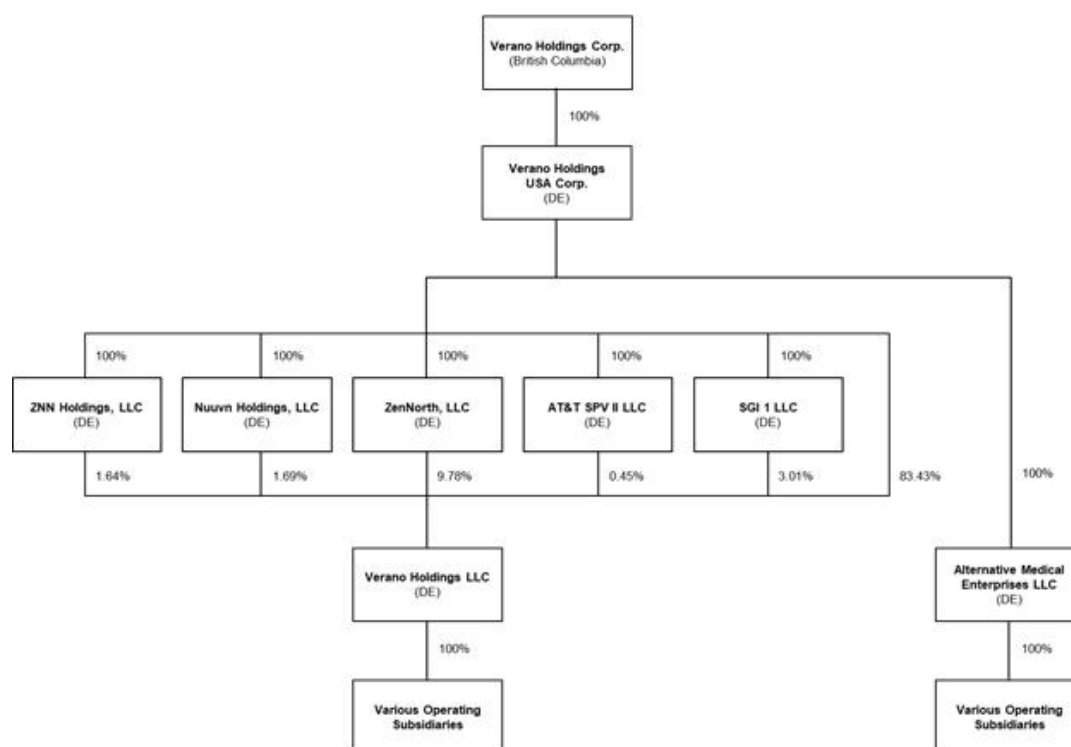
On February 28, 2022, we entered into a fourth amendment to our amended and restated credit agreement by and among Verano and certain of our subsidiaries, as co-borrowers and joint guarantors, and the agent and the lenders named therein, which was originally entered into on May 10, 2021 and previously amended by the parties on May 20, 2021, September 23, 2021, and October 20, 2021 (as amended, the “**Credit Agreement**”). An additional \$100,000,000 was funded pursuant to the fourth amendment, resulting in a total of \$350,000,000 in fully funded term loan commitments being outstanding under the Credit Agreement, with an option for the Company to request up to an additional \$175,000,000 in funding on terms to be decided by Verano and the lenders if we exercise the option.

The Credit Agreement provides for, among other things, (i) the term loans being secured by a first priority lien on specified assets of Verano and our subsidiaries that are parties to the Credit Agreement, including ownership interests in credit parties, cash, accounts receivable, inventory, equipment, licenses and designated real estate, (ii) the original \$30,000,000 loan bearing interest at a rate of 15.25% per annum, the incremental \$100,000,000 loan funded in May 2021 bearing interest at a rate of 9.75% per annum and the remaining \$220,000,000 bearing interest at a rate of 8.50% per annum; (iii) no principal amortization with \$120,000,000 plus applicable interest being due in full on the stated maturity date of April 28, 2023, \$130,000,000 plus applicable interest being due in full on the stated maturity date of May 30, 2023 and the balance of the last funding of \$100,000,000 being due in full on the stated maturity date of August 31, 2023; (iv) prepayment fees generally of 1% of any principal amount being prepaid during a specified period after funding; (v) restrictive covenants which apply to the operations of the Company and our subsidiaries that are parties to the Credit Agreement, including limitations on the ability to incur additional debt, grant liens on assets, advance or contribute funds to non-credit parties and enter into acquisitions; and (vi) financial covenants requiring Verano to maintain on a consolidated basis specified levels of liquidity, a minimum quarterly amount of earnings before interest, taxes, depreciation and amortization and a minimum fixed charge coverage ratio.

Organizational Structure

Verano is a holding company and conducts its business operations through subsidiaries. The following chart sets forth the corporate structure of the Company and its primary subsidiaries, Verano LLC and AltMed. We operate our business through direct and indirect subsidiaries of these two companies. As part of the implementation of the Go Public Transactions, through a series of transactions we formed two levels of subsidiaries above Verano LLC and AltMed that include Verano Holdings USA Corp., a Delaware corporation (“**BlockerCo**”), and five subsidiaries of BlockerCo, those being ZNN Holdings, LLC, a Delaware limited liability company, Nuuvn Holdings, LLC, a Delaware limited liability company, ZenNorth LLC, a Delaware limited liability company, A&T SPV II LLC, a Texas limited liability company, and SGI 1 LLC, a Delaware limited liability company (collectively, the “**Blocker Subsidiaries**”). BlockerCo and the Blocker Subsidiaries have no business or operations and exist solely to affect the Go Public Transactions and the taxation of Verano as a US corporation rather than a British Columbia corporation.

Verano Holdings Organizational Structure



From time to time, we may reorganize our operating subsidiaries through consolidations, mergers, contributions, distributions and similar corporate restructurings in order to integrate acquired companies, enhance efficiencies, streamline operations and align financial reporting. After giving effect to any corporate reorganization, all operating entities remain as indirect subsidiaries of BlockerCo and the Company. See Exhibit 21.1 to this Registration Statement for a list of subsidiaries of the Company as of April 26, 2022.

Our Strategy

As an operator of licensed cannabis cultivation, processing, wholesale distribution and retail facilities, Verano’s goal is the ongoing development of communal wellness by providing responsible access to regulated cannabis products to discerning high-end customers.

Our strategy is to vertically integrate as a single cohesive company in multiple states through consolidation of seed-to-sale cultivating, processing, wholesale distributing, and dispensing premium brands and products at scale. The Company’s cultivation, processing and wholesale distribution of cannabis consumer packaged goods are designed to support our national retail dispensary chain that operates under brand names including Zen Leaf™ and MÜV. We developed this model to guarantee shelf-space in our retail dispensaries, as well as to develop and foster long term wholesale supply relationships with third-party retail dispensary operators through supply arrangements and sales.

Our strategy includes geographic diversity by establishing a footprint to enable us to adapt to changes in both industry and market conditions seamlessly and profitably. We have pursued this strategy of geographic diversity through acquisitions and organic growth funded by internally generated cashflow, the issuance of Subordinate Voting Shares and Proportionate Voting Shares, deferred purchase price payments and the incurrence of indebtedness for borrowed money (the aggregate principal indebtedness for borrowed money outstanding as of March 31, 2022 being \$384,244,000).

We believe that the following business objectives have positioned Verano for continued growth.

- The Company’s business plan centers around four foundational pillars: cultivation, production, brand creation and retail.
- Diversity in revenue streams positions the Company to respond positively to changes in economics, regulations and healthcare, as well as navigating ever-evolving consumer habits.
- The Company operates and manages the entire vertical cannabis operation and supply chain from seed-to- sale.
- The Company focuses on a current potential market size of nearly 138 million adult Americans, based on US Census Bureau estimations as of July 1, 2021, which includes the total adult population in the 13 states that we have active operations plus the three additional states where Goodness Growth has operations that we expect to acquire, those states being Arizona, Arkansas, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, Ohio, Pennsylvania and West Virginia.
- The Company aims for a “first-mover” competitive advantage in emerging markets by seeking early entry into states with approved medical-use cannabis programs and then establishing a footprint and vertical operations in anticipation of the authorization of adult-use cannabis.
- The Company emphasizes developing premium, handcrafted products in controlled quantities. The Company pursues quality and finite availability in order to elevate its products’ market desirability and value.
- The Company adheres to standard operating procedures across all of its cultivation and processing facilities, growing pesticide-free and implementing compliance programs to meet product testing, inventory controls and other state regulatory requirements.
- The Company espouses a customer and patient driven business philosophy to deliver value to its downstream customers and consumers.

Regulatory Framework in the United States

The US regulatory scheme varies in its terminology and definitions, using “cannabis”, “marijuana” and “hemp” as distinct terms. For purposes of this Registration Statement, the term “cannabis” means “marihuana” as set forth in the Controlled Substances Act (21 U.S.C. § 811) (the “**Controlled Substances Act**”) and is used interchangeably with the term “marijuana.”

To date in the United States, 37 states plus the District of Columbia and the US territories of Puerto Rico, Guam and the US Virgin Islands have authorized comprehensive medical marijuana programs, 19 states plus the District of Columbia and the US territories of Guam and the Commonwealth of Northern Mariana Islands have authorized comprehensive programs for both medical and adult-use (i.e. recreational) marijuana, and 11 states allow the use of low THC, high CBD products for specified medical uses. Notwithstanding the permissive regulatory environment of medical, and in some cases, recreational marijuana, at the state level, it remains illegal under US federal law to cultivate, manufacture, distribute, sell or possess marijuana in the US. Because federal law prohibits transporting any federally restricted substance across state lines, cannabis cannot be transported across state lines. As a result of federal law prohibitions, the US cannabis industry is conducted on a state-by-state basis and we rely on newly established and developing laws and regulations in the states and local jurisdictions in which we operate. In addition, financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the US may form the basis for prosecution under applicable US federal money laundering legislation.

Regulation of Cannabis at the US Federal Level

The US federal government's approach to enforcement of marijuana laws has trended toward deference to state laws where a robust state regulatory framework exists. In August 2013, the US Department of Justice (the "**DOJ**") issued a memorandum known as the "**Cole Memorandum**" to all US Attorneys' offices. The Cole Memorandum generally directed US Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that comply with state medical marijuana programs. The Cole Memorandum, while not legally binding and only a policy statement, assisted in managing the tension between state and federal laws concerning all medical and adult-use state-regulated marijuana businesses.

In January 2018, the Cole Memorandum was rescinded by former Attorney General Jeff Sessions. While this did not create a change in federal law, the revocation added to the uncertainty of US federal enforcement of the Controlled Substances Act in states where marijuana use is regulated. Former Attorney General Jeff Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**" which confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the US Attorney's Manual. While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance, it does not otherwise indicate that the prosecution of marijuana-related offenses is a heightened DOJ priority. The Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion, which remains in the hands of US Attorneys when deciding whether or not to prosecute marijuana-related offenses. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and the Sessions Memorandum did not address the treatment of medical cannabis by federal prosecutors.

President Joseph R. Biden, who assumed office in January 2021, stated a policy goal of federal cannabis decriminalization, but has not publicly supported the legalization of cannabis. In March 2021, Merrick Garland was appointed US Attorney General by President Biden. Mr. Garland indicated he would generally act in accordance with the Cole Memorandum, when, at his confirmation hearing, he said, "It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise." He has not, however, reissued the Cole Memorandum or issued substitute guidance. While enforcement of federal laws against regulated state entities does not appear to be a DOJ priority, the DOJ may change its enforcement policies at any time, with or without advance notice.

The Company may also be subject to a variety of federal laws and regulations in the US and Canada that relate to money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the "**Bank Secrecy Act**"), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), in each case as amended and any related or similar rules, regulations or guidelines of governmental authorities in the US and Canada. Further, under US federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Additionally, under US federal law it may be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Banks and other financial institutions, particularly those that are federally chartered in the US, could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. It may also be a violation of federal money laundering statutes for "federal health care law violations," which include violations of the Federal Food, Drug, and Cosmetic Act of 1938 ("**FDCA**").

In February 2014, the Financial Crimes Enforcement Network of the Treasury Department issued a memorandum (the “**FinCEN Memorandum**”) providing instructions to banks seeking to provide services to marijuana-related businesses. The FinCEN Memorandum clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Controlled Substances Act and independently lists the federal government’s enforcement priorities as related to cannabis. Although the original FinCEN Memorandum is still in place, this supplementary DOJ guidance that accompanied the FinCEN Memorandum was rescinded when former Attorney General Sessions rescinded the Cole Memorandum. It is unclear whether the current Biden administration will follow the guidelines of the FinCEN Memorandum. Despite the attempt to legitimize cannabis banking, in practice the FinCEN Memorandum guidance has not made banks much more willing to provide services to cannabis businesses. The current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each cannabis business they take on as a customer.

Due to financial institutions concerns of being implicated in or prosecuted for money laundering, cannabis businesses are often forced into becoming “cash-only” businesses. As banks and other financial institutions in the US are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to cannabis businesses. The few credit unions who have agreed to work with cannabis businesses are limiting those accounts in relation to their total deposits. Since the federal government could change the banking laws as it relates to cannabis businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also servicing the need of their other customers.

In the absence of comprehensive reform of federal cannabis legislation that would decriminalize the cannabis industry, in recent years a growing number of members of the US Congress (“**Congress**”) have expressed support for federal legislation that would eliminate from the scope of federal money laundering statutes the financing activity of businesses operating under state-sanctioned cannabis programs. In September 2019, the US House of Representatives (the “**House**”) first passed the Secured and Fair Enforcement Banking Act of 2019 (commonly known as the “**SAFE Banking Act**”), which aims to provide safe harbors and guidance to financial institutions that work with legal US cannabis businesses, as a standalone bill but it failed to be taken up by the US Senate (“**Senate**”). Since then the language of the SAFE Banking Act has been attached to various proposed legislation, but the language has not been included in any final legislation. To date, the SAFE Banking Act has passed the House a total of six times either as a standalone bill or attached to other legislation, most recently in February 2022 as an amendment to the America Competes Act. It is unknown whether the Senate will take up the legislation.

Other legislation that has been introduced in the US that would make cannabis transactions easier and more predictable, include the Marijuana Opportunity Reinvestment and Expungement Act (the “**MORE Act**”), the Cannabis Administration and Opportunities Act (the “**CAO Act**”), the Preparing Regulators Effectively for a Post-Prohibition Adult Use Regulated Environment Act (the “**PREPARE Act**”) and legislation proposed by Representative Nancy Mace of South Carolina. The MORE Act was introduced in 2019 and if it were to become law, the MORE Act, among other things, would remove cannabis as a Schedule I controlled substance under the Controlled Substances Act, create cannabis tax and grant programs and make available US Small Business Administration funding for regulated cannabis operators. Although the House passed the MORE Act in December 2020, it failed to pass in the Senate prior to the end of the 2020 legislative session. The House passed the MORE Act a second time on April 1, 2022, although it is expected to face opposition in the Senate again and a vote may not be called. The Senate’s own comprehensive bill, the CAO Act, was released as a discussion draft in July 2021, and if it were to become law it would, among other things, remove cannabis from the definition of a controlled substance under the Controlled Substances Act, impose a federal tax on cannabis of 10% in its first year of enactment (eventually increasing to 25% in 5% increments), enshrine the current state cannabis licensing regimes and introduce additional federal legislation permitting cannabis wholesalers and blocking states from prohibiting interstate commerce of regulated cannabis across their borders. The CAO Act is expected to be reintroduced in 2022 following several months of public comments and revisions.

In November 2021, Representative Nancy Mace of South Carolina introduced legislation to federally decriminalize cannabis, a measure directed at giving states freer rein to pass their own laws and regulations without the risk of federal reprisals. In announcing the bill, Representative Mace said the bill would aim to regulate cannabis similarly to alcohol and prohibit its use for anyone under 21 years of age. The measure would decriminalize cannabis at the federal level, but it would not change local-level restrictions, meaning that states would still determine their own cannabis statutes. Representative Mace’s bill would also levy a 3% federal excise tax on all cannabis products, proceeds from which would go to small businesses, retraining law enforcement and mental health services, among other services. The measure would also expunge nonviolent, cannabis-only related offenses. The PREPARE Act was introduced in the House in April 2022 to prepare the US federal government for the “inevitable end to cannabis prohibition.” The proposed legislation would direct the US attorney general to establish a federal commission to oversee the development of a regulatory and revenue framework modeled after the alcohol industry while also respecting the cannabis laws of each state.

Despite the rescission of the Cole Memorandum, one legislative safeguard for the medical cannabis industry remains in place. Since 2015 Congress has used a rider known as the Rohrabacher-Blumenauer Amendment (also known as the Rohrabacher–Farr amendment) (the “**RBA**”) to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. However, this measure does not protect adult-use cannabis businesses. Congress has repeatedly renewed the RBA. In 2021, President Biden became the first president to propose a budget with the RBA included. Currently the RBA has been renewed through the signing of the FY 2022 omnibus spending bill, effective through September 30, 2022.

There can be no assurance that the SAFE Banking Act, the CAO Act, the MORE Act, Representative Mace’s bill, the PREPARE Act or similar comprehensive legislation that would de-schedule and de-criminalize cannabis will be passed in the near future or at all, particularly as midterm elections loom in November 2022 and other priorities such as rising inflation, supply shortages and the war in Ukraine are expected to be priorities. There can be no assurance that the RBA will be renewed beyond September 30, 2022. If any such legislation is passed, there is no guarantee that it will include provisions that preserve the current state-based cannabis programs under which the Company’s subsidiaries operate or that such legislation will otherwise be favorable to the Company and its business.

An additional federal law challenge to cannabis-related businesses is that the provisions of Section 280E of the Internal Revenue Code of 1986 as amended (the “**Code**”) are being applied by the Internal Revenue Service (the “**IRS**”) to businesses operating in the medical and adult use cannabis industry. Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective US federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the state legalized cannabis industry may be less profitable than they would otherwise be if Section 280E were not applied to their businesses.

Violations of any US 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, civil forfeiture or divestiture. This could have a material adverse effect on the Company, including our reputation and ability to conduct business, our cannabis licenses in the US, the listing and trading of our securities on stock exchanges and platforms, our financial position, operating results, profitability, liquidity and the market price of our 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 and resources could be substantial.

Regulation of Cannabis at the US State and Local Levels

Because federal law prohibits transporting any federally restricted substance across state lines, cannabis cannot be transported across state lines. This prohibition applies to, among other things, transporting cannabis between states that have legalized cannabis use and transporting cannabis that has been legally acquired in a state. Because of current federal law, the US cannabis industry is conducted on a state-by-state basis, and we rely on newly established and developing laws and regulations in the states and local jurisdictions in which we operate. The cannabis industry is subject to state and local laws, regulations and guidelines relating to, among other matters, the cultivation, processing, distribution, sale, storage and disposal of medical and recreational cannabis, with each state newly establishing laws and regulations for that particular state upon approval of medical or adult-use cannabis in such state. States and localities currently require licenses and permits to engage in the cannabis industry with the laws and regulations varying from state to state. In many states, there are specific license caps that create high barriers to entry. In addition to stringent application requirements, licenses may be limited in scope of business. States also may enact social equity programs to foster an inclusive and equitable cannabis industry by increasing diversity in the number of license holders, which may further limit available licenses. Generally, any change in ownership of a license holder or other deemed sale, assignment or transfer of a license requires prior approval by the applicable state regulators, which approval process may be lengthy and rigorous.

For each of our licenses, the states impose strict license renewal requirements that vary state by state. We generally must complete the renewal application process within a prescribed period of time prior to the expiration date and pay an application fee. The state licensing body can deny or revoke licenses and renewals for a variety of reasons, including, among others, (i) submission of materially inaccurate, incomplete or fraudulent information, (ii) failure of the Company or any of its directors or officers to comply, or have a history of non-compliance, with any applicable law or regulation, including laws relating to minimum age of customers, safety and non-diversion of cannabis or cannabis products, taxes, child support, workers compensation and insurance coverage, or failure to otherwise remain in good standing (iii) failure to submit or implement a plan of correction for any identified violation, (iv) attempting to assign registration to another entity without state approval, (v) insufficient financial resources, (vi) committing, permitting, aiding or abetting of any illegal practices in the operation of a facility, (vii) failure to cooperate or give information to relevant law enforcement related to any matter arising out of conduct at a licensed facility and (viii) lack of responsible operations, as evidenced by negligence, disorderly or unsanitary facilities or permitting a person to use a registration card belonging to another person. Some jurisdictions also require licensees to attend a public hearing or forum in connection with their initial license application and license renewal application. Any unexpected delays or costs associated with the licensing renewal process could impede our ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Below is a general summary overview of the current licensing and regulatory framework in the states where we operated under cultivation, processing or retail licenses or have rights to operate under such licenses as of June 10, 2022. In addition to the states listed below, in the ordinary course of business we may also conduct pre-licensing activities in several other markets. In these markets, we may have either applied for licenses, or plan on applying for licenses, but we do not currently own or manage businesses with cultivation, processing, or retail licenses.

Arizona

Subject to state regulations, Arizona currently allows access to cannabis for medical use and recreational adult-use. The Company's subsidiaries have (i) six recreational dispensary, processor and cultivator licenses and (ii) six medical dispensary, processor and cultivator licenses in the State of Arizona.

Cannabis licenses in Arizona may be vertically integrated. Marijuana establishment licensees may operate all of the following: (i) a single retail location at which the licensee may sell marijuana and marijuana products to consumers, cultivate marijuana and manufacture marijuana products; (ii) a single off-site cultivation location at which the licensee may cultivate marijuana, process marijuana and manufacture marijuana products, but from which marijuana and marijuana products may not be transferred or sold to consumers; and (iii) a single off-site location at which the licensee may manufacture marijuana products and package and store marijuana and marijuana products, but from which marijuana and marijuana products may not be transferred or sold to consumer.

Arizona state licenses are renewed biennially. Every other year, licensees are required to submit a renewal application. While renewals are biennial, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable licenses, a licensee would expect to receive the applicable renewed license in the ordinary course of business.

Arkansas

Subject to state regulations, Arkansas currently allows access to cannabis for medical use. The Company and its subsidiaries have entered into agreements or arrangements with a dispensary licensee that holds one license in the State of Arkansas that provide contractual rights with respect to ownership, management services, consulting or licensing, or a combination thereof, with respect to the license and related cannabis business being conducted pursuant thereto (any such agreement or arrangement, a "**Management Agreement**").

Arkansas regulations apply to all aspects of cannabis seed-to-sale including record keeping, reporting, inventory quality, inventory tracking, storage, testing, security and transportation. Only qualified patients and designated caregivers may purchase medical cannabis. Delivery of medical cannabis is allowed in accordance with state regulations.

Licenses issued in the State of Arkansas expire one year after the date of issuance. The Arkansas Medical Marijuana Commission is required under the legislation to issue a renewal dispensary or a renewal cultivation facility license within ten days to any entity that complies with Arkansas' regulatory requirements, including the payment of a renewal fee. Provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable licenses, license holders expect to receive renewed licenses in the ordinary course of business.

California

Subject to state regulations, California currently allows access to cannabis for both medical and adult-use. Verano LLC is party to a joint venture formed with two other companies to extract cannabis oil and manufacture and distribute cannabis products in the State of California. The joint venture and an affiliate hold (i) a cultivation license, (ii) a manufacturing facility license, (iii) a manufacturing license, (iv) a distribution facility license, and (v) two distributor licenses. The Company does not consider California to be a state with active operations.

California was the first US state to legalize medical marijuana in 1996. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of a variety of illnesses, including any for which marijuana provides relief. In 2016 voters in California passed legislation creating an adult-use marijuana program for adults 21 years of age or older.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and State licensure for each type of commercial cannabis activity conducted at a specified business premises. This requires license holders to operate in cities with cannabis licensing programs. Municipalities in California are allowed to determine the number of licenses they will issue to cannabis operators or can choose to ban cannabis businesses outright. The renewal process for local entitlements is different in each jurisdiction and for each type of entitlement. State licenses must be renewed annually. In respect of the renewal process at the state level, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, there are no material violations noted against the applicable license, and there are no changes in ownership of the business or major changes to the operations of the business, a license holder would expect to receive the applicable renewed license in the ordinary course of business. California regulations apply to all aspects of cannabis seed-to-sale including record keeping, reporting, inventory quality, inventory tracking, testing, storage, security and transportation.

Connecticut

Subject to state regulations, Connecticut currently allows access to cannabis for medical use. In July 2021, legislation went into effect allowing for the purchase and use of cannabis by any adult over the age of 21. Adult retail sales are expected to begin in late 2022.

There are two principal medical marijuana license categories in Connecticut: (i) cultivation and processing and (ii) dispensary. The Company's subsidiaries hold (i) two medical marijuana dispensary licenses, (ii) one medical marijuana producer license and (iii) one hemp consumables manufacturer license. Connecticut regulations apply to all aspects of cannabis seed-to-sale including record keeping, reporting, inventory quality, inventory tracking, storage, security and transportation.

Connecticut state licenses are renewed annually. Each year, licensees are required to submit a renewal application. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted at least forty-five days prior to license expiration, and there are no material violations noted against the applicable licenses, a licensee would expect to receive the applicable renewed license in the ordinary course of business.

Florida

Subject to state regulations, Florida currently allows access to cannabis for medical use. A subsidiary of the Company holds one license. Through this one license, the subsidiary is vertically integrated and operates a cultivation and manufacturing facility and medical cannabis dispensaries, as well as a call center across the State of Florida.

There is one principal license category in Florida: the vertically-integrated license which licenses cultivation, harvesting, processing and selling, dispensing and delivering medical cannabis products. Any change from the original application for the license requires a variance approval from the Florida regulators. License applicants are required to provide comprehensive business plans with demonstrated knowledge and experience on execution, detailed facility plans, forecasted performance and robust financial resources. Technical ability on plant and medical cannabis cultivation, infrastructure, processing, dispensing and safety are also assessed.

Similar to other states, Florida regulations apply to all aspects of cannabis seed-to-sale including record keeping, reporting, inventory quality, inventory tracking, storage, security and transportation. Florida regulators may conduct announced or unannounced inspections of licensees to assess compliance with applicable laws and regulations.

Illinois

Subject to state regulations, Illinois currently allows access to cannabis for both medical and adult-use. Subsidiaries of the Company hold licenses, which in the aggregate represent (i) a cultivation license for medical cannabis, (ii) a cultivation license for adult-use cannabis, (iii) a processing license for industrial hemp, (iv) five medical dispensary licenses, and (v) ten adult-use dispensary licenses.

Illinois has issued a limited amount of dispensary, cultivation, and processing licenses. Applicants for cannabis business licenses must meet, among others, the following requirements: (i) the location for a dispensary must be suitable for public access; (ii) the location must not pose a detrimental impact to the surrounding community; (iii) demonstrate compliance with safety procedures for dispensary employees, patients, and caregivers, and safe delivery and storage of cannabis and currency; (iv) provide an adequate plan for recordkeeping, tracking and monitoring inventory, quality control, destruction and disposal of cannabis, and procedures to discourage unlawful activity; (v) develop a business plan specifying products to be sold; and (vi) demonstrate knowledge of, experience, and proven record of ensuring optimal safety and accuracy in the dispensing and sale of cannabis.

Once a license is granted, licensees have a continuing obligation to ensure no cannabis is sold, delivered, transported, or distributed to a location outside of Illinois. Licenses are valid for one year, and after the initial term, licensees are required to submit renewal applications. Illinois requires on-going compliance by license holders to regulations regarding the requirements of the application which include suitable locations, safety procedures, procedures for compliance with laws, record keeping, reporting, storage, inventory quality, inventory tracking, security and transportation. Registration renewal applications may be denied if the licensee has a history of non-compliance and penalties.

Maryland

Subject to state regulations, Maryland currently allows access to cannabis for medical use. In November 2022, Maryland voters are scheduled to vote on a state constitutional amendment that would legalize the adult-use of cannabis. The legislature also enacted companion legislation that will establish first steps toward adult-use legalization if voters approve the amendment. A subsidiary of the Company is licensed to operate (i) a cultivation facility, (ii) a processing facility and (iii) up to four medical dispensaries in Maryland. In addition, through Management Agreements, the Company's subsidiaries manage two medical dispensaries in Maryland.

There are three principal license categories in Maryland: (i) cultivation, (ii) processing and (iii) dispensary. Maryland has limited the number of cultivation, processing and dispensary licenses, and allows a dispensary licensee to have a direct interest in up to four dispensaries at one time. The retail dispensary license permits the licensee to purchase medical cannabis from cultivation facilities, cannabis and cannabis products from product manufacturing facilities and cannabis from other retail stores and allows the sale of cannabis and cannabis products to registered patients. The cultivation license permits the licensee to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to medical marijuana dispensaries, and medical cannabis cultivation facilities. The processing license permits the licensee to purchase medical cannabis from cultivation facilities, manufacture cannabis products, and sell those products to licensed medical cannabis dispensaries. Maryland licenses are valid for a period of six years and are subject to four-year renewals after required fees are paid and provided that the business remains in good standing.

Maryland requires on-going compliance with laws and regulations regarding record keeping, reporting, storage, inventory quality, inventory tracking, security and transportation. The license holder must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the State. Registration renewal applications may be denied if the licensee has a history of non-compliance and penalties.

Massachusetts

Subject to state regulations, Massachusetts currently allows access to cannabis for both medical and adult-use. A subsidiary of the Company holds (i) vertically integrated licenses for the cultivation, processing and dispensing of medical cannabis and (ii) adult-use licenses to operate retail dispensaries, cultivation facilities, and manufacturing facilities.

On the medical side, there is one principal state license category in Massachusetts: a vertically-integrated license. On the adult-use side, there are many state license categories, but the two principal ones are cultivator and establishment (dispensary). Municipalities may individually determine what local permits or licenses are required if a licensee wishes to establish an operation within its boundaries. Medical use licensees are “vertically-integrated,” which means they grow, process, and dispense their own cannabis. As such, each medical use licensee is required to have a retail facility as well as cultivation and processing operations. Under certain conditions, medical use licensees are able to acquire up to 45% of their annual inventory of product from other medical use licensees. Medical use licensees that elect to do cultivation, processing and retail operations all in one location, are commonly referred to as a “co-located” operation.

Massachusetts mandates a comprehensive application process for licensees. Each applicant must submit charter documents, comprehensive financial statements, a character competency assessment, and employment and education histories of the senior partners and individuals responsible for the day-to-day security and operations. Each Massachusetts dispensary, grower and processor license is valid for one year.

Licensees are heavily regulated with on-going requirements related to operations, security, storage, transportation, inventorying, personnel, and more. As in other states where cannabis is legal, Massachusetts regulators can deny or revoke licenses and renewals for multiple reasons. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of Massachusetts.

Michigan

Subject to state regulations, Michigan currently allows access to cannabis for both medical and adult-use. A subsidiary of the Company has a Management Agreement with a licensee holding dispensary licenses for medical and adult-use cannabis.

Michigan administrates five types of licenses: (i) grower licenses, (ii) processor licenses, (iii) secure transporter licenses, (iv) provisioning center licenses and (v) safety compliance facility licenses. There are no stated limits on the number of licenses that can be made available on a state level; however, regulatory authorities have discretion over the approval of applications and municipalities can pass additional restrictions.

Licensees are heavily regulated with on-going requirements related to operations, security, storage, transportation, inventorying, personnel, and more. As in other states where cannabis is legal, Michigan regulators can deny or revoke licenses and renewals for multiple reasons. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of Michigan.

Michigan state licenses are renewed annually. Every year, licensees are required to submit a renewal application with requisite renewal fees, including maintaining and providing proof of commercial general liability insurance and coverage for bodily injury resulting from sale of marijuana products. If all is submitted within 90 days, but before 30 days, of the license’s expiration, a licensee would expect to receive the applicable renewed license in the ordinary course of business.

Nevada

Subject to state regulations, Nevada currently allows access to cannabis for both medical and adult-use. Subsidiaries of the Company hold (i) one medical dispensary license, (ii) three adult-use dispensary licenses, (iii) one medical processing license, (iv) one adult-use processing license, (v) one medical cultivation license, (vi) one adult-use cultivation license, and (vii) one adult-use distribution license.

Nevada is not a vertically integrated system, and there are three principal license categories in Nevada: (i) cultivation, (ii) processing and (iii) dispensary. The cultivation licenses permit the licensee to acquire, cultivate, deliver, supply or sell marijuana and related supplies to marijuana dispensaries and facilities for the production of edible marijuana products and marijuana-infused products. The processing license permits the licensee to acquire, manufacture, deliver, supply or sell edible marijuana products or marijuana infused products to other marijuana production facilities or marijuana dispensaries. The dispensary licenses permit the licensee to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities and marijuana from other retail stores, as well as allow the sale of marijuana and marijuana products.

Nevada licenses are valid for one year and are subject to annual renewals after required fees are paid and provided that the business remains in good standing. Nevada requires on-going compliance with laws and regulations regarding record keeping, reporting, storage, inventory quality, inventory tracking, security and transportation. The license holder must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the State. Registration renewal applications may be denied if the licensee has a history of non-compliance and penalties.

In July 2021, the Company announced that it had entered into an agreement with WSCC, Inc. (doing business as Sierra Well) to purchase two additional fully-operational dispensaries in Reno and Carson City, Nevada as well as a cultivation and production facility in Reno, Nevada. The closing of this transaction is subject to customary conditions, contingencies, and approvals, including regulatory approval by the State of Nevada.

New Jersey

Subject to state regulations, New Jersey currently allows access to cannabis for medical use and as of April 2022, adult-use. The Company's subsidiaries have Management Agreements with an alternative treatment center (an "ATC") in New Jersey that holds licenses for (i) three medical dispensaries, (ii) three adult-use dispensaries, (iii) a medical cultivation and processing facility, and (iv) an adult-use cultivation and processing facility.

New Jersey permits the operation of vertically integrated marijuana licenses which allows the licensee to cultivate, process, and sell medical marijuana products to registered qualified patients and caregivers. There are also non-vertically integrated licenses, which principally include: (i) cultivators and manufacturers, which may cultivate marijuana and manufacture medical marijuana products, and (ii) dispensaries which may sell medical marijuana and products to registered qualified patients and caregivers. For adult-use cannabis, New Jersey administers six license classes, the principal of which are: (i) cultivator, which may grow recreational use cannabis, (ii) manufacturers, which may produce recreational use cannabis in additional approved forms, and (iii) retailer, which may sell recreational cannabis to consumers over the age of 21. ATCs may expand into adult-use sales if approved by New Jersey's Cannabis Regulatory Commission.

Licensees are heavily regulated with on-going requirements related to operations, security, storage, transportation, inventorying, personnel, and more. As in other states where cannabis is legal, New Jersey regulators can deny or revoke licenses and renewals for multiple reasons. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of New Jersey.

Ohio

Subject to state regulations, Ohio currently allows access to cannabis for medical use. The Company's subsidiaries hold (i) a cultivation license, (ii) a processing facility license and (iii) five dispensary licenses.

There are three principal license categories in Ohio: (i) cultivation, (ii) processing and (iii) dispensary. On at least a biennial basis, regulators consider whether enough medical marijuana dispensaries exist, considering the state population, the number of patients seeking to use medical marijuana and the geographic distribution of dispensary sites. More licenses may be issued based on those findings. The medical cultivation licenses permit the licensee to acquire, possess, cultivate, manufacture and process into medical marijuana products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. The medical processor license permits the licensee to manufacture and produce medical marijuana products. The dispensary licenses permits the licensee to purchase marijuana and marijuana products from cultivation and processing facilities, as well as allow the sale of marijuana and marijuana products to registered patients. On at least a biennial basis, regulators consider whether enough medical marijuana dispensaries exist, considering the state population, the number of patients seeking to use medical marijuana and the geographic distribution of dispensary sites. More licenses may be issued based on those findings.

Ohio requires on-going compliance with laws and regulations regarding record keeping, reporting, storage, inventory quality, inventory tracking, security and transportation. The license holder must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the State. Registration renewal applications may be denied if the licensee has a history of non-compliance and penalties.

Pennsylvania

Subject to state regulations, Pennsylvania currently allows access to cannabis for medical use. Subsidiaries of the Company hold (i) 18 dispensary permits, (ii) two cultivation and processor permits, and (iii) one facility permit, which allows four operations to be vertically integrated in the State.

There are two principal permit categories in Pennsylvania: (i) cultivation and processing and (ii) dispensary. The medical cultivation and processing permits allow the holder to acquire, possess, cultivate, manufacture and process into medical marijuana products and medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. The retail dispensary permits allow the holder to purchase marijuana and marijuana products from cultivation and processing facilities, as well as allow the sale of marijuana and marijuana products.

Pennsylvania state licenses are renewed annually, and licensees are required to submit a renewal application every year. There is no ultimate expiry after which no renewals are permitted. In respect of the renewal process, the renewal application must be submitted within six months, but no later than four months of the license's expiration and requires detailed information regarding the licensee's operations.

Permit holders are heavily regulated with on-going requirements related to operations, security, storage, transportation, inventorying, personnel, and more. As in other states where cannabis is legal, Pennsylvania regulators can deny or revoke permits and renewals for multiple reasons. Additionally, permit holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of Pennsylvania.

West Virginia

Subject to state regulations, West Virginia currently allows access to cannabis for medical use. The Company has Management Agreements with holders of (i) one medical cultivation permit, (ii) one medical processor permit, and (iii) seven medical dispensary permits.

West Virginia's Office of Medical Cannabis administers four permit types. The principal of which are: (i) growers, which grow and cultivate medical cannabis, (ii) processors, which manufacture medical cannabis into approved forms other than usable medical marijuana, and (iii) dispensaries, which dispense medical cannabis and medical cannabis products to patients and caregivers. Licenses must be annually renewed.

West Virginia requires on-going compliance with laws and regulations regarding record keeping, reporting, storage, inventory quality, inventory tracking, security and transportation. The license holder must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the State. Registration renewal applications may be denied if the licensee has a history of non-compliance and penalties.

It is impossible to determine the extent of the impact of new federal and state and local laws, regulations or initiatives that may be proposed. The regulatory uncertainty surrounding the cannabis industry may adversely affect our business and operations, including without limitation by increasing costs to remain compliant with applicable laws, the impairment of our business by enhanced restrictions and restrictions on our ability to raise additional capital.

We will continue to monitor proposed changes to existing cannabis laws and regulations, the enactment of new cannabis laws and regulations and our compliance with applicable existing cannabis laws and regulations on an ongoing basis in accordance with our compliance program and standard operating procedures. While we believe our operations are in compliance with all applicable state and local laws, regulations and licensing requirements, such activities remain illegal under federal law. For the reasons described above and the risks further described in the section entitled "*Risk Factors*," there are significant risks associated with our business. Readers of this Registration Statement are strongly encouraged to carefully read all of the risk factors contained in *Item 1A—“Risk Factors.”*

State and Local Licenses and Permits

The Company, through our subsidiaries and affiliates, holds all licenses and permits that are necessary to comply with state and local cannabis medical and adult-use laws and regulations applicable to its operations. All such permits and licenses are current and in effect. We are dependent upon the maintenance and renewal of our cannabis licenses and permits in the states and localities in which our business is operated. Maintenance and renewal of these licenses and permits requires us to remain in compliance with state and local laws and the rules and regulations promulgated by state and local jurisdictions.

The following table lists the licenses and permits by state held by subsidiaries of the Company for the cultivation, processing, wholesale distribution and retail sale of cannabis products as of June 10, 2022.

State	License or Permit	Type	Number Held
Arizona	Dispensary/Processor/Cultivator	Adult-use	Six
Arizona	Dispensary/Processor/Cultivator	Medical	Six
California	Distributor	Adult-use & Medical	Two
California	Manufacturing	Adult-use & Medical	One
California	Facility	Distribution	One
California	Facility	Manufacturing	One
California	Cultivation	Adult-use	One
Connecticut	Dispensary	Medical	Two
Connecticut	Producer	Medical	One
Connecticut	Manufacturer	Hemp Consumables	One
Florida	Dispensary/Processor/Cultivator	Medical	One
Illinois	Cultivation	Medical	One
Illinois	Cultivation	Adult-use	One
Illinois	Processor	Industrial Hemp	One
Illinois	Dispensary	Medical	Five
Illinois	Dispensary	Adult-use	Ten
Maryland	Dispensary	Medical	Two
Maryland	Cultivation	Medical	One
Maryland	Processor	Medical	One
Massachusetts	Cultivation	Medical	One
Massachusetts	Cultivation	Adult-use	One
Massachusetts	Processor	Medical	One
Massachusetts	Processor	Adult-use	One
Massachusetts	Dispensary	Medical	One
Massachusetts	Dispensary	Adult-use	Two
Nevada	Dispensary	Medical	One
Nevada	Dispensary	Adult-use	Three
Nevada	Processing	Medical	One
Nevada	Processing	Adult-use	One
Nevada	Cultivation	Medical	One
Nevada	Cultivation	Adult-use	One
Ohio	Dispensary	Medical	Five
Ohio	Cultivation	Medical	One
Ohio	Processing	Medical	One
Pennsylvania	Dispensary	Medical	Eighteen

The following table lists licenses and permits as of June 10, 2022 where Verano or one or more of our subsidiaries has a Management Agreement with respect to such licenses or permits.

State	License or Permit	Type	Number Held
Arkansas	Dispensary	Medical	One
Maryland	Dispensary	Medical	Two
Michigan	Dispensary	Medical	One
Michigan	Dispensary	Adult-use	One
New Jersey	Cultivation/Processing	Medical	One
New Jersey	Cultivation/Processing	Adult-use	One
New Jersey	Dispensary	Medical	Three
New Jersey	Dispensary	Adult-use	Three
West Virginia	Dispensary	Medical	Seven
West Virginia	Processor	Medical	One
West Virginia	Cultivation	Medical	One

State and local laws and associated rules and regulations may change in the future, and we may be required to obtain additional or supplemental licenses or permits at such times. Our growth strategy includes the acquisition of additional state licensed businesses or assets that may require us to obtain prior state regulatory approval to a change of ownership of the license holder or to a deemed transfer, assignment or sale of the applicable license, which regulatory approval may be conditioned on stringent requirements, in particular if such businesses or assets reside in states or local jurisdictions where we do not currently have operations. See “*Item 1A. Risk Factors - Risks Related to our Business and Operations - Our Industry*”.

Regulatory Compliance Program

Our compliance group oversees, maintains, and implements our regulatory compliance program. The compliance group also prepares, submits and processes our applications for new licenses, renewals, approvals for changes to our existing licenses and approvals for change of ownership of licensees or deemed sales, transfers or assignments of licenses that arise with acquisitions. In addition to our internal regulatory group and legal group, we have engaged state regulatory legal counsel, consultants and advisors in many jurisdictions.

The compliance group oversees training for cultivation, production and dispensary managers and employees, along with other department leaders and other persons as needed, on compliance with state and local laws and regulations. The compliance group also monitors all new, and changes to, laws and regulations and compliance notifications from the regulators and inspectors and leads the effort to timely resolve any issues identified.

Our compliance program includes the following compliance objectives.

- Ensure the operations of our subsidiaries (or third parties, in the jurisdictions where we have Management Agreements) are compliant with all licensing requirements by the applicable state, county, municipality, town, township, borough, and other administrative divisions.
- Ensure our business activities adhere to the scope of the licensing obtained. In the states where only medical cannabis is permitted, the cannabis products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis being sold, and in the states where cannabis is permitted for adult-use, the cannabis products are only sold to individuals who meet the requisite age requirements.
- Perform due diligence on cannabis businesses we may acquire, including on the policies and procedures in place to ensure that cannabis products are not distributed to minors, reviewing the ownership to ensure that no profits or revenues are used for the benefit of criminal enterprises and that the business has not been involved in violations of law.
- Ensure our businesses adhere to our policies, procedures and practice standards with sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises.
- Review inventory tracking systems and procedures to ensure that the compliance system is effective in tracking inventory and ensuring that there is no diversion of cannabis or cannabis products into the states where cannabis is not permitted by state law or cross state lines in general.
- Review financial records to ensure that our business activity is not used as a cover or pre-text for trafficking of other illegal drugs or engaged in other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes.
- Conduct background checks to ensure that our directors and management are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in the cultivation, manufacturing or distribution of cannabis.
- Review activities of each of our subsidiary businesses, the premises on which our subsidiaries operate and adherence with the policies and procedures that are related to the possession of cannabis or cannabis products outside of licensed premises, including that there is no possession or use of cannabis on federal property or manufacturing or cultivation of cannabis on federal lands.
- Conduct reviews of products and product packaging to ensure that the products and packaging comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent violations related to motor vehicle, labor and other laws applicable to individuals.

We have comprehensive standard operating procedures that apply to seed-to-sale across all our locations that include, among others, procedures for receiving inventory, inventory tracking, testing, quality control, storage, record keeping, record retention, required reporting, security and transportation, as well as procedures for performing inventory reconciliation and ensuring the accuracy of recordkeeping. Regular audits of cannabis and cannabis products inventories are conducted in order to detect any possible diversion. In addition, security and compliance staff conduct unscheduled, unannounced audits to prevent complacency or the perception thereof. Adherence to the Company's standard operating procedures is mandatory in order to ensure that our operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements.

Products

We derive our revenues from our wholesale business and our retail dispensary chain. The retail business includes the design, build-out and operation of branded dispensaries in both medical and adult-use markets. Our primary retail presence is traditional brick and mortar. However, as regulations allow, we expect to continue to expand our e-commerce, in-store guest pick-up and direct to consumer delivery capabilities as part of our commitment to providing a consistent retail brand experience no matter where the consumer might be.

We distribute our portfolio of products to the majority of cannabis retail stores in our active markets, including our own retail stores. Ownership of both wholesale and retail operations supports our strategy of distributing our brands at scale by enabling the Company to capture market share, generate brand awareness, and earn customer loyalty in our operating markets not only through our managed dispensaries but also through third party wholesale customers.

We manufacture and sell a comprehensive array of premium cannabis products that we design and develop with consumer segments in mind in both the medical and adult-use markets. Our products include a proprietary portfolio of over 1,000 product stock keeping units (SKUs) and include premium flower, concentrates for dabbing and vaporizing, edibles, and topicals. Our consumer brands include Encore™, Avexia™, MÜV™ and Verano™. Our retail dispensaries operate under brands including Zen Leaf™ and MÜV™.

All products sold are subject to third-party testing required by applicable state law in order to assure that they do not contain impermissible levels of toxins, microbials and other harmful substances. We utilize seed-to-sale tracking software to inventory products, assess quality assurance and minimize product slippage and deviated inventory.

Operational Foundation & Current Geographic Markets

We are engaged in the cultivation, processing and distribution of cannabis products with both wholesale and retail business operations. Processing is done on-site in kitchens and in processing facilities and distribution of products is only from these facilities. We do not own or lease any cannabis warehouses.

Our current active operations are located in Arizona, Arkansas, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Jersey, Ohio, Pennsylvania and West Virginia. Our active operations include cultivation, processing, wholesale distribution and retail. In California, we are part of a joint venture formed with two other companies to process, manufacture and distribute cannabis products. All of these markets are subject to state regulations that vary state-by-state, and many of these regulations have, from time to time, been modified and amended. In addition, municipalities may individually determine what local permits or licenses are required to operate within their boundaries. We actively monitor state and local developments in laws and regulations which may impact our business interests and operations. See “—Regulatory Framework in the United States— Regulation of Cannabis at the US State and Local Levels” above for additional information.

Our business plan includes the continued growth of our wholesale and retail operations by entering new markets and expansion in our current markets. Growth plans include applying for new licenses, acquiring existing licensed businesses in limited license markets and maximizing operations under our existing licenses.

Research and Development

Our research and development activities have primarily focused on the development and improvement of efficient and sustainable cannabis cultivation and manufacturing methodologies and technologies to increase yields and maintain and improve the quality of our products. This includes research on lighting methods, air controls, racking and stacking, growing media, nutrient mixtures, pest management techniques, ambient controls, and automation.

We also engage in research and development activities focused on creating new extracted or infused products, and breeds of new cannabis strains and varieties. Our product development team includes members from all relevant product disciplines, who actively monitor existing and prospective markets, as well as test and evaluate the financial viability of all new proposed products.

Intellectual Property

We believe that brand awareness is an important part of our business strategy. We regularly seek to protect our intellectual property rights in connection with our operating names, our consumer packaged goods and certain patentable goods and services. The US trademark statute, The Lanham Act, allows for the protection of trademarks and service marks on products and services used, or intended for use, lawfully. Because cannabis-related products and services remain illegal at the federal level under the Controlled Substances Act, we are not able to protect all our intellectual property at the federal level; therefore, we currently seek trademark protections at the state level where commercially feasible. Nonetheless, our success depends upon other areas of our business such as brand awareness, product development and design, production and marketing and not exclusively upon trademarks, patents and trade secrets.

The Company, through our subsidiaries, has a suite of over 45 trademarks registered and pending registration with the US Patent and Trademark Office and other state and non-US governmental entities, including trademarks with respect to products and retail branding. Product trademarks include Encore™, Avexia™, MÜV™ and Verano™, and trademark dispensary brands include Zen Leaf™ and MÜV™. We anticipate feedback on outstanding submitted applications on a rolling basis. As such, we will continue to rely on common law protection for these brands during the trademark registration process. We plan to proactively seek intellectual property protection for brand expansions in current markets as well as any new market expansion.

From the time our subsidiaries became licensed to cultivate cannabis, we have developed proprietary cultivation techniques for operating ethanol, butane, and carbon dioxide extraction machinery, including what we believe are best production practices, procedures, and methods. This requires specialized skills in cultivation, extraction and refining. Six patents and patent applications are held by our subsidiaries for cannabinoid formulations related to transdermal and oral delivery. For additional details, see “*Item 1A. Risk Factors- Risks Related to Our Business and Operations - Information Technology, Cybersecurity and Intellectual Property.*”

We have several website domains, including www.verano.com, numerous social media accounts across all major platforms and various phone and web application platforms. The information provided on Verano’s website is not part of the Registration Statement.

We rely on non-disclosure and confidentiality agreements to protect our intellectual property rights. To the extent the Company describes or discloses its proprietary cultivation or extraction techniques in its applications for cultivation or processing licenses, the Company’s policy is to redact or request redactions of such information prior to public disclosure. For additional details on the risks associated with the Company’s intellectual property, see “*Item 1A. Risk Factors- Risks Related to Our Business and Operations - Information Technology, Cybersecurity and Intellectual Property.*”

Competitive Conditions

The fast-growing market for legalized cannabis in the US has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. We compete with a variety of different operators across the several states in which we currently operate. In many of these states, there are specific license caps that create high barriers to entry. Management of the Company views multi-state operators that have vertical operations as our most direct competition, including the following US based public reporting companies: Green Thumb Industries Inc., Cresco Labs, Inc., Curaleaf Holdings, Inc., and Trulieve Cannabis Corp.

Aside from existing direct competition in states in which we currently operate, out-of-state operators that are capitalized well enough to enter state markets through acquisitions are also considered part of the competitive landscape. Similarly, as we pursue our national footprint growth strategy, operators in our target markets will inevitably become direct competitors. Additionally, we, along with all legally operating competitors, face competition from the illicit markets. See “*Item 1A. Risk Factors- Risks Related to our Business and Operations – Our Industry.*” However, as state and local regulators increase scrutiny on these illicit markets, management of the Company believes this competitive threat will be meaningfully reduced.

There remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug under the Controlled Substance Act and illegal at a federal level, which creates barriers to entry. The dynamics of the changing regulatory environment at a state level further complicate financing for companies in this sector. Competitors may have better access than we do to financing sources and the capital markets.

Marketing and Sales

As of June 10, 2022, through our subsidiaries and affiliates we are licensed to conduct business in 14 states and actively operate businesses in 13 states, including 100 retail dispensaries and 13 cultivation and processing facilities with over 1,000,000 square feet of cultivation, with an additional facility under construction. Our sales revenue is derived from our wholesale business and our national chain of retail dispensaries operating under our brands including Zen Leaf™ and MÜV™.

For the year ended December 31, 2021, approximately 27% of our consolidated sales were generated by our wholesale operations and approximately 73% of our consolidated sales were generated by our retail dispensary operations. For the first quarter of 2022, our consolidated revenues were comprised of approximately 24% wholesale and approximately 76% retail sales. For 2021, medical-use sales and adult-use sales contributed approximately 60% and 40% of our consolidated revenues, respectively, and for the first quarter of 2022, our consolidated revenues were comprised approximately 65% of medical-use sales and approximately 35% of adult-use sales.

As of December 31, 2021, approximately 31% of our consolidated sales were generated in Illinois where 74% of our consolidated sales were in adult-use products. Approximately 25% of our consolidated sales were generated by our Florida operations, where all sales are generated by our retail stores given the vertical integration nature of Florida's cannabis regulations. Verano is not dependent upon any single customer, or a few customers and the loss of any single customer or a few customers would not have a material adverse effect on our business or financial results.

Some of the states in which we operate have regulations that restrict marketing and sales activities of cannabis products. Restrictions may specify what, where and to whom product information and descriptions may appear or be advertised. Marketing, advertising, packaging and labeling regulations also vary from state to state, potentially limiting the consistency and scale of consumer branding communication and product education efforts. We strive to deploy a diverse range of marketing and brand recognition strategies that comply with applicable local and state laws and regulations.

In medical cannabis markets we seek to educate patients and potential patients about our products and medical dispensaries through certifying physicians, community outreach events and on-going staff training and education. For adult-use markets, we seek to educate customers and potential customers about our products and retail dispensaries through community outreach events and on-going staff training and education. In Florida we operate a patient care call center with more than 30 staff for direct phone, email and online chat support.

Market data for medical and adult-use cannabis is limited and unreliable due to ongoing regulatory changes and unreliable market information on supply levels. We rely largely on our own market research to forecast sales based upon historical sales, demographics, regulatory changes, demand, competition and similar consumer research. Forecasts for markets expanding into adult-use of cannabis are generally more reliable than forecasts for medical cannabis in states launching their initial programs.

Cultivation and Production

The cultivation and production of cannabis products requires licensing and permitting by each state where operations are conducted. As of June 10, 2022, we owned 12 cultivation and processing licensed facilities, leased one cultivation and processing facility and we were constructing a facility at an additional owned location. As of June 10, 2022, our 13 licensed cultivation and processing facilities had over 1,000,000 square feet of cultivation.

Each new manufacturing suite is built to ISO 8 clean room specifications and employs advanced nutritional and pharmaceutical formulations technology for the most optimal delivery methods. Our cultivation grows pesticide-free to meet testing, inventory and other applicable state regulatory requirements. We have implemented and adhere to standard operating procedures across all of our cultivation and manufacturing facilities.

Although cannabis is an agricultural product, our cultivation methodologies employ a perpetual harvest system whereby plants are propagated and thereafter harvested on a staggered schedule. This ensures limited variability in the availability of finished products and minimizes the otherwise cyclical or seasonal nature of the business.

Components

The principal components in the production of our consumer packaged products include cannabis grown internally or acquired through wholesale channels, other agricultural products, and packaging materials (including glass, plastic and cardboard) acquired through wholesale channels. Almost all raw material input, except packaging materials, used to produce our cannabis consumer packaged goods are cultivated or processed internally for further use in the manufacturing process.

Due to the US federal prohibition on cannabis, we must source cannabis within each individual state in which we operate. While there are opportunities for centralized sourcing of some packaging materials, given each state's unique regulatory requirements, we believe multi-state operators currently do not have access to nationwide packaging solutions.

Environmental

Similar to traditional agricultural practices, the cultivation and processing of cannabis can impact the environment through waste, energy use, air pollutants, agriculture water runoff and soil degradation, with the extent of these environmental impacts being contingent on the methods of cultivation and production employed. The cannabis industry has been in its early stages and as the cannabis industry continues to mature and expand in connection with increasing legalization, we believe the industry will develop industry-wise business practices that include comprehensive environmental sustainability in accordance with emerging state regulatory requirements. The establishment of cooperative policies and standards across local, state, regional, and national levels for both cannabis and hemp markets will be pivotal to advancing environmental sustainability across the cannabis industry.

Organic plant waste and single-use consumer packaging make up a significant portion of the waste generated from the industrial-scale cultivation and processing of cannabis. In many states, cannabis waste must be rendered “unusable” and “unrecognizable” before it is then required to be mixed with non-cannabis waste to achieve a ratio of 50% cannabis waste and 50% non-cannabis waste. While many states offer various alternatives that may be mixed with cannabis waste, cultivation sites may be unable to provide sufficient volumes of non-cannabis waste to reach the necessary ratio without adding superfluous waste or having to haul in additional waste to augment.

Cannabis is an energy-intensive crop, especially when cultivated indoor. Energy is needed for lighting, environmental controls, and hydration at indoor cultivation operations. Access to energy infrastructure (power grids) can be a challenge that can cause a temporary reliance on generators that run on fossil fuels that impact air quality. Indoor cultivation is our primary method of cultivating cannabis due to the market demand for consistent, high-quality cannabis products year-round, regardless of adverse weather and fluctuating daylight. According to the National Cannabis Industry Association, as of October 2020, an estimated 63% of commercial cannabis cultivation has been conducted indoors with another 20% conducted in partial indoor operations, such as greenhouses. In 2021 and currently, almost all of the Company’s cultivation is indoor. We expect to conduct substantially all cultivation and production in indoor facilities.

In addition to generated electricity, the cultivation and processing of cannabis and the transportation of cannabis products all contribute to air emissions. Cannabis, like many other crops, often relies upon water supplied through artificial irrigation. Agricultural runoff from cannabis cultivation can contain wastewater pollutants, which can have an impact on the environment. Soil erosion, nutrient loss, reduction in organic carbon stored within the soil, and increased acidity are all linked to traditional agriculture practices, although such environmental impacts are more prevalent in outdoor cultivation.

We believe that cannabis businesses that incorporate environmentally sustainable practices must start with a comprehensive plan for cultivation and production that enables operators to consider the short, medium, and long-term impacts of their operations. Such a plan must have timelines for implementation, objective metrics to gauge progress, standards to monitor compliance and periodic evaluation of the plan itself.

We are in the process of evaluating our operations in order to structure a comprehensive cultivation plan that considers the short, medium, and long-term environmental impacts of the Company’s operations, and in doing so we have identified emerging agricultural practices that promote environmental sustainability that could be applied to the cannabis industry. An early-stage practice for managing plant waste involves on-site anaerobic digestion that uses the plant waste to generate and capture methane, carbon dioxide, and nutrient-rich fertilizer which provides diversion from landfills and the reuse of plant waste. Cultivation and retail cannabis facilities could collaborate on establishing practices that promote and integrate reusable and refillable containers for their products, instead of disposable single-use packaging designs. Through proactive planning and the leveraging of business networks, the cannabis industry could collaboratively pursue more energy-efficient practices. Implementing LED lighting and more efficient HVAC systems helps reduce energy use in indoor grow facilities. Optimizing space utilization and scheduling the use of high energy equipment around peak demand can also reduce the energy impacts of the cannabis industry. Existing emission control technologies have the potential to be broadly applied across the cannabis industry to mitigate adverse air quality impacts. Industry best practices could focus on minimizing water usage and agriculture runoff as well as eliminating adverse impacts to water quality from any discharges back into the environment.

Federal legalization of cannabis would open access to federal programs, such as the US Department of Agriculture for financial and technical assistance, the Small Business Administration for loan assistance, the Environmental Protection Agency for grants, technical assistance, education, research, and traditional funding through nationally recognized financial institutions. Federal legalization also can advance the industry while protecting consumers and the environment with a national regulatory structure that considers environmental sustainability.

We believe we are compliant with all applicable environmental regulations and laws and properly dispose of toxic and hazardous substances used in the Company’s operations. Expenditures for compliance with environmental laws and regulations historically have not been material to the Company’s financial results, but could become an increasing expense for the Company as we develop and implement a comprehensive plan for environmentally sustainable practices and if enhanced environmental laws and regulations are enacted for the cannabis industry.

Employees and Human Capital

The Company recruits, hires and promotes individuals that it believes are best qualified for each position, priding itself on using a selection process that recruits people who are trainable, cooperative and share our core values as a company. As of March 25, 2022, the Company had 3,888 employees across its consolidated operating jurisdictions, including corporate, retail, cultivation and processing, both full- and part-time employees, and including but not limited to: finance and accounting, legal, human resources, regulatory and compliance, supply chain and operations, sales and marketing, commercial and cannabis agriculture, chemists, customer service, construction and project management, and real estate.

We offer a comprehensive package of company-sponsored benefits to our employees. Eligibility depends on the full-time or part-time status, employee location and other factors, and benefits include medical and dental plans, disability insurance, a 401(k) retirement and savings plan, employee assistance programs and life insurance. Additionally, we believe in aligned incentives and utilize employee stock and incentive plans for a competitive total rewards program. We did not experience any work stoppages in 2021 (other than disruptions caused by complying with COVID-19 emergency measures mandated by governmental authorities) and we consider our relationship with our employees to be good. Numerous states deemed cannabis “essential” as other businesses were required to close because of the COVID-19 pandemic.

Approximately 180 employees who work in New Jersey’s cultivation and dispensary operations are covered by a collective bargaining agreement that was recently entered into with United Food and Commercial Workers International Union Local 360. Union elections at the Lombard and Highland Park, Illinois retail dispensaries in favor of union representation were recently certified and collective bargaining discussions at those locations have begun. The terms of the collective bargaining agreements have not been determined at this time. Certain employees of Goodness Growth are represented by local offices of the United Food and Commercial Workers International Union in New York, Maryland and Minnesota, and it is expected that if the Goodness Growth acquisition is consummated, those labor union contracts will remain in place at such time in accordance with their terms.

Specialized Skill and Knowledge

We believe we are a leader in our industry and in order to maintain a leadership position, we rely on a motivated and experienced team, focused on offering the highest quality products and services to our customers in a highly-regulated industry. We employ a diverse group of individuals, hand-picked for their respective administrative, operational, or financial expertise, and where appropriate, chosen for their experience and demonstrated skill in the cultivation and operations of medical and adult-use cannabis.

We have established training and education tools designed to align employee training efforts and resources with our core principles and strategic goals. Employees are expected to complete at least 20 hours of continued training and education annually. Our training tools are designed to be flexible to include new policies and procedures, and can be revised as necessary based on new or ongoing operational concerns, management observations, regulatory changes and new or improved practices. Our employees undergo significant and diverse training, tailored to each employee based on their function and business-lines. Training includes but is not limited to the following topics: (i) applicable laws, rules, and regulations; (ii) propagation, cloning, and nursery management; (iii) transplanting and vegetative growth; (iv) fertigation and nutrient management; (v) irrigation and water conservation; (vi) integrated pest management and biosecurity; (vii) flower canopy management; (viii) harvesting; (ix) drying and curing; (x) waste and disposal procedures; (xi) trimming and packaging preparation; (xii) sampling, laboratory testing, and quality assurance; (xiii) extraction, infusion, and food handling; (xiv) surveillance and security; (xv) inventory control; (xvi) emergency preparedness and response; (xvii) diversion control and prevention; (xviii) health, safety, sanitation and hygiene; (xix) recordkeeping and reporting; (xx) recall and quarantine procedures; (xxi) regulatory inspection preparedness; and (xxii) law enforcement interactions.

Social Equity

We believe that a more diverse and community focused cannabis industry leads to a more sustainable, inclusive and responsible one. We aim to foster a more equitable industry where participation and success are possible regardless of the numerous factors that have historically held many people, businesses, and communities back. To support the growth of an inclusive cannabis industry, we are implementing social equity initiatives at the national level and in states and municipalities in which we operate. The social equity programs are generally designed to develop and carry out initiatives that seek to provide support and create opportunities in the cannabis industry for deprived communities, people of color and other disadvantaged minorities. In each state of operation, we seek to partner with local organizations to provide education, entrance into the cannabis industry, or other growth opportunities to both our employees and the community. Recently, we partnered with Legal Aid Chicago to host a virtual expungement and record sealing clinic to provide relief for those with nonviolent cannabis offenses. In Florida we provide medical cannabis education through certifying physicians, community outreach events and ongoing staff education, all of which are supported by a patient care call center with more than 30 staff for direct phone, email and online chat support. At the state and local level, we have focused on the region to create volunteer opportunities for employees and donate to charitable organizations, including matching employee donations.

Nationally, Verano has made major charitable contributions to the Lynn Sage Breast Cancer Foundation, provided endowments for first generation college students, and hosted employee volunteer days. We plan to continue and expand these partnerships and events at the national, state and local levels to increase social equity in the cannabis industry.

Many states and cities have implemented social equity programs in connection with the legalization of medical or adult-use cannabis. These programs attempt to ensure that people of color, other disadvantaged minorities and those with marijuana offenses prior to legalization, be afforded an opportunity to participate in a meaningful way in the cannabis industry. As new medical and adult-use legislation is passed, multi-state operators such as the Company may be prevented, limited or discouraged from obtaining new licenses, renewing licenses or from participating in new markets or existing markets.

Implications of Being an Emerging Growth Company

The Company had less than \$1.07 billion in revenue for 2021, its last fiscal year, which means that we qualify as an Emerging Growth Company. As such, we may take advantage of certain exemptions from various SEC reporting requirements that are applicable to reporting entities that are not Emerging Growth Companies. These exemptions include:

- reduced disclosure about the Company's executive compensation arrangements;
- exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002 ("SOX") that require a public company's independent public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;
- exemption from new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies; and
- exemptions from the requirement to hold a non-binding advisory vote on executive compensation, including golden parachute compensation.

We may take advantage of these exemptions until the Company no longer qualifies as an Emerging Growth Company. The Company has elected not to use the extended transition period for adopting new or revised financial accounting standards and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for other public companies that are not Emerging Growth Companies.

The Company would cease to be an Emerging Growth Company upon the first to occur of: (i) the last day of the first fiscal year in which the Company's annual gross revenues exceed \$1.07 billion, (ii) the date on which the Company will have issued more than \$1 billion in non-convertible debt securities during the previous three years, (iii) the last day of the fiscal year in which the Company is deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, and (iv) five years after an offering to the public of the Company's equity securities pursuant to an effective registration statement under the Securities Act. We would be deemed to be a "large accelerated filer" if the following three conditions are met: (a) the market value of the Subordinate Voting Shares held by non-affiliates exceeds \$700 million as of the last business day of the Company's most recently completed second fiscal quarter, (b) we were subject to Exchange Act reporting requirements for at least 12 calendar months and (c) we filed at least one annual report on Form 10-K with the SEC.

Transition Period to Comply with Management's Assessment of Internal Controls over Financial Reporting

In accordance with the SEC's requirements for Form 10 registration statements, we are not required to include a report of management's assessment regarding internal controls over financial reporting in this Registration Statement, and our independent public accounting firm is not required to provide an attestation report on the effectiveness of our internal control over financial reporting in this Registration Statement.

On the Effective Date and continuing during a transition period provided by the SEC for newly public reporting companies in Section 404 of SOX, we will be exempted from the requirement that we include a management's report on its assessment of the Company's internal control over financial reporting until our second Annual Report on Form 10-K is filed with the SEC.

The Company may also take advantage of other transition periods for compliance provided by the SEC for newly public reporting companies.

Available Information

The Company's website address is www.verano.com. Through this website, the Company's filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, will be accessible (free of charge) as soon as reasonably practicable after materials are electronically filed with or furnished to the SEC. The information provided on the Company's website is not part of this Registration Statement.

The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Canadian securities authorities also maintain an Internet site (www.sedar.com) that contains reports, circulars, annual

ITEM 1A. RISK FACTORS.

The Company is subject to risks, certain of which are described below. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the financial condition or operating results of the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations. Due to the nature of the Company and its business, investors should carefully consider all such risks, including those set out in the discussion below.

Risks Related to Our Business and Operations – General

The Company remains subject to various risks and uncertainties as a result of the COVID-19 pandemic which could adversely affect its business, financial condition or results of operations.

The outbreak of COVID-19 (and various strains of COVID-19) has resulted in federal, state and local governments in the US and worldwide enacting emergency measures to combat the spread of the virus. These measures, which have included the implementation of vaccine mandates, travel bans, quarantine periods and social distancing, have caused material disruption to businesses in the US and globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. Effects on the Company's business to date have included increased construction costs due to shortages of raw materials, a slowdown in the production and delivery of mechanical and other components needed in the construction or maintenance of the Company's facilities, and labor shortages.

Challenging global economic conditions may negatively impact the Company's business, financial condition or results of operations.

Disruptions and volatility in global financial markets, inflation and declining consumer and business confidence could lead to decreased levels of consumer spending and higher costs. The Company's operations could be affected should rising inflation, the unemployment level or rising interest rates reach levels that influence consumer trends and spending and, consequently, impact the Company's sales, cost of goods and profitability. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to increase or reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company is in its early stages and may experience unforeseen operating difficulties inherent in an early-stage business, which could negatively impact the Company's business, financial condition or results of operations.

The Company is in its early stages. Unanticipated expenses and problems or technical difficulties may occur which may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Subordinate Voting Shares to such an extent that investors may lose their entire investment.

The Company expects to continue to commit significant resources and capital to develop and enter new geographic markets, market existing products and develop new products and services. The Company cannot assure that it will achieve market acceptance in new geographic areas or for its products and services that the Company may offer in the future. Moreover, the Company may face significant competition with offerings by new and existing competitors in the business. In addition, expansion into new markets and the development of new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully enter new markets, develop and market new products and services, or attract such employees could seriously harm the Company's business, financial condition or results of operations.

Following the effectiveness of this Registration Statement, the Company will become an SEC reporting company in addition to remaining a public reporting company in Canada, and particularly after we no longer qualify as an Emerging Growth Company, we will incur significant legal, accounting and other expenses that we have not incurred as a public reporting company in Canada. Our management will be required to devote substantial time to new compliance initiatives, corporate governance practices and securities rules and regulations that impose various requirements on US public companies. Such costs and management attention could negatively impact the Company's business, financial condition or results of operations.

As a public issuer in Canada, the Company is currently subject to the reporting requirements and rules and regulations under applicable Canadian securities laws and rules of the CSE. As a result of filing this Registration Statement, the Company will also become subject to the rules and regulations of the SEC and the reporting requirements of the Exchange Act and the regulations promulgated thereunder on the Effective Date, which will automatically occur 60 days after the filing of this Registration Statement with the SEC. Application of both existing or additional or new US or Canadian regulatory requirements adopted in the future may have adverse consequences on the Company's ability to issue its securities to acquire companies and its ability to raise capital in private placements or prospectus offerings.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of Canadian Securities Administrators, the CSE and the SEC require reporting and listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. We expect that complying with these various statutes, regulations and requirements, particularly after we no longer qualify as an Emerging Growth Company, will occupy a significant amount of time of our Board and management. We will also prepare and distribute periodic public reports in compliance with our obligations under the US federal securities laws, in addition to applicable securities laws of Canada.

Shareholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which could then result in additional compliance costs and affect the manner in which we operate our business. The Company may also elect to devote greater resources than a non-reporting company otherwise would on communications and other activities involving shareholders, investors and analysts which are typically considered important for publicly traded companies. Any new regulations or disclosure obligations or additional shareholder communications and activities may increase our legal and financial compliance costs and may make some activities more time-consuming and costly.

Following effectiveness of this Registration Statement, our management will be required to devote substantial time and cost to the establishment and maintenance of effective internal controls required by Section 404(a) of SOX. These requirements will require additional time resources and increase our legal and financial compliance costs. If we are unable to establish and maintain effective internal controls, our ability to produce timely and accurate financial statements could be impaired, investors could lose confidence in our financial information and the price of our Subordinate Voting Shares could decline.

Prior to the effectiveness of this Registration Statement, we have not operated as a US public reporting company, and we have not had to independently comply with Section 404(a) of SOX regarding internal control over financial reporting. Following effectiveness of this Registration Statement, we will be required to maintain effective disclosure controls and procedures and internal controls over financial reporting. Beginning with our second filing of an Annual Report on Form 10-K with the SEC after we become a US public reporting company, our management will be required to furnish a report on our internal controls over financial reporting. In addition, once we no longer qualify as an Emerging Growth Company, on an annual basis, our independent registered public accounting firm at such time will be required, pursuant to Section 404(b) of SOX, to attest to the effectiveness of our internal control over financial reporting and we will be required to include such attestation in our Annual Report on Form 10-K.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with US generally accepted accounting principles. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. These requirements will require additional time resources and increase our legal and financial compliance costs. In this regard, we will need to (i) continue to dedicate internal resources and potentially engage outside consultants, (ii) adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, (iii) continue steps to improve control processes, as appropriate, (iv) validate, through testing, that controls are functioning as documented, and (v) implement a continuous reporting and improvement process for internal control over financial reporting. We are currently evaluating these rules and regulations, and are in the process of reviewing, documenting and testing our internal controls over financial reporting. We cannot predict or estimate the amount of time resources and additional costs we may incur or the impact and timing of such use of resources and costs. We may encounter problems or delays in implementing any changes necessary to make a favorable assessment of our internal controls over financial reporting.

We will need to hire additional accounting, finance and other personnel in connection with our becoming, and our efforts to comply with the requirements of being, a US public reporting company including complying with Section 404(a) of SOX regarding internal control over financial reporting. The US labor market is competitive, and the professionals and other personnel we desire to hire will be sought after by other public companies. We may not be able to attract, hire and retain a sufficient number of qualified management, accounting and other personnel to enable us to implement and maintain sufficient internal control over financial reporting and comply with other public company requirements. In addition, any testing by us conducted in connection with Section 404 of SOX, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, that may require prospective or retrospective changes to our consolidated financial statements, or identify other areas for further attention or improvement. Inferior internal controls could impair our ability to produce timely and accurate financial statements and cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our Subordinate Voting Shares.

Despite the efforts we are undertaking, following the effectiveness of this Registration Statement, there is a risk that we will not be able to conclude, within the prescribed time frame or at all, that our internal control over financial reporting is effective as required by Section 404 of SOX. If within the prescribed time frame, we cannot favorably assess the effectiveness of our internal control over financial reporting, or if after we cease to be an Emerging Growth Company our independent registered public accounting firm at such time is unable to provide an unqualified attestation report on our internal controls, investors could lose confidence in our financial information and the price of our Subordinate Voting Shares could decline.

The Company may be subject to heightened scrutiny by Canadian authorities, which could negatively affect our business, financial condition or results of operations.

The business, operations and investments of the Company in the US, and any future businesses, operations and investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with Canadian public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of restrictions on the Company's ability to invest or hold interests in other entities in the US or any other jurisdiction.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the US. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with US cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with US 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 US cannabis industry.

The Canadian Depository for Securities Ltd. (“CDS”) is Canada’s central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and the TMX Group, which is the owner and operator of CDS, CDS announced the signing of a Memorandum of Understanding (the “**TSX MOU**”) with Aequitas NEO Exchange Inc., the CSE and the Toronto Stock Exchange confirming that it relies on such exchanges to review the conduct of listed issuers. The TSX MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the TSX MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the US.

Even though the TSX MOU indicated that there are no plans of banning the settlement of securities of cannabis issuers through the CDS, there can be no guarantee that the settlement of such securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Subordinate Voting Shares to make and settle trades. In particular, the Subordinate Voting Shares would become highly illiquid until an alternative was implemented, and shareholders would have no ability to effect a trade of the Subordinate Voting Shares through the facilities of a stock exchange.

The Company and certain of its subsidiaries are borrowers under secured debt facilities, and the Company may be unable to repay such indebtedness. Further, such facilities contain covenants that restrict the Company’s business or may be difficult or costly to comply with. If the Company is unable to pay its debts as they become due, it would have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company and certain of its subsidiaries are borrowers of secured indebtedness and are subject to risks typically associated with secured debt financing. The Company’s cash flows could be insufficient to satisfy its required payments of principal and interest. The Company’s ability to make scheduled payments of principal and interest on its indebtedness depends on its future cash flow and its ability to refinance the indebtedness, which is subject to the financial performance of the Company’s business, the value of its assets, prevailing economic conditions, prevailing interest rate levels and other financial, competitive and operational factors, many of which are beyond the Company’s control.

The covenants of its indebtedness may limit the Company’s and the subsidiary borrowers’ ability to engage in activities that may be in the Company’s long-term best interest. In addition, the terms and conditions of the indebtedness include financial, operational and reporting covenants, and compliance with these covenants may increase the Company’s legal and financial costs, make certain activities more difficult or restricted, and may be time-consuming or costly and increase demand on the Company’s systems and resources. The Company’s failure to comply with any such covenants could result in an event of default, which could result in the acceleration of repayment of the Company’s debt or realization of the security granted.

The Company may incur additional debt. As funds are borrowed, debt service increases the expense of operating the Company. In addition, lenders may require restrictions on future borrowing, distributions and operating policies. The Company’s ability to meet its debt obligations will depend upon the Company’s future performance and will be subject to financial, business and other factors affecting the Company’s business and operations, including general economic conditions. There are no assurances that the Company will be able to meet its debt obligations.

The Company relies on the expertise of its management team and other employees experienced in the cannabis industry, and therefore the loss of key personnel could negatively affect its business, financial condition or results of operations.

The Company’s success largely depends upon the continued services of its executive officers and management team members. If one or more of the Company’s executive officers or management members is unable or unwilling to continue in her or his present position, the Company may not be able to replace such individual readily, if at all. Additionally, the Company may incur additional expenses to recruit and retain new executive officers and management members and personnel with experience in the cannabis industry. The Company does not maintain “key person” life insurance on any of its executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect its business, financial condition or results of operations.

There is a risk of fraudulent or illegal activity by Company employees, contractors and consultants; such acts could negatively affect the Company's business, financial condition or results of operations.

The Company 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 or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and state healthcare fraud and abuse laws and regulations; (iv) laws that require the true, complete and accurate reporting of financial information or data; or (v) contractual agreements with the Company or the Company's policies and code of ethics. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company 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 the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business of the Company, 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 operations of the Company, any of which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company is exposed to various operational risks, any of which may be uninsured or underinsured, and uninsured losses could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including labor disputes; catastrophic accidents; fires; natural disasters; blockades or other acts of social activism; equipment defects, malfunction and failures; changes in the regulatory environment; impact of non-compliance with laws and regulations (both related and unrelated to the cannabis industry); and outbreak of a global pandemic (including COVID-19). Such risks can cause interruption of operations, shortage of staff, disruption of supply chain, and market volatility; and natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, dispensary facilities and production facilities, or cause personal injury or death, environmental damage or have an adverse impact on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages and the Company may be affected by liability or sustain losses in respect of risks and hazards. Although the Company maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance does not cover all of the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the business, financial condition or results of operations of the Company.

Our sales are difficult to forecast and a failure in the expected demand for our products to materialize could have a material adverse effect on our financial results and financial condition.

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industries and unreliable levels of market supply, the market data available is limited and unreliable. We must rely largely on our own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources in the states in which our business operates. Additionally, any market research and our projections of estimated total retail sales, demographics, demand and similar consumer research, are based on assumptions from limited and unreliable market data. A failure in the demand for our products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, results of operations and financial condition.

Past performance is not necessarily indicative of future results; if the actual operations of the Company differ materially from management's expectations, it could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company is in its early stages and its growth is in large part attributable to acquisitions of cannabis businesses and licenses. The past operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the revenue growth, cashflow, operating margins and other historical operating results achieved by the Company will be achieved by the Company going forward, and the Company's performance may be materially different.

The Company may be a party to material litigation that requires outsized expenses or results in negative outcomes that could affect the Company's business, financial condition or results of operations.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved in be concluded in a way which is adverse to the Company, such a decision could adversely affect the Company's ability to continue operating and could use significant resources. Even if the Company is involved in litigation and receives a successful outcome, litigation can redirect significant resources of the Company.

The Company's products may be recalled, which could damage its brand identity and adversely affect the business, financial condition or results of operations of the Company.

Despite the Company's quality control procedures, cultivators, 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. If any of the products produced by the Company, or any of the products that will be purchased by the Company from a third party licensed producer, are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall, and may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. A recall for any of the foregoing reasons could lead to a deterioration in the Company's brand identity, decreased demand for products produced by the Company or purchased from a third-party producer and could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company is subject to environmental risks and regulations, and future changes in environmental regulation could have a material adverse effect on the business, financial condition or results of operations.

The operations of the Company 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 have a material adverse effect on the business, financial condition or results of operations of the Company.

Risks Related to Our Business and Operations – Organizational Structure and Acquisition-Based Strategy

The Company is the ultimate holding company in its corporate organizational structure. As such, the Company depends on the performance of its subsidiaries and affiliates and therefore any material declines in the financial health or prospects of these entities will adversely affect our liquidity, financial condition and results of operations.

We are a holding company, and the vast majority of our assets are the ownership interests we hold in our subsidiaries. As a result, our investors, lenders and creditors are subject to the risks attributable to our subsidiaries. As a holding company, we conduct all of our business operations through our subsidiaries and affiliates, which generate all of our revenues. Consequently, to the extent we cannot raise funds from the issuance of debt or equity securities, our cash flow and ability to complete our business plan and growth objectives are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of our subsidiaries and affiliates to pay dividends and other distributions to us or to any of our other subsidiaries will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained and contractual restrictions contained in mortgages, credit facilities and other similar agreements. In the event of a liquidation or reorganization of any of our subsidiaries, lenders and trade creditors may be entitled to payment of their claims from the assets of such subsidiary before us. Accordingly, any decline in the financial performance or prospects of any subsidiary or affiliate will adversely affect the Company's investment in such subsidiary or affiliate and its ability to receive cashflow or realize a return on its investment.

The Company engages in acquisitions, dispositions and other strategic transactions, which present numerous risks; the Company may encounter unforeseen obstacles related to these transactions that would negatively impact its business, financial condition or results of operations.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company becoming more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions not being realized fully, or taking longer to realize than expected; (v) an increase in the scope and complexity of the Company's operations, including in employee relations as a result of growth or acquiring existing union and collective bargaining agreements; and (vi) a loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue Subordinate Voting Shares and other equity interests as consideration in such transactions, which issuances would dilute the existing shareholders' holdings in the Company.

The Company's acquisitions are subject to varying degrees of approval which include in some, but not all cases, among other things (i) approval of the Company's shareholders; (ii) approval of the change in ownership in the licensee or deemed sale, transfer or assignment of the cannabis-related licenses by local and state authorities in many of the markets where the Company operates and licenses will be held; and (iii) other regulatory approvals. The Company is unable to predict when all required approvals or authorizations will be obtained, if at all.

After acquisitions are consummated, the presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company may be unable to identify and acquire businesses and cannabis licenses or integrate acquired businesses and assets that it deems necessary to achieve its desired growth, which would negatively impact its business, financial condition or results of operations.

The ability to achieve desired growth will depend in part on the Company's ability to identify, evaluate, successfully negotiate and consummate acquisition and investment opportunities with target companies. Achieving this objective in a cost-effective manner will be a product of the Company's sourcing capabilities, the management of the investment process, the ability to provide capital on terms that are attractive to target companies and the Company's access to financing on acceptable terms. Failure to successfully negotiate suitable investments could have a material adverse effect on the business, financial condition or results of operations of the Company.

Some of the businesses that the Company acquires or invests in are early stage companies or have limited operations or revenues; these businesses may underperform the Company's targets and projections and thus negatively impact its business, financial condition or results of operations.

The Company may acquire and make investments in businesses with little operating history, no significant sources of operating cash flow and no revenues from operations. The Company's resources and opportunity costs spent on such companies will be subject to risks and uncertainties that new businesses with no operating history or limited financial results may face. In particular, there is a risk that these early-stage businesses will not be able to meet anticipated performance targets or financial projections, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The uncertain and fragmented nature of the medical and adult-use cannabis industry often results in an unconventional due diligence process and acquisition and transaction terms that could result in unknown and materially detrimental consequences to the Company.

The uncertainty inherent in various aspects of the medical and adult-use cannabis industry can result in what otherwise would be inadequate acquisition and investment due diligence information and uncertain legal consequences relative to a target acquisition or investment. The reluctance of banks and other financial institutions to facilitate financial transactions in the medical and adult-use cannabis industry can result in inadequate and unverifiable financial information about target acquisitions and investments, as well as cash management practices that are vulnerable to theft and fraud. The lack of established, traditional sources of financing for industry participants can result in unusual and uncertain arrangements affecting the ownership and obligations of a target investment. The reluctance of some professionals and advisors to represent cannabis industry participants in financings and other business transactions can result in the lack of documentation setting forth the terms of the transactions, inadequately documented transactions, and transactions that in whole or in part are illegal under applicable state law, among other detrimental consequences. The Company has acquired or invested in, and may in the future acquire or invest in, businesses and companies that are or may become party to legal proceedings, have inadequate financial and other due diligence information, employ vulnerable cash management practices, lack written or adequate legal documents governing significant transactions and otherwise have known or unknown conditions that could be detrimental to its business and assets, which in turn could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company may purchase businesses and assets with limited representations and warranties from the sellers of those businesses and assets; these limited representations and warranties could result in a lack of legal remedies for unknown and materially detrimental problems with the business or assets, which in turn would negatively impact the Company's business, financial condition or results of operations.

The Company may acquire businesses and assets, after conducting its due diligence, with only limited representations and warranties from the seller regarding the quality of the business, its operating results, liabilities and risks and quality of assets. As a result, if defects or liabilities are subsequently discovered, the Company may not be able to pursue a claim for damages against the former owners. The extent of damages that the Company may incur as a result of such matters cannot be predicted, but potentially could have a significant adverse effect on the value of the Company's assets and revenue streams and financial performance. Further, some of the Company's remedies and recourse may consist of obligations of cannabis operations, and the Company's remedies against such obligors may be limited if deemed unenforceable under federal laws or for other reasons.

The Company may acquire target businesses in markets where regulation of cannabis is uncertain or in process, exposing the Company to additional risks and expenses with respect to regulatory compliance.

The Company may acquire businesses and assets in markets where regulation of cannabis is uncertain because it is being developed. For example, Goodness Growth is expected to expand the Company's operational footprint with the addition of the New York, Minnesota, and New Mexico markets. At this time, the adult-use cannabis regulatory regime in New York is not settled and final regulations with respect to cannabis licenses may be enacted at any time. Although the Company believes it will obtain the benefits of one of only ten vertically-integrated licenses in New York, which includes one cultivation license, four active dispensaries, and four additional dispensaries planned in high-traffic locations, if final regulations differ from the Company's expectations, or the existing terms of the license are changed by the adoption of final regulations, the Company may realize less value from the acquisition than expected. This possibility, as well as other general uncertainties surrounding cannabis markets with regulation that is not established, could have negative consequences detrimental to the Company's business and assets, which in turn could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's business and asset portfolio is not highly diversified; if its cannabis business and assets underperform, the Company's business, financial condition or results of operations would be negatively impacted.

The Company's assets are associated with the medical and adult-use cannabis industry. While the Company may purchase other assets and make investments not limited to the cannabis industry, the Company intends to maintain and continue to acquire businesses, licenses and assets related to the cannabis industry. Thus, the Company has, and is expected to have, limited diversity as to asset type. Additionally, the assets held by the Company may be geographically concentrated from time to time, including by state. This lack of diversification could increase the risk associated with the revenue stream the Company expects to receive from its businesses and assets and, as a result, could have a material adverse effect on the business, financial condition or results of operations of the Company.

We may be subject to growth-related operational risks and our inability to mitigate and address these risks would have a material adverse effect on our operations, financial results and financial condition.

We may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Our inability to deal with this growth may have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

Risks Related to our Business and Operations – the Cannabis Industry

If the Company is unable to compete effectively with current and potential market participants with respect to acquiring businesses and assets or if competition with current and potential market participants results in pricing pressure on products, the Company's business, financial condition or results of operations may be adversely impacted.

The cannabis industry is competitive. A number of other companies engage in, and may in the future engage in, businesses similar to the business of the Company, operate businesses in competition with the Company and purchase businesses and assets or make investments that the Company will also seek to purchase or make. This competition may increase the price the Company must pay for acquisitions, make it more difficult for the Company to purchase additional businesses and assets and put pricing pressure on the Company's products making it more difficult to operate at a profit. The inability to operate at a profit and acquire businesses and assets on terms favorable to the Company may adversely impact the revenue stream, geographic footprint and growth that the Company anticipates.

Large conglomerates and companies who also recognize the potential for financial success through acquisitions and investment in the cannabis industry could strategically purchase or assume control of larger dispensaries and cultivation and production facilities in the states in which the Company operates or plans to operate. In doing so, these larger competitors could establish price setting and cost controls which would effectively “price out” many of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the trend in most state laws and regulations seemingly deters this type of takeover, the industry in the United States is young and the future regulatory landscapes at both the state and federal level remain largely unknown.

The Company also faces competition from the illicit market and illegal dispensaries that are unlicensed and unregulated and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, and using delivery methods that the Company may be prohibited from offering to individuals due to laws and regulations. Any inability or unwillingness of law enforcement authorities to enforce existing laws prohibiting the unlicensed production and sale of cannabis and cannabis products could result in increased competition for the Company. Any or all these events could have a material adverse effect on the Company’s business, financial condition or results of operations.

Synthetic products may compete with cannabis and cannabis products resulting in increased competition and downward pressure on demand, volume and profitability of our products, which could adversely affect our business, financial conditions and results of operations.

The pharmaceutical industry may attempt to compete with or dominate the cannabis industry, and in particular, legal cannabis, through the development and distribution of synthetic products that emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of the businesses and investment targets and could have a material adverse effect on the business, financial condition or results of operations of the Company.

We face risks due to industry immaturity or limited comparable, competitive or established industry best practices.

As a relatively new industry, there are not many established operators in the medical and adult-use cannabis industries whose business models we can follow or build upon. Similarly, there is limited information about comparable companies available for potential investors to review in making a decision about whether to invest in us.

Shareholders and investors should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies, like us, that are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of our business. We may fail to successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of the Subordinate Voting Shares to the extent that investors may lose their entire investments.

The Company relies on third-party suppliers, manufacturers and contractors and any significant interruption or negative change in the availability, pricing and other economics of these relationships could have a material adverse effect on the business, financial condition or results of operations of the Company.

The cultivation, extraction, production, sale and distribution of cannabis and cannabis products is dependent on a number of key inputs from third party suppliers in the US and their related costs including raw materials, electricity, water and other local utilities. Many of these inputs are provided by suppliers, manufacturers and contractors operating in the same state or US region as the Company operations, especially with respect to energy sources and other utilities. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier were to go out of business, have limited supply, become unwilling to do business with a cannabis business or substantially raise its prices, the Company might be unable to find a replacement for such source locally, regionally or anywhere within the US in a cost effective or timely manner or at all.

The Company also relies on relationships with numerous business partners and third-party service providers located in the US. Unless and until the federal legal landscape with respect to medical or adult-use cannabis changes, there is a significant risk that business partners and third party service providers may be required or otherwise decide to suspend, limit or withdraw services and business relationships to avoid prosecution by US federal authorities under US federal laws. Any inability to secure required supplies and services or to do so on appropriate terms could have a material adverse effect on the business, financial condition or results of operations of the Company. Further, the rates charged for electricity and other energy sources may increase due to diminished supply, inflation or general economic recessions, and the cost of raw materials and other components, natural gas and electricity may be adversely affected by geopolitical disruptions, such as Russia's expansion into Ukraine and political and other responses to such expansionist activity.

A drop in the wholesale or retail price of cannabis products in the geographic areas in which the Company operates would negatively impact the Company's business, financial condition or results of operations.

The price and demand for the Company's products depends in part on the price and supply of commercially-grown cannabis in the particular state. Fluctuations in economic and market conditions that impact the prices and supply of commercially-grown cannabis, such as increases in the supply of cannabis and the decrease in the price of products using commercially-grown cannabis, could cause increased competition and the Company's revenues to decline, which would have a negative impact on its business, financial condition or results of operations.

Inconsistent public opinion and perception of the medical and adult-use cannabis industry may hinder market growth and state adoption of cannabis, which would adversely impact our growth plans and current operations and result in an adverse effect on our business, financial condition or results of operations.

Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). Inconsistent public opinion and perception of medical and adult-use cannabis may hinder growth and state adoption, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of adult-use cannabis in general, or the Company's products specifically, or associating the consumption of adult-use cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

The cannabis industry is subject to the risks inherent in an agricultural business, including environmental factors and the risk of crop failure; such risks could negatively impact the Company's business, financial condition or results of operations.

The growing of cannabis is an agricultural process. As such, the Company is subject to the risks inherent in the agricultural business, including risks of crop failure presented by water scarcity, power failure, fires, insects, plant diseases and similar agricultural risks. These factors could have an adverse effect on the Company's business, financial condition or results of operations.

The Company may be adversely impacted by rising or volatile energy costs.

The Company's cannabis cultivation and processing consumes considerable energy, which makes the Company vulnerable to rising energy costs and available supply, including the price and availability of oil and natural gas. Accordingly, recent rising or volatile energy costs and supply disruptions caused by global supply constraints, inflation, limits on US production and sanctions imposed on Russian imports may adversely impact the business operations of the Company and its ability to operate profitably.

The Company faces physical security risks; any security event could lead to losses that would negatively affect the business, financial condition or results of operations. If a security breach resulted in substantial cannabis diversion the Company could become a target for federal cannabis enforcement.

The business premises and assets of the Company's operating locations may be targets for theft. While the Company has implemented security measures at each location and continue to monitor and improve their security measures, their cultivation, production and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and a subsidiary or affiliate fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers, cultivation and production equipment or cash could have a material adverse effect on the business, financial condition or results of operations of the Company. Furthermore, if such losses resulted in cannabis diversion, especially diversion to minors or across state lines, the Company could become a target for federal enforcement action, which could lead to criminal or civil sanctions that would materially impact the Company's business, financial condition or results of operations.

Risks Related to our Business and Operations – United States Regulation of Cannabis

Cannabis, other than hemp, remains illegal under federal law, and therefore any change in federal enforcement could have material adverse impact on the business, financial condition or results of operations of the Company.

To date, in the United States 37 states plus the District of Columbia and the US territories of Puerto Rico, Guam and the US Virgin Islands have authorized comprehensive medical marijuana programs, 19 states plus the District of Columbia and the US territories of Guam and the Commonwealth of Northern Mariana Islands have authorized comprehensive programs for medical and adult-use (i.e. recreational) marijuana, and 11 states allow the use of low THC, high CBD products for specified medical uses.

Under US federal law, however, those activities are illegal. Cannabis, other than hemp, is a Schedule I controlled substance under the Controlled Substances Act which means it is viewed by the US federal government as a drug that has a high potential for abuse and no therapeutic value. Therefore, even in states or territories that have legalized cannabis to some extent, the cultivation, possession and sale of cannabis violates the Controlled Substances Act and is punishable by imprisonment, substantial fines and forfeiture. Moreover, individuals and entities may violate federal law if they aid and abet another in violating the Controlled Substances Act, or conspire with another to violate the law. Violating the Controlled Substances Act is also a predicate for other crimes, including money laundering laws and the Racketeer Influenced and Corrupt Organizations Act. The US Supreme Court has ruled that the federal government has the authority to regulate and criminalize the sale, possession and use of cannabis, even for individual medical purposes, regardless of whether it is legal under state law. To date, however, the US government has not enforced those laws against companies (and their vendors) complying with state cannabis law.

The likelihood of any future adverse enforcement against companies complying with state cannabis laws remains uncertain. In 2018, then-US Attorney General Jeff Sessions issued the Sessions Memorandum rescinding the DOJ's previous guidance under the Cole Memorandum that had given federal prosecutors discretion not to enforce federal law in states that legalized cannabis, as long as the state's legal regime adequately addressed specified federal priorities. The Sessions Memorandum, which remains in effect, states that each US Attorney's Office should follow established principles that govern all federal prosecutions when deciding which cannabis activities to prosecute. As a result, federal prosecutors can use their prosecutorial discretion to decide to prosecute state-legal cannabis activities. Since the Sessions Memo was issued, however, US Attorneys have not targeted state law compliant entities. The policy of not prosecuting companies complying with state cannabis laws is expected to continue under current US Attorney General Merrick Garland since, at his confirmation hearing, he stated he did not see enforcement of federal cannabis law as a high priority use of resources for the DOJ. The DOJ may change its enforcement policies at any time, with or without advance notice.

Additionally, since 2014, versions of the US omnibus spending bill have included a provision prohibiting the DOJ from using appropriated funds to prevent states from implementing their medical-use cannabis laws. While the omnibus spending bill affords some protection to medical cannabis businesses, the Company also operates adult-use cannabis businesses that are permissible under state and local laws. Consequently, some of the Company's operations may be outside any protections extended to medical-use cannabis under the spending bill provision. This could subject the Company to greater and different federal legal and other risks as compared to businesses where cannabis is sold exclusively for medical use, which, in turn, could materially and adversely affect the Company's business. Furthermore, any change in the federal government's enforcement posture with respect to state-licensed cannabis sales, including the enforcement postures of individual federal prosecutors in judicial districts where the Company operates, would lead to an inability to execute our business plan, likely resulting in significant losses with respect to the Company's customer base and adversely affecting its business, financial condition or results of operations.

In addition to criminal liability for producing, manufacturing, distributing and selling cannabis, other subsections of the Controlled Substances Act criminalize related activities with expanded sentences and increased penalties for corporations. For example, entities or persons who manage or control a property and knowingly make that property available for the purposes of manufacturing, distributing or using any controlled substances can be found liable under the Controlled Substances Act. The Company owns properties on which activities prohibited by the Controlled Substances Act occur. Therefore, a federal prosecutor could prosecute the Company as an owner of "drug-involved premises" and the Company could be found to violate federal law by virtue of these assets. Additionally, the Company intends to acquire and invest in businesses that are directly or indirectly engaged in the medical and adult-use cannabis industry in the US where state and local law permits such activities.

The Company's anticipated funding of the activities of businesses engaged in the medical and adult-use cannabis industry, whether through loans or through other forms of investment, is illegal under applicable US federal laws. Any criminal charges brought against the Company could result in the inability to execute its business plan and could further result in significant fines, penalties and losses with respect to transactions with cannabis industry participants in the United States, which would adversely affect the Company's business, financial condition or results of operations.

THE CONSEQUENCES OF SUCH GOVERNMENTAL ENFORCEMENT WOULD BE MATERIALLY DETRIMENTAL TO THE COMPANY, THE COMPANY'S BUSINESS AND THE VALUE OF THE COMPANY'S SHARES AND COULD RESULT IN THE FORFEITURE OR SEIZURE OF ALL OR SUBSTANTIALLY ALL OF THE COMPANY'S ASSETS.

The Company's business is subject to a variety of laws regarding financial transactions related to cannabis, which could subject it to legal claims or otherwise adversely affect its business, financial condition or results of operations.

The Company is subject to a variety of laws and regulations that prohibit money laundering, including the Money Laundering Control Act and any related or similar rules, regulations or guidelines issued, administered or enforced by governmental authorities in the US or any other jurisdiction in which we have business operations. Financial institutions in the US that the Company relies on are subject to the Bank Secrecy Act. The penalties for violation of these laws include imprisonment, substantial fines and forfeiture.

In 2014, the DOJ directed federal prosecutors to exercise restraint in prosecuting money laundering violations arising in the state legal cannabis programs and to consider the federal enforcement priorities enumerated in the Cole Memorandum when determining whether to charge institutions or individuals based upon cannabis-related activity. In the same year, the Treasury Department issued guidance that clarified how financial institutions can provide services to cannabis-related businesses, consistent with financial institutions' obligations under the Bank Secrecy Act. Then Attorney General Sessions' rescission of the DOJ's guidance on the state cannabis programs increased uncertainty and heightened the risk that federal law enforcement authorities could seek to pursue money laundering charges against entities or individuals, engaged in supporting the cannabis industry. In January 2018, the Treasury Department issued additional guidance that the 2014 guidance would remain in place until further notice, despite the rescission of the DOJ's earlier guidance memoranda.

If any of the Company's business activities, any dividends or distributions therefrom, or any profits or revenue accruing thereby are found to be in violation of money laundering statutes, it could be subject to criminal liability and significant penalties and fines. Any violations of these laws, or allegations of such violations could disrupt the Company's operations and involve significant management distraction and expenses. As a result, money laundering charges could materially affect the Company's business, financial condition or results of operations. Additionally, proceeds from the Company's business activities could be subject to seizure or forfeiture if they are found to be illegal proceeds of a crime transmitted in violation of anti-money laundering laws, which could have a material adverse effect on its business, financial condition or results of operations.

THE CONSEQUENCES OF SUCH GOVERNMENTAL ENFORCEMENT WOULD BE MATERIALLY DETRIMENTAL TO THE COMPANY, THE COMPANY'S BUSINESS AND THE VALUE OF THE COMPANY'S SHARES AND COULD RESULT IN THE FORFEITURE OR SEIZURE OF ALL OR SUBSTANTIALLY ALL OF THE COMPANY'S ASSETS.

There is a substantial risk of regulatory or political change to state and local laws permitting cannabis activities; such changes could have material adverse impact on the business, financial condition or results of operations of the Company.

Continued development of the cannabis industry depends upon legislative authorization of cannabis at the state and local level. The status quo of, or progress in, the regulated cannabis industry, while encouraging, is not assured and any number of factors could slow or halt further progress in this area. The political environment surrounding the cannabis industry in the United States in general can be volatile and the regulatory framework remains in flux. While there may be ample public support for legislative action permitting the production and use of cannabis, numerous factors impact and can delay the legislative and regulatory processes. If pro-cannabis regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets and prospects of the Company, and thus, the effect on the return of investor capital, could be limited or reduced.

Further, there is no guarantee that, at some future date, voters or the applicable legislative bodies will not repeal, overturn or limit any such legislation legalizing the cultivation, manufacture, sale, distribution or consumption of medical or adult-use cannabis. Local and city ordinances may strictly limit or restrict the distribution of cannabis in a manner that may make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry generally and the Company specifically. Any one of these factors could slow or halt additional legislative authorization of cannabis, which could harm the Company's business, financial condition or results of operations.

Recent and proposed state legislation throughout the US has prioritized minority and diversity participation in the cannabis industry, including providing licensing preferences to minority owners, individuals with specified criminal convictions, local residents and individuals and businesses from economically depressed or disadvantaged areas. Social equity state legislation could prevent, limit or discourage the Company from obtaining new licenses, renewing licenses or participating in new or existing markets, which would have a material adverse impact on the business, financial condition or results of operations of the Company.

Recent and proposed state legislation throughout the US has prioritized minority and diversity participation in the cannabis industry, including providing licensing preferences to minority owners, individuals with specified criminal convictions, local residents and individuals and businesses from economically depressed or disadvantaged areas. As new medical and adult-use legislation is passed, multi-state operators such as the Company may be prevented, limited or discouraged from obtaining new licenses, renewing licenses or from participating in new markets or existing markets. Social equity initiatives could adversely impact the Company's ability to increase or maintain market share and revenues in certain states, expand its geographic footprint or obtain a positive return on its acquisitions or investments, all of which could have a material adverse impact on the business, financial condition or results of operations of the Company.

There is a risk of high bonding and insurance costs which could materially impact the Company's business, financial condition or results of operations.

There is risk that some or all state regulatory agencies will require entities and individuals engaged in aspects of the business or industry of cannabis to post a bond when applying for a cannabis-related license or renewal as a guarantee of payment of sales and franchise tax. It remains an unknown cost that could have a negative impact on the ultimate success of the Company or the Company's participation in the business opportunities ultimately selected.

Unknown additional or increased regulatory fees, required fundings and taxes may be assessed in the future, which could materially impact the Company's business, financial condition or results of operations.

Various states and localities have imposed (or may in the future impose) fees to fund, among other things, schools, road improvements and low-income and moderate-income housing. Additionally, multiple states in the US are considering or may be considering special taxes, funding requirements or increasing or adding fees on businesses in the cannabis industry, including substantial licensing fees. The imposition of additional taxes, required fundings or fees could adversely affect the Company's operating results and expected returns on acquisitions, investments or business opportunities.

Disparate state-by-state regulatory landscapes and the constraints related to holding cannabis licenses in various states results in operational and legal structures that could cause materially detrimental consequences to the Company.

The Company realizes, and will continue to realize, the benefits from cannabis licenses pursuant to a number of different structures, depending on the regulatory requirements from state to state, including realizing the economic benefit of cannabis licenses through Management Agreements, which are often with third parties. Management Agreements may be required in order to comply with applicable laws and regulations or are in response to perceived risks that the Company determines warrant such arrangements.

The foregoing structures present various risks to the Company, through its subsidiaries, including but not limited to the following risks, each of which could have a material adverse effect on the business, financial condition or results of operations of the Company:

- A governmental body or regulatory entity may determine that these Management Agreement structures are in violation of a legal or regulatory requirement or change the legal or regulatory requirements such that the contractual structure violates such requirements. The Company cannot provide assurance that a license application submitted by a third party will be accepted, especially if the management and operation of the license is dependent on a Management Agreement structure.
- There could be a material and adverse impact on the revenue stream the Company intends to receive from or on account of cannabis licenses (as the Company will not be the license holder, and therefore any economic benefit is received pursuant to a contractual arrangement). If a Management Agreement is terminated, the Company will no longer receive any economic benefit from the applicable dispensary or production license.
- These structures could potentially result in the funds invested by the Company being used for unintended purposes, such as to fund litigation.
- If a Management Agreement structure is in place, the Company will not be the license holder of the applicable state-issued cannabis license, and therefore, only has contractual rights with respect to any interest in any such license. If the license holder fails to adhere to its contractual agreement with the Company, or if the license holder makes, or fails to make, decisions in respect of the license that the Company disagrees with, the Company will only have contractual recourse and will not have recourse to any regulatory authority.
- The license holder may renege on its obligation to pay fees and other compensation pursuant to a Management Agreement or violate other provisions of these agreements.

- The license holder's acts or omissions may violate the requirements applicable to it pursuant to the applicable dispensary or production license, thus jeopardizing the status and economic value of the license holder (and, by extension, the Company).
- The license holder may attempt to terminate the Management Agreement in violation of its express terms.

In any or all of the above situations, it would be difficult and expensive for the Company to protect its rights through litigation, arbitration or similar proceedings.

Compliance with regulations regarding cannabis is difficult and costly, because the regulation of cannabis differs by jurisdiction, is uncertain and frequently changes. Compliance with applicable regulatory laws may be costly and take an extended period of time which may adversely affect the Company's business, financial condition and financial results. If the Company fails to comply with applicable laws regarding cannabis, its business, financial condition and results of operations may be adversely affected.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the operation of its business and the sale of its products. We cannot predict the impact of the compliance regime, the applicable regulatory bodies in the US and Canada are implementing or may implement that effect the business of the Company. Similarly, the Company cannot predict the cost and time that will be required to secure or renew all appropriate regulatory licenses and approvals for the operation of its business or the sale of its products, or the cost and extent of testing, documentation, reporting and other compliance requirements that may be required by governmental authorities. The impact of governmental compliance regimes, the cost in obtaining and maintaining regulatory approvals and any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact existing markets and the development of new markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company may be required by regulatory authorities to divest licenses, which would adversely impact its business, financial condition or results of operations.

Some states in which the Company operates, or expects to operate, limit or may in the future limit, the number of licenses that can be held by one consolidated entity within that state. The Company may hold more than the prescribed number of licenses in a state, including after consummating an acquisition of a business that also holds licenses in the applicable state, and accordingly may be required to divest licenses and related operations in order to comply with applicable regulations or in order to consummate such acquisition. The required divestiture of licenses and related operations may result in sales prices below market value and divestiture costs and disruptions which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company is dependent on the banking industry, and it may have difficulty accessing or consistently maintaining banking or other financial services due to the nature of its business, which could adversely impact its business, financial condition, or results of operations.

The Company's participation in the cannabis industry may limit its ability to do business or establish collaborative relationships with financial institutions that may fear disruption or increased regulatory scrutiny of their own activities.

The Company is dependent on the banking industry. Its business operating functions, including payroll for employees, equipment and property leases, and the payment of other expenses, are reliant on traditional banking. The Company requires access to banking services to make and receive payments in a timely manner, and these could be jeopardized if the Company loses access to a bank account. Most federal and federally-insured state banks currently do not serve cannabis businesses on the stated ground that growing and selling cannabis is illegal under federal law, even though the Treasury Department issued guidelines to banks in February 2014 that clarified how financial institutions can provide services to cannabis-related businesses, consistent with financial institutions' obligations under the Bank Secrecy Act. When cannabis businesses are able to find a bank that will provide services, they face extensive customer due diligence in light of complex state regulatory requirements and guidance from the Treasury Department, and these reviews may be time-consuming and costly, potentially creating additional barriers to financial services for, and imposing additional compliance requirements on, the Company. While the federal government has generally not initiated financial crime prosecutions against state-law compliant cannabis companies or their vendors, the government theoretically could initiate such prosecutions, at least against companies in the adult-use markets. The continued uncertainty surrounding financial transactions related to cannabis activities and the subsequent risks this uncertainty presents to financial institutions may result in their discontinuing services to the cannabis industry or limiting their ability to provide services to the cannabis industry or ancillary businesses providing services to the cannabis industry.

The Company, its directors, officers, investors or other stakeholders may be required to disclose personal information to government or regulatory entities; failing to do so could put some licenses in jeopardy and negatively impact the Company's business, financial conditions or results of operations.

The Company owns, manages, or provides services to various US state-licensed cannabis operations. Acquiring even a minimal or indirect interest in a US state-licensed cannabis business can trigger requirements to disclose directors', officers', investors' and other stakeholders' personal information. While these requirements vary by jurisdiction, some require interest holders to apply for regulatory approval and to provide tax returns, compensation agreements, fingerprints for background checks, criminal history records and other documents and information. Some states require disclosures of directors, officers and holders of more than a specified percentage of equity of the applicant. While some states include exceptions for investments in publicly traded entities, not all states do so, and some such exceptions are confined to companies traded on a US securities exchange. If these regulations apply to the Company, directors, investors, officers and other stakeholders are required to comply with such regulations or face the possibility that the relevant cannabis license could be revoked or cancelled by the state licensing authority.

If one of our shareholders is found unsuitable by one of our licensing authorities, we may seek to redeem such shareholder's Verano ownership interests and we may be forced to use our cash or incur debt to fund such redemption of our securities. If we are unable to redeem our securities, such failure could result in the loss of current or potential cannabis licenses which would have an adverse effect on our revenues, financial performance and growth objectives.

The Company may seek to redeem its securities held by certain shareholders in the event (i) a licensing authority has determined such shareholder to be unsuitable to own Verano securities, or (ii) such shareholder's ownership of Verano securities may result in the loss, suspension or revocation (or similar action) with respect to our cannabis licenses or in the Company being unable to obtain any new cannabis licenses, in each case including, but not limited to, as a result of the evaluation of such person's suitability review or such person otherwise failing to comply with the requirements of a licensing authority. Any redemption and the price of such redemption would be determined by the Company's board of directors and, if a license application has been filed, after consultation with the applicable licensing authority. Any redemption may be at a premium to the market value of such securities and may divert our cash resources from other productive uses and require us to obtain additional financing which, if in the form of equity financing, would be dilutive to our shareholders. Further, any debt financing may involve additional restrictive covenants and further leveraging of our fixed assets. In the event we seek to redeem our securities and are unable to do so, it may result in the loss of one or more current or potential cannabis licenses which would have an adverse effect on our revenues, financial performance, growth objectives and geographic diversity.

Investors in the Company and the Company's directors, officers and employees may be subject to the risk of being barred from entry into the United States; if investors or personnel of the Company are barred from entering the United States, it could negatively impact its business, financial condition or results of operations.

Because cannabis remains illegal under US federal law, those who are not US citizens employed at or investing in legal and licensed US cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with US cannabis businesses. Entry happens at the sole discretion of the officers on duty of the US Customs and Border Protection ("CBP"), and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has posted on its website that previous use of cannabis, or any substance prohibited by US federal laws, could mean denial of entry into the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for United States border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of US federal laws regarding controlled substances and, because cannabis continues to be a controlled substance under US federal law, working in or facilitating the proliferation of the legal cannabis industry in US states where it is deemed legal, or in Canada, may affect admissibility to the United States. As a result, CBP has affirmed that employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada who are not US citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admitted into the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

Applicable state laws may prevent the Company from maximizing its potential income, including by restricting its sales and marketing activities; if the Company's profits are constrained by such regulations, it could negatively impact its business, financial condition or results of operations.

The development of the Company'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 the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased prices for its products, the Company's sales and operating results could be adversely affected.

Clinical research with respect to the Company's products is ongoing, and negative findings could lead to rollbacks of state legalizations laws and negative perceptions of cannabis, which would negatively affect the Company's business, financial condition or results of operations.

Research in the US and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids. Although the Company relies on the articles, reports and studies that support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Further, the cannabis industry is highly dependent upon consumer perception, which can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis 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 cannabis market or any particular product, or consistent with earlier publicity.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could lead to rollbacks in state regulation or otherwise have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the business, financial condition or results of operations of the Company. There is no assurance that such adverse research studies or clinical trials will not arise.

Cannabis may become subject to increased regulation by the FDA; if the Company is unable to comply with such regulations, it could have a material adverse effect on the business, financial condition or results of operations of the Company.

Cannabis remains a Schedule I controlled substance under US federal law. If the federal government de-schedules cannabis or reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the FDCA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of food, drugs and cosmetics sold in interstate commerce.

Additionally, the FDA may issue rules and regulations, including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis. Clinical trials may be needed to verify the efficacy and safety of both cannabis products. It is also possible that the FDA would require facilities that grow medical-use cannabis to register with the FDA and comply with federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA, it may have a material adverse effect on the business, financial condition or results of operations of the Company.

Because cannabis is illegal at a federal level, the Company may be unable to enforce its contracts, which could negatively impact its business, financial condition or results of operations.

Judges in multiple US states have on several occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. Therefore, there is uncertainty that the Company will be able to legally enforce its agreements, including agreements that are material to the Company because cannabis is illegal at a federal level.

Because states may not allow for the pledge of cannabis assets as collateral, the Company may not be able to obtain financing or obtain better terms of financing or enforce any liens it may be granted on the inventory or licenses of third parties that secure its right to payment or other contractual rights.

In general, the laws of the various states that have legalized the sale and cultivation of cannabis do not expressly or impliedly allow for the pledge of inventory containing cannabis as collateral for the benefit of third parties, such as the Company or a lender, that do not possess the requisite licenses and entitlements to cultivate, sell or possess cannabis pursuant to the applicable state law. Likewise, the laws of those states generally do not allow for transfer of the licenses and entitlements to sell or produce cannabis to third parties that have not been granted such licenses and entitlements by the applicable state agency. The inability to enforce liens on cannabis inventory and licenses that secure the payment of debt and other contractual rights increases the risk of loss resulting from breaches of the applicable agreements by the contracting parties, which, in turn, could have a material adverse effect on the Company's ability to obtain financing, or obtain better terms on financing, or secure any loans or advances the Company makes to third parties in the cannabis industry.

Because cannabis is illegal under federal law, the Company lacks access to US bankruptcy protections, which could negatively impact its business, financial condition or results of operations.

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it difficult for lenders and investors to quantify the risk of being able to recoup their investments in the cannabis industry in the event of an insolvency. If the Company were to become insolvent, there is no guarantee that US federal bankruptcy protections would be available, which would have a material adverse effect on any restructuring transaction.

Additionally, there is no guarantee that the Company will be able to effectively enforce any interests it may have in the Company's subsidiaries and investments. A bankruptcy or other similar insolvency event related to an entity in which the Company holds an interest that precludes such entity from performing its obligations under an agreement may have a material adverse effect on the business, financial condition or results of operations of the Company. Further, should an entity in which the Company holds an interest have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities or equity owed to the Company. In addition, bankruptcy or other similar insolvency proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the business, financial condition or results of operations of the Company.

Lastly, some state cannabis laws preclude entities which become insolvent from holding medical or adult-use cannabis licenses. Any insolvency proceedings by the Company could therefore put the operations of its subsidiaries or affiliates at risk, which would have a negative impact on the business, financial condition or results of operations of the Company.

The Company may be subject to product liability claims which could adversely affect the business, financial condition or results of operations of the Company.

The Company manufactures, processes and distributes products designed to be ingested and used topically by humans, and therefore faces an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused loss or injury. In addition, the manufacture and sale of cannabis products involve risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption and use of cannabis products alone or in combination with other medications or substances could occur. Although the Company has quality control procedures in place, the Company may be subject to various product liability claims, including, among others, that the products produced by the Company, or the products that will be purchased by the Company from third party licensed producers, 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 could result in increased costs, could adversely affect the reputation of the Company, and could have a material adverse effect on the business, financial condition or results of operations of the Company. There can be no assurances that product liability insurance will be obtained or maintained on acceptable terms or with adequate coverage against potential liabilities.

Risks Related to our Business and Operations – Information Technology, Cybersecurity and Intellectual Property

There is limited trademark protection for cannabis products; if the Company is unable to protect its trademarks, it could negatively affect its business, financial condition or results of operations.

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

The Company is subject to risks related to its information technology systems, including cyber-security risks; successful cyber-attacks or technological malfunctions can result in, among other things, financial losses, the inability to process transactions, the unauthorized release of confidential information and reputational risk, all which would negatively impact the Company's business, financial condition or results of operations.

The Company's use of technology is critical to its continued operations. The Company is susceptible to operational, financial and information security risks resulting from cyber-attacks or technological malfunctions. Successful cyber-attacks or technological malfunctions affecting the Company or its respective service providers can result in, among other things, financial losses, the inability to process transactions, the unauthorized release of customer information or confidential information and reputational risk. As cybersecurity threats continue to evolve, the Company may be required to use additional resources to continue to modify or enhance protective measures or to investigate security vulnerabilities, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

In connection with our products and services, we may receive, process, store and transmit sensitive business information and, in certain circumstances, personal medical information. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, including any personal medical information, we could incur liability and reputational damage and could be subject to civil fines and penalties, including under the Health Insurance Portability and Accountability Act of 1966 (HIPAA), and other relevant state and federal privacy laws in the US.

The Company is reliant on its intellectual property; failure by the Company to protect its intellectual property could negatively affect its business, financial condition or results of operations.

The Company's success will depend in part on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of acquired businesses. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in the US due to federal illegality or in foreign countries and may be unenforceable under the laws of some jurisdictions. Failure of the Company to adequately maintain and enhance protection over its proprietary techniques and processes, as well as over the Company's unregistered intellectual property, including its policies, procedures and training manuals, could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's trade secrets may be difficult to protect; failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position and its business, financial condition or results of operations.

The Company's success depends upon the skills, knowledge, and experience of its scientific and technical personnel, its consultants and advisors, as well as its licensees and contractors. Because the Company operates in a highly competitive industry, the Company relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. The Company enters into business protection, confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties confidential information developed by the receiving party or made known to the receiving party by it during the course of the receiving party's relationship with it. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to it will be its exclusive property, and the Company enters into assignment agreements to perfect its rights.

These confidentiality, inventions, assignment and business protection agreements may be breached and may not effectively assign intellectual property rights to the Company. The Company's trade secrets also could be independently discovered by competitors, in which case the Company would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using its trade secrets could be difficult, expensive and time consuming and the outcome would be unpredictable. In addition, courts may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs, negatively impacting its business, financial condition or results of operations.

The Company's success will depend in part on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing intellectual property to the Company do not have adequate rights in the licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceeding to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties or pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Strong brand identities are important to the Company's success and the Company may have to incur significant expenses to maintain its brand identities, which could negatively affect its business, financial condition or results of operations.

The Company believes that establishing and maintaining the brand identities of its national retail chain and products is a critical aspect of attracting, expanding and keeping a large customer base. Promotion and enhancement of brands will depend largely on the Company's success in operating its dispensaries and providing high quality products. If customers and patients do not perceive the Company's retail operations and products to be of high quality, or if the Company introduces new products, changes products or enters into new business ventures that are not favorably received by customers and patients, the Company will risk diluting its brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to substantially increase its financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain its brands, such efforts could have a material adverse effect on the business, financial condition or results of operations of the Company.

Risks Related to our Securities

The elimination of monetary liability against the Company's directors, officers, and employees under British Columbia law and the existence of indemnification rights for the Company's obligations to its directors, officers and employees may result in substantial expenditures by it and may discourage the Company from bringing lawsuits against its directors, officers, and employees, which could negatively impact its business, financial condition or results of operations.

The Company's articles contain a provision permitting it to eliminate the personal liability of its directors to the Company and its shareholders for damages incurred by a director or officer to the extent provided for under British Columbia law. The Company may also have contractual indemnification obligations under employment agreements with its officers or agreements entered into with its directors. These indemnification obligations could result in the Company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which the Company may be unable to recoup. These provisions and the resulting costs may also discourage it from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by shareholders against the Company's directors and officers even though such actions, if successful, might otherwise benefit it and its shareholders.

The Company's capital structure may negatively impact the trading price of the Subordinate Voting Shares, which could affect the Company's business, financial condition or results of operations.

Although other Canadian-based companies have dual class or multiple voting share structures, the dual class capital structure of the Company with Proportionate Voting Shares being convertible into Subordinate Voting Shares on a basis of 100 to one, could result in a lower trading price for, or greater fluctuations in, the trading price of the Subordinate Voting Shares and may result in adverse publicity to the Company or other adverse consequences.

Additional issuances of Subordinate Voting Shares and Proportionate Voting Shares, or securities convertible into such classes of shares, will result in dilution to the Company's investors.

The Company plans to issue additional securities in the future in connection with acquisitions, equity incentive plans, securities offerings and financing transactions (including through the sale of securities convertible into or exchangeable or exercisable for shares of its capital stock), which will dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Subordinate Voting Shares and Proportionate Voting Shares, and shareholders have no pre-emptive rights in connection with such further issuance. The Company's board of directors has discretion to determine the price and the terms of further issuances, and such terms could include rights, preferences, and privileges superior to those existing holders of our securities. The Company cannot predict the size or nature of future issuances or the effect that future issuances and sales of its securities will have on the market price of the Subordinate Voting Shares. Issuances of a substantial number of additional securities of the Company, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Subordinate Voting Shares. With any additional issuance of the Company's securities, investors will suffer dilution to their voting power and the Company may experience dilution in its revenue per share.

Issuances and sales of substantial amounts of Subordinate Voting Shares may have an adverse effect on the market price of the Subordinate Voting Shares.

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time either by existing holders of Subordinate Voting Shares or by holders of Proportionate Voting Shares, which are convertible into Subordinate Voting Shares on the satisfaction of certain conditions. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares or Proportionate Voting Shares intend to sell Subordinate Voting Shares, could reduce the market price of the shares. If this occurs and continues, it could impair the Company's ability to issue Subordinate Voting Shares as consideration in its acquisitions or raise additional capital through the sale of securities should it desire to do so.

Upon issuance, in addition to restrictions under securities laws, contractual transfer restrictions are placed on a substantial number of Subordinate Voting Shares and Proportionate Voting Shares that expire periodically in increments. When transfer restrictions expire, the holders of the unrestricted Subordinate Voting Shares may seek to sell the shares in the public markets, and the increase in the volume of available shares for sale may have an adverse effect on the market price of the Subordinate Voting Shares.

When issued, Subordinate Voting Shares and Proportionate Voting Shares are subject to restrictions on transfer under applicable securities laws and may also be subject to contractual restrictions on transfer, which restrictions expire in increments. In anticipation of and following the periodic expiration of these transfer restrictions, the sales price of the Subordinate Voting Shares may experience a decline due to additional shares being available for sale on the public markets. The sale of a significant amount of Subordinate Voting Shares by existing shareholders or the perception by investors that such sales may occur, could adversely affect the prevailing market price for the Subordinate Voting Shares.

The Subordinate Voting Shares are subject to price volatility.

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's annual and quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the cannabis industry;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Subordinate Voting Shares;
- sales or perceived sales of additional Subordinate Voting Shares;
- operating and financial performance that varies from the expectations of management, securities analysts and investors;
- regulatory changes affecting the cannabis industry generally and the Company's business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as inflation, interest rates and product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- dual class share structure of the Company;
- public announcements by the Company; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the cannabis industry or the Company's target markets.

In recent years, the securities markets in the US and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price of the Subordinate Voting Shares will not occur. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Subordinate Voting Shares. There can be no assurance that fluctuations in price of the Subordinate Voting Shares will not occur.

A decline in the price or trading volume of the Subordinate Voting Shares could affect the Company's ability to consummate acquisitions, expand existing operations and raise further capital and could adversely impact our ability to continue operations, which would have a negative impact on our revenues and profitability.

A prolonged decline in the price or trading volume of the Subordinate Voting Shares could result in a reduction in the liquidity of the Subordinate Voting Shares and a reduction in the Company's ability to raise capital. Because a significant portion of our acquisitions and operations have been and may continue to be financed through the issuance of equity securities, a decline in the price or trading volume of our Subordinate Voting Shares could be especially detrimental to our growth strategy, liquidity and our operations. Such reductions may force us to reallocate funds from other planned uses and may have a material, adverse effect on the Company's business plan and operations, including our ability to operationalize existing licenses, consummate acquisitions and complete planned capital expenditures. If the price or trading volume of our Subordinate Voting Shares declines, there can be no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet our obligations. If the Company is unable to raise sufficient capital in the future, we may not have the resources to continue our normal operations.

If securities or industry analysts do not publish or cease publishing research or reports or publish misleading, inaccurate, or unfavorable research about us, our business or our market, our share price and trading volume could decline.

The trading market for the Subordinate Voting Shares may be influenced by the research and reports that securities or industry analysts publish about the Company, its business, market, or competitors. If no or few securities or industry analysts cover the Company, the trading price and volume of the Subordinate Voting Shares would likely be negatively impacted. If one or more of the analysts who covers the Company downgrades the Subordinate Voting Shares or publishes inaccurate or unfavorable research about the Company's business, or provides more favorable relative recommendations about competitors, the price of the Subordinate Voting Shares would likely decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on the Company regularly, demand for the Subordinate Voting Shares could decrease, which could cause our share price or trading volume to decline.

An investor may face liquidity risks with an investment in the Subordinate Voting Shares.

There is a significant liquidity risk associated with an investment in the Subordinate Voting Shares. The Subordinate Voting Shares currently trade on the CSE and are quoted on the OTCQX in the United States. We cannot predict at what prices the Subordinate Voting Shares will continue to trade, and there is no assurance that an active trading market will be sustained. The Subordinate Voting Shares do not currently trade on any US national securities exchange. In the event the Subordinate Voting Shares begin trading on any US national securities exchange, we cannot predict at what prices the Subordinate Voting Shares will trade and there is no assurance that an active trading market will develop or be sustained.

Trading in securities quoted on the OTCQX is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's financial results, operations or business prospects. This volatility could depress the market price of the Subordinate Voting Shares for reasons unrelated to operating performance or financial results. Moreover, the OTCQX is not a US national securities exchange, and trading of securities on the OTCQX is often more sporadic than the trading of securities listed on a US national securities exchange like the Nasdaq Stock Market or the New York Securities Exchange. These factors may result in investors having difficulty reselling Subordinate Voting Shares on the OTCQX.

Shareholders have little or no rights to participate in the Company's affairs.

With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Company's board of directors and officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs, including, without limitation, the selection and investment in dispensaries, cultivation operations and real estate. The Company may also retain other officers and agents to provide various services to the Company, over which the shareholders will have no control. There can be no assurance that the Company's board of directors, officers or other agents will effectively manage and direct the affairs of the Company.

The Company does not expect to declare or pay dividends, and restrictions in our credit facility restrict our ability to pay cash dividends.

Holders of the Subordinate Voting Shares or Proportionate Voting Shares will not have a right to receive dividends on such shares unless declared by the Company's board of directors. The Company has not paid dividends in the past, and it is not anticipated that the Company will declare or pay any dividends in the foreseeable future. The declaration of dividends is at the discretion of the Company's board of directors, even if the Company has sufficient funds, net of its liabilities, to pay dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects, credit facility restrictions and other factors deemed relevant by the Company's board of directors. Dividends paid by the Company would be subject to withholding taxes as further summarized under the heading "Risks Related to Taxation."

The Company is an Emerging Growth Company and our election to delay adoption of new or revised accounting standards applicable to public companies may result in our financial statements not being comparable to those of some other public companies. As a result of this and other reduced disclosure requirements applicable to Emerging Growth Companies, the Subordinate Voting Shares may be less attractive to investors.

The Company is currently an Emerging Growth Company and, under the JOBS Act, Emerging Growth Companies may take advantage of certain reduced disclosures.

For as long as we continue to be an Emerging Growth Company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not Emerging Growth Companies, including (i) not being required to comply with the auditor attestation requirements of Section 404 of the SOX, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Under the JOBS Act, an Emerging Growth Company may also elect to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, the Company has elected not to use the extended transition period for adopting new or revised financial accounting standards and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for other public companies that are not Emerging Growth Companies.

The Company will cease to qualify as an Emerging Growth Company on the first to occur of (i) the Company is deemed to be a “large accelerated filer” under the rules of the SEC, (ii) if we have total annual gross revenue of \$1.07 billion or more during any fiscal year, (iii) we issue more than \$1.0 billion in non-convertible debt during any three-year period or (iv) five years after an offering to the public of the Company’s equity securities pursuant to an effective registration statement under the Securities Act. See “*Item 1. Business – Implications of Being an Emerging Growth Company.*” We cannot predict if investors will find the Subordinate Voting Shares less attractive because we may rely on these exemptions. If some investors find the Subordinate Voting Shares less attractive as a result, there may be a less active trading market for the Subordinate Voting Shares, and the share price may be more volatile.

Risks Related to Taxation

The Company is subject to Canadian and United States tax on its worldwide income.

The Company is deemed to be a resident of Canada for Canadian federal income tax purposes by virtue of being organized under the laws of a province of Canada. Accordingly, the Company is subject to Canadian taxation on its worldwide income, in accordance with the rules in the Income Tax Act (Canada) (the “**Tax Act**”) generally applicable to corporations residing in Canada.

Notwithstanding that the Company is deemed to be a resident of Canada for Canadian federal income tax purposes, the Company is treated as a United States corporation for United States federal income tax purposes, pursuant to Section 7874(b) of the Code, and is subject to United States federal income tax on its worldwide income. As a result, the Company will be subject to taxation both in Canada and the United States, which could have a material adverse effect on the business, financial condition or results of operations of the Company. Accordingly, all prospective investors and shareholders of the Company should consult with their own tax advisors in this regard.

The application of Section 280E of the Code may substantially limit the Company’s ability to deduct certain expenses for United States tax purposes.

Pursuant to Section 280E of the Code, any business trafficking in certain controlled substances may not take certain deductions for US federal income tax purposes. Cannabis is currently a controlled substance within the meaning of Schedule I of the Controlled Substances Act. As a result, the US federal taxable income of the Company and its subsidiaries is likely to exceed its actual profits. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of Section 280E of the Code to cannabis businesses, the enactment of any such law is uncertain. Accordingly, Section 280E of the Code may apply to the Company indefinitely.

If the Company’s tax positions were to be challenged by federal, state, local or foreign tax jurisdictions, the Company may not be wholly successful in defending its tax filing positions. The Company’s records reserves for unrecognized tax benefits based on its assessment of the probability of successfully sustaining tax filing positions. Management exercises significant judgment when assessing the probability of successfully sustaining the Company’s tax filing positions, and in determining whether a contingent tax liability should be recorded and, if so, estimating the amount. If the Company’s tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts, or the Company may be required to reduce the carrying amount of its net deferred tax asset, either of which could be significant to the Company’s financial condition or results of operations.

Dividends, if ever paid, on the Subordinate Voting Shares or Proportionate Voting Shares are subject to Canadian or United States withholding tax.

It is currently not anticipated that the Company will pay any dividends on the Subordinate Voting Shares or Proportionate Voting Shares in the foreseeable future.

To the extent dividends are paid on the Subordinate Voting Shares, dividends received by shareholders who are not US Holders (as defined below) (“**Non-US Holders**”) who are residents of Canada for purposes of the Tax Act will be subject to US withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the US-Canada income tax treaty (“**US-Canada Treaty**”). In addition, a Canadian foreign tax credit or a deduction in respect of such US withholding taxes paid may not be available.

Dividends received by shareholders who are residents of the United States (“**US Holders**”) will not be subject to US withholding tax but will be subject to Canadian withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the US-Canada Treaty. For US federal income tax purposes, a US 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. Dividends paid by the Company will be characterized as US source income for purposes of the foreign tax credit rules under the Code. Accordingly, US Holders 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. Subject to certain limitations, a US Holder should be able to take a deduction for the US Holder’s Canadian tax paid, provided that the US Holder has not elected to credit other foreign taxes during the same taxable year.

Dividends received by Non-US Holders who are not residents of Canada for purposes of the Tax Act will be subject to US withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of US withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, 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 Company, subject to examination of the relevant treaty. Each shareholder should seek tax advice, based on such shareholder’s particular facts and circumstances, from an independent tax advisor.

The transfer of Subordinate Voting Shares may be subject to United States estate and generation-skipping transfer tax.

Because the Subordinate Voting Shares will be treated as shares of a US domestic corporation, the US estate and generation-skipping transfer tax rules generally may apply to a Non-US Holder of the Subordinate Voting Shares. Each shareholder should seek tax advice, based on such shareholder’s particular facts and circumstances, from an independent tax advisor.

The Company may be classified as a USRPHC.

The Company is treated as a US domestic corporation for US federal income tax purposes under Section 7874(b) of the Code. As a result, the taxation of the Company’s Non-US Holders upon a disposition of Subordinate Voting Shares or Proportionate Voting Shares generally depends on whether the Company is classified as a United States real property holding corporation (a “**USRPHC**”) under the Code. The Company does not believe that it is or has been and does not anticipate becoming a USRPHC. However, the Company is not expected to seek formal confirmation of its status as a non-USRPHC from the IRS. If the Company were to be considered a USRPHC, Non-US Holders may be subject to US federal income tax on any gain associated with the disposition of Subordinate Voting Shares or Proportionate Voting Shares, as applicable.

Changes in tax laws may affect the Company and its shareholders.

There can be no assurance that the Canadian and US federal income tax treatment of the Company or an investment in the Company will not be modified, prospectively or retroactively, by legislative, judicial or administrative action, in a manner adverse to the Company or its shareholders.

ITEM 2 FINANCIAL INFORMATION

Management’s Discussion and Analysis of Financial Condition and Results of Operations

This management discussion and analysis (this “**MD&A**”) of the financial condition and results of operations of Verano is for the three months ended March 31, 2022 and 2021 and for the years ended December 31, 2021, 2020 and 2019. It is supplemental to, and should be read in conjunction with, the Company’s unaudited interim condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2022 and 2021 and with the Company’s audited consolidated financial statements and the accompanying notes for the years ended December 31, 2021, 2020 and 2019. The financial statements referenced in this MD&A are prepared in accordance with GAAP. Financial information presented in this MD&A is presented in United States dollars (“\$” or “US\$”) and expressed in thousands, unless otherwise indicated. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those projected, forecasted, or expected in these forward-looking statements as a result of various factors, including, but not limited to, those discussed below and elsewhere in this Registration Statement. See “Cautionary Statement Regarding Forward-Looking Statements” and “Risk Factors” in this Registration Statement. Our management believes the assumptions underlying the Company’s financial statements and accompanying notes are reasonable. However, the Company’s financial statements and accompanying notes may not be an indication of our financial condition and results of operations in the future.

OVERVIEW OF THE COMPANY

Verano is a leading vertically-integrated multi-state cannabis operator as one of the top five publicly traded multi-state operators in the United States by reported annual revenue for the year ended December 31, 2021. An operator of licensed cannabis cultivation, processing, wholesale distribution and retail facilities, our goal is the ongoing development of communal wellness by providing responsible access to regulated medical and adult-use cannabis products to discerning high-end customers. As of June 10, 2022, through our subsidiaries and affiliates, we are licensed to conduct businesses in 14 states and actively operate businesses in 13 states, including 100 retail dispensaries, and 13 cultivation and processing facilities with over 1,000,000 square feet of cultivation, with an additional facility under construction. We produce a suite of premium, artisanal cannabis products sold under our portfolio of consumer brands, including Encore™, Avexia™, MÜV™ and Verano™. We also design, build and operate branded dispensary environments including Zen Leaf™ and MÜV™ that deliver a cannabis shopping experience in both medical and adult-use markets.

Notwithstanding the permissive regulatory environment of medical, and in some cases, recreational marijuana, at the state level, it remains illegal under US federal law to cultivate, manufacture, distribute, sell or possess marijuana in the US. Because federal law prohibits transporting any federally restricted substance across state lines, cannabis cannot be transported across state lines. As a result of current federal law prohibitions, the US cannabis industry is conducted on a state-by-state basis. To date, in the United States 37 states plus the District of Columbia and the US territories of Puerto Rico, Guam and the US Virgin Islands have authorized comprehensive medical marijuana programs, 19 states plus the District of Columbia and the US territories of Guam and the Commonwealth of Northern Mariana Islands have authorized comprehensive programs for medical and adult-use (i.e. recreational) marijuana, and 11 states allow the use of low THC, high CBD products for specified medical uses. Verano operates within states where cannabis use, medical or both medical and adult-use, has been approved by state and local regulatory bodies. Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under US federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any of its subsidiaries.

Our strategy is to vertically integrate as a single cohesive company in multiple states through the consolidation of seed-to-sale cultivating, manufacturing, distributing, and dispensing premium brands and products at scale. Our cultivation, processing and wholesale distribution of cannabis consumer packaged goods are designed to guarantee shelf-space in our national retail dispensary chain, as well as to develop and foster long term wholesale supply relationships with third-party retail operators through sales arrangements. Our model includes geographic diversity by establishing a footprint that enables us to adapt to changes in both industry and market conditions seamlessly and profitably. All of the Company’s business, operating results and financial condition relate to US cannabis-related activities.

As part of the Go Public Transactions described in “Item 1. Business – History of the Company,” in February 2021, the Company resulted from a reverse takeover transaction, and at such time Verano LLC and AltMed became subsidiaries of the Company with the other members of the AME Group and Plants of Ruskin becoming subsidiaries of AltMed. Prior to the Go Public Transactions, Verano LLC, AltMed and its subsidiaries (collectively, “**AME**”) and Plants of Ruskin were not consolidated and were not combined.

SELECTED RESULTS OF OPERATIONS

The following presents selected financial data derived from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and the audited consolidated financial statements for the years ended December 31, 2021, 2020 and 2019. The selected consolidated financial information below may not be indicative of the Company’s future performance.

Verano – Three Months Ended March 31, 2022, As Compared to Three Months Ended March 31, 2021

(\$ in thousands)	For the Three Months Ended		2022 – 2021 \$ Change
	March 31,		
	2022	2021	
Revenue, net of discounts	\$ 202,235	\$ 120,895	\$ 81,340
Gross Profit	99,669	54,290	45,379
Net Loss attributable to Verano Holdings Corp.	(10,131)	(2,194)	(7,937)
Net Loss per share – basic	(0.03)	(0.02)	(0.01)

<i>(\$ in thousands)</i>	March 31, 2022	December 31, 2021
Total Assets	\$ 2,640,041	\$ 2,545,723
Long-Term Liabilities	692,696	597,133

Revenue, net of discounts

Revenue for the three months ended March 31, 2022 was \$202,235 an increase of \$81,340 or 67.3%, compared to revenue of \$120,895 for the three months ended March 31, 2021. Key performance drivers for retail revenue for the quarter were new store openings in Florida, Pennsylvania, Arizona and Connecticut along with significant retail expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets. During the three months ended March 31, 2022, the Company opened five new stores in Florida, Illinois and West Virginia. Retail revenue for the three months ended March 31, 2022 was approximately 75.6% of total revenue compared to 61.7% of total revenue for the three months ended March 31, 2021. Key performance drivers for cultivation (wholesale) revenues were merger and acquisition activities, in particular acquisitions of AltMed and Connecticut Pharmaceutical Solutions, Inc. and significant cultivation expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets. In addition, production output and sales of flower expanded in the Illinois, Maryland, New Jersey, and Ohio markets, which further increased revenue. Cultivation (wholesale) revenue for the three months ended March 31, 2022 was 24.4% of total revenue compared to 38.3% of total revenue for the three months ended March 31, 2021.

Gross Profit

Gross profit for the three months ended March 31, 2022 was \$99,669 representing a gross margin on the sale of cannabis, cannabis extractions, edibles and related accessories of 49.3%. This is compared to gross profit for the three months ended March 31, 2021 of \$54,290, which represented a 44.9% gross margin on the sale of cannabis, cannabis extractions, edibles and related accessories. The increase in gross profit is primarily due to top-line growth catalyzed by strong market growth in Illinois and expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets.

Net Loss

Net loss attributable to the Company for the three months ended March 31, 2022 was (\$10,131), a decrease of (\$7,937), compared to a net loss of \$(2,194) for the three months ended March 31, 2021. The variance in net loss was driven by an increase in income tax expense.

<i>(\$ in thousands)</i>	For the Three Months Ended		2022 – 2021
	March 31,		\$ Change
	2022	2021	
Cost of goods sold, net	\$ 102,566	\$ 66,605	\$ 35,961
Total Operating Expense	79,988	36,973	43,015
Other Income (Expense)	12,945	(2,634)	15,579
Provision for Income Taxes	(42,833)	(16,414)	(26,419)

Cost of Goods Sold, net

Cost of goods sold includes the costs directly attributable to cultivating and processing cannabis and for retail purchases of finished goods, such as flower, edibles, and concentrates. Cost of goods sold for the three months ended March 31, 2022, was \$102,566, an increase of \$35,961 or 54.0%, from the three months ended March 31, 2021. The increase was primarily driven by the acquisitions of the AltMed cultivation facilities in Arizona and Florida, the Territory cultivation facility in Arizona, the Agri-Kind cultivation facility in Pennsylvania and continued expansion at existing facilities. On the retail side, the increase was due to expansion of sales and continued store openings.

Total Operating Expenses

Total operating expenses for the three months ended March 31, 2022, were \$79,988, an increase of \$43,015 or 116.3%, compared to total operating expenses of \$36,973 for the three months ended March 31, 2021. Total operating expenses as a percentage of revenue was 39.6% and 30.6% for the three months ended March 31, 2022, and 2021, respectively. The increase was primarily due to a \$19,299 increase in salaries and benefits and a \$10,389 increase in general and administrative expenses driven by the expansion into four new markets. Higher spend related to marketing initiatives and continued growth in existing markets which lead to an increase in employee headcount and fixed assets.

The Company expects to continue to invest organically and in new markets to support expansion plans and adapt to the increasing complexity of the cannabis business. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to expansion.

Total Other Income (Expense)

Total other income (expense) the three months ended March 31, 2022, was \$12,945, an increase of \$15,579 as compared to the three months ended March 31, 2021. The increase in other income was primarily due to a gain on the disposal of three dispensaries of \$17,275.

Provision for Income Taxes

Income tax expense for the three months ended March 31, 2022, was \$42,833, an increase of \$26,419 or 161.0% as compared to the three months ended March 31, 2021. The increase in income taxes was due the increase in top line revenues year over year.

Verano - Year Ended December 31, 2021, As Compared to Year Ended December 31, 2020

<i>(\$ in thousands)</i>	For the Year Ended		2021 – 2020
	December 31,		\$ Change
	2021	2020	

Revenue, net of discounts	\$	737,850	\$	228,530	\$	509,320
Gross Profit		334,563		135,569		198,994
Net Income (Loss) attributable to Verano Holdings Corp.		(14,676)		38,401		(53,077)
Net Income (Loss) per share – basic		(0.05)		0.15		(0.20)
Net Income (Loss) per share - diluted		(0.05)		0.14		(0.19)

Revenue, net of discounts

Revenue for the year ended December 31, 2021 was \$737,850 an increase of \$509,320 or 222.9%, compared to revenue of \$228,530 for the year ended December 31, 2020. The increase in revenue was primarily driven by significant retail and cultivation expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets. The key performance driver of retail revenues in 2021 was increased store traffic to Verano's open and operating retail stores, particularly in Illinois, and new store openings, including acquired stores, particularly in Florida, Arizona and Pennsylvania. The Company generated revenue from 92 retail locations during 2021 compared to 71 locations in the prior year. During the year ended December 31, 2021, retail revenue made up 73.1% of total revenue as compared to 36.2% of total revenue in 2020. Since December 31, 2020, the Company's merger with the AME Group on February 11, 2021 resulted in the AME Group becoming wholly owned subsidiaries of the Company and adding additional retail stores in Arizona and Florida, which contributed to the increase in retail revenues in 2021. The key drivers for the cultivation (wholesale) increase in revenues in 2021 were production output and sales of flower expanded in the Illinois, Maryland, New Jersey, and Ohio markets. Cultivation (wholesale) revenue made up 26.9% of total revenues in 2021 as compared to 63.8% in 2020.

Gross Profit

Gross profit for the year ended December 31, 2021 was \$334,563 representing a gross margin on the sale of cannabis, cannabis extractions and edibles and from related accessories of 45.3%. This is compared to gross profit for the year ended December 31, 2020 of \$135,569, which represented a 59.3% gross margin. The increase in gross profit is primarily due to top-line growth catalyzed by strong market growth in Illinois and expansion into the Arizona, Connecticut, Florida, and Pennsylvania markets.

Net Income (Loss)

Net loss attributable to the Company for the year ended December 31, 2021, was \$(14,676) a decrease of \$(53,077), compared to a net income of \$38,401 for the year ended December 31, 2020. The decrease in net income was driven by an increase in income tax expense.

(\$ in thousands)	For the Year Ended December 31,		2021 – 2020
	2021	2020	\$ Change
Cost of goods sold, net	\$ 403,287	\$ 92,961	\$ 310,326
General and Administrative	100,903	23,838	77,065
Sales and Marketing Expense	8,644	919	7,725
Salaries and Benefits	78,634	16,228	62,406
Depreciation and Amortization	41,784	2,278	39,506
Total Operating Expense	229,965	43,263	186,702
Other Expenses	15,723	12,546	3,177
Provision for Income Taxes	104,127	42,296	61,831

Cost of Goods Sold, net

Cost of goods sold includes the costs directly attributable to cultivating and processing cannabis and for retail purchases of finished goods, such as flower, edibles, and concentrates. Cost of goods sold for the year ended December 31, 2021 was \$403,287, an increase of \$310,326 or 333.8%, from the year ended December 31, 2020. The increase was primarily driven by the acquisitions of the AltMed cultivation facilities in Arizona and Florida, the Territory cultivation facility in Arizona, the Agri-Kind cultivation facility in Pennsylvania and continued expansion at existing facilities. On the retail side, the increase is due to expansion of sales and continued store openings.

Total Operating Expenses

Total operating expenses for year the ended December 31, 2021 were \$229,965, an increase of \$186,702 or 431.6%, compared to total operating expenses of \$43,263 for the year ended December 31, 2020. Total operating expenses as a percentage of revenue was 33.3% and 24.4% for the years ended December 31, 2021 and 2020, respectively. The increase was primarily due to a \$62,406 increase in salaries and benefits and a \$77,065 increase in general and administrative expenses driven by the expansion into four new markets and continued growth in existing markets which lead to an increase in employee headcount and fixed assets.

The Company expects to continue to invest organically and in new markets to support expansion plans and adapt to the increasing complexity of the cannabis business. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to expansion.

Total Other Expense

Total other expense for the year ended December 31, 2021 was \$15,723, an increase of \$3,177 or 25.3% as compared to the year ended December 31, 2020. The increase was due to amortization of debt issuance costs for warrants and convertible debt, amortization of the present value discount for acquisitions with deferred consideration, and interest accrued on outstanding debt.

Provision for Income Taxes

Income tax expense for the year ended December 31, 2021 was \$104,127, an increase of \$61,831 or 146.2% as compared to the year ended December 31, 2020. The increase in income taxes was due the increase in top line revenues year over year.

Verano LLC - Year Ended December 31, 2020, As Compared to Year Ended December 31, 2019

(\$ in thousands)	For the Year Ended		2020 – 2019 \$ Change
	December 31, 2020	December 31, 2019	
Revenues, net of discounts	\$ 228,530	\$ 65,968	\$ 162,562
Gross Profit	135,569	36,040	99,529
Net Income (Loss) attributable to Verano Holdings, LLC	38,401	(18,273)	56,674
Net Income (Loss) per share – basic	0.15	(0.07)	0.22
Net Income (Loss) per share - diluted	0.14	(0.07)	0.21

Revenue, net of discounts

Revenue for the year ended December 31, 2020 was \$228,530, an increase of \$162,562 or 246.4%, compared to revenue of \$65,968 for the year ended December 31, 2019. The increase was primarily due to increased supply capacity and demand in Illinois, along with expansion into Arkansas, Maryland, Massachusetts, New Jersey, Ohio, and Pennsylvania. The key performance drivers of retail revenues in 2020 were legalization of adult use in Illinois on January 1, 2020 as well as new store openings particularly in Arkansas, Maryland, Massachusetts, New Jersey, Ohio, and Pennsylvania where 15 dispensaries were opened in 2020. During the year ended December 31, 2020, retail revenue made up 36.2% of total revenue as compared to 33.2% in 2019. In total, the Company had 71 retail locations open and operating during the year ended December 31, 2020 as compared to 26 retail locations in the prior year. The key drivers for cultivation (wholesale) revenue were legalization of adult use in Illinois on January 1, 2020 as well as the expansion of the Company's branded product portfolio to third-party retailers through the Company's existing cultivation and processing facilities in Illinois and Pennsylvania due to increased scale and efficiency. Cultivation (wholesale) revenue made up 63.8% of total revenues in 2020 as compared to 66.8% in 2019.

Gross Profit

Gross profit for the year ended December 31, 2020 was \$135,569, representing a gross margin on the sale of cannabis, cannabis extractions and edibles and from related accessories of 59.3%. This is compared to gross profit for the year ended December 31, 2019 of \$36,040, which represented a 54.6% gross margin. The increase in gross profit margin is primarily due to top-line growth in the Illinois market as well as the opening of 15 dispensaries.

Net Income (Loss)

Net income attributable to Verano Holdings, LLC for the year ended December 31, 2020 was \$38,401, an increase of \$56,674, compared to a net loss of (\$18,273) for the year ended December 31, 2019. The increase in net income was primarily due to increased supply capacity and demand in Illinois, along with expansion into Arkansas, Maryland, Massachusetts, New Jersey, Ohio, and Pennsylvania leading to the opening of 15 dispensaries in these markets.

(\$ in thousands)	For the Year Ended		2020 – 2019 \$ Change
	December 31,		
	2020	2019	
Cost of goods sold	\$ 92,961	\$ 29,928	\$ 63,033
General and Administrative	23,838	29,692	(5,854)
Sales and Marketing Expense	919	926	(7)
Salaries and Benefits	16,228	6,231	9,997
Depreciation and Amortization	2,278	2,288	(10)
Total Operating Expense	43,263	39,137	4,126
Other Expenses	12,546	4,938	7,608
Provision for Income Taxes	42,296	10,333	31,963

Cost of Goods Sold, net

Cost of goods sold includes the costs directly attributable to cultivating and processing cannabis and for retail purchases of finished goods, such as flower, edibles, and concentrates. Cost of goods sold for the year ended December 31, 2020 was \$92,961, an increase of \$63,033 or 210.6%, from the year ended December 31, 2019. This increase is primarily due to production costs of cannabis in the Illinois cultivation facility, along with start-up costs in New Jersey and Ohio. On the retail side, this increase is due to expansion of sales and continued store openings.

Total Operating Expenses

Total operating expenses for the year ended December 31, 2020 were \$43,263, an increase of \$4,127 or 10.5%, compared to total operating expenses of \$39,137 for fiscal year ended December 31, 2019. Total operating expenses as a percentage of revenue, net of discounts, was 24.4% and 66.8% for the years ended December 31, 2020 and 2019, respectively. The increase in total operating expenses was primarily due to a \$9,997 or 160.4% increase in salaries and benefits, which was driven by an increase in headcount from the Company's primary operating markets, start-up costs in new markets, and transaction costs relating to the RTO of \$2,764.

Total Other Expense

Total other expense for the year ended December 31, 2020 was \$12,546, an increase of \$7,608 or 154.1% as compared to the year ended December 31, 2019. The increase is due to amortization of debt issuance costs for warrants and convertible debt.

Provision for Income Taxes

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the year ended December 31, 2020, provision for income taxes totaled \$42,296 compared to \$10,333 for the year ended December 31, 2019. The increased income tax expense was primarily driven by greater taxable income in the year ended December 31, 2020.

Verano - Results of Operations – Segments

The Company has two reportable segments: (i) Cultivation (Wholesale) and (ii) Retail.

Verano – Three Months Ended March 31, 2022, As Compared to Three Months Ended March 31, 2021

The following tables summarize revenues net of sales discounts by segment for the three months ended March 31, 2022 and 2021:

(\$ in thousands)	Three Months Ended March 31,		
	2022	2021	% Change
Revenues, net of discounts			
Cultivation (Wholesale)	\$ 53,008	\$ 49,161	7.8%
Retail	164,334	79,195	107.5%
Intersegment Eliminations	(15,107)	(7,461)	(102.5)%
Total Revenues, net of discounts	202,235	120,895	67.3%

Revenues, net of discounts for the cultivation (wholesale) segment were \$53,008 for the three months ended March 31, 2022, an increase of \$3,846 or 7.8% excluding intersegment eliminations, compared to the three months ended March 31, 2021. The increase in cultivation (wholesale) revenues, net of discounts, was primarily driven by acquisitions in new markets and increases in revenues in established markets.

Revenues, net of discounts for the retail segment were \$164,334 for the three months ended March 31, 2022, an increase of \$85,139 or 107.5%, excluding intersegment eliminations, compared to the three months ended March 31, 2021. The increase in retail revenues, net of discounts, was primarily driven by the Company's Florida operations, which are treated exclusively as retail income due to the vertical nature of the Florida business. The increase was also driven by additional retail store openings in Florida, Pennsylvania, Arizona and Connecticut, in addition to the retail locations acquired through acquisitions entered into throughout 2021.

Due to the vertically integrated nature of its business, the Company reviews its revenue at the wholesale and retail level while reviewing its operating results on a consolidated basis.

Verano – Year Ended December 31, 2021, As Compared to Year Ended December 31, 2020

The following tables summarize revenues net of sales discounts by segment for the years ended December 31, 2021 and 2020:

(\$ in thousands)	For the Year Ended December 31,		
	2021	2020	% Change
Revenues, net of discounts			
Cultivation (Wholesale)	\$ 217,739	\$ 156,223	39.4%
Retail	591,591	88,470	568.7%
Intersegment Eliminations	(71,480)	(16,163)	(342.2)%
Total Revenues, net of discounts	\$ 737,850	228,530	222.9%

Revenues, net of discounts for the wholesale segment were \$217,739 for the year ended December 31, 2021, an increase of \$61,516 or 39.4%, excluding intersegment eliminations, compared to the year ended December 31, 2020. The increase in wholesale revenues net of discounts, was primarily driven by acquisitions in new markets and increases in revenues in established markets.

Revenues, net of discounts for the retail segment were \$591,591 for the year ended December 31, 2021, an increase of \$503,121 or 568.7%, excluding intersegment eliminations, compared to the year ended December 31, 2020. The increase in retail revenues, net of discounts, was primarily driven by the Company's Florida operations, which are treated exclusively as retail income due to the vertical nature of the Florida business. The change was also driven by additional retail store openings in addition to the retail locations obtained through acquisitions entered into during the second half of 2020 and throughout 2021.

Due to the vertically integrated nature of business, the Company reviews its revenue at the wholesale and retail level while reviewing its operating results on a consolidated basis.

Verano – Year Ended December 31, 2020, As Compared to Year Ended December 31, 2019

The following tables summarize revenues net of sales discounts by segment for the years ended December 31, 2020 and 2019:

(\$ in thousands)	For the Year Ended December 31,		
	2020	2019	% Change
Revenues, net of discounts			
Cultivation (Wholesale)	\$ 156,223	\$ 46,068	239.1%
Retail	88,470	22,925	285.9%
Intersegment Eliminations	(16,163)	(3,025)	(434.3)%
Total Revenues, net of discounts	228,530	65,968	246.4%

Revenues, net of discounts for the wholesale segment were \$156,223 for the year ended December 31, 2020, an increase of \$110,155 or 239.1%, excluding intersegment eliminations, compared to the year ended December 31, 2019. The increase in wholesale revenues net of discounts, was primarily driven by growth in the Illinois market, which included the adult-use launch.

Revenues, net of discounts for the retail segment were \$88,470 for the year ended December 31, 2020, an increase of \$65,545 or 285.9%, excluding intersegment eliminations, compared to the year ended December 31, 2019. The increase in retail revenues, net of discounts, was primarily driven by sales in Illinois, supported by continued growth in Maryland, Ohio, and Nevada. New retail expansion in Arkansas, Massachusetts, New Jersey, and Pennsylvania helped contribute to overall growth.

Due to the vertically integrated nature of business, the Company reviews its revenue at the wholesale and retail level while reviewing its operating results on a consolidated basis.

Drivers of Operational Performance

Revenue

The Company derives its revenue from both its cultivation (wholesale) business in which it cultivates, produces and sells cannabis products to third-party retail customers, and its retail business, in which it directly sells cannabis products to retail patients and consumers. For the three months ended March 31, 2022, approximately 24.4% of the Company's revenue was generated from the cultivation (wholesale) business and approximately 75.6% from the retail business. For the year ended December 31, 2021, approximately 26.9% of revenue was generated from the cultivation (wholesale) business and approximately 73.1% from the retail business. For the year ended December 31, 2020, approximately 63.8% of revenue was generated from the wholesale business and approximately 36.2% from the retail business. For the year ended December 31, 2019, approximately 66.8% of revenue was generated from the wholesale business and approximately 33.2% from the retail business. This change in mix was largely driven by the opening and acquisition of additional retail stores throughout the years ended December 31, 2020 and 2021.

On a standalone basis, the Company's wholesale-based revenue decreased gradually throughout the year ended December 31, 2021 as the Company fully realizes the new stores that opened in 2020 and opening of additional retail dispensaries in 2021.

Gross Profit

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, rent, utilities, and related costs. Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures the Company's gross profit as a percentage of revenue. Furthermore, during the three months ended March 31, 2022 and the year ended December 31, 2021, the Company recorded an increase to cost of goods sold, net, of \$4,612 and \$80,988, respectively, that was attributable to acquired inventory that was stepped-up to fair value, and subsequently recognized through cost of goods sold.

The Company's expansion strategy and revenue growth have taken priority and will continue to do so for the foreseeable future as it expands its footprint in new markets through acquisition and scales production within current markets. In the core markets in which the Company is already operational, it does not expect price compression in the near-term. However, as the state markets mature, the Company anticipates that there will be pressure on margins in the cultivation (wholesale_ and retail channels. The Company's current production capacity has not been fully realized and it is expected that price compression at the cultivation (wholesale) level will be more than offset by increased production volume. As a result, the Company expects overall consolidated gross margins to increase in the near-term future.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and to deliver product to the Company's retail stores. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, selling costs are expected to increase slightly in currently operational markets (Arizona, Arkansas, California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Jersey, Ohio, Pennsylvania, and West Virginia) as facility and market expansion occurs. The increase is expected to be driven primarily by the growth of the Company's retail and cultivation (wholesale) channels and the ramp up from pre-revenue to sustainable market share.

General and administrative ("G&A") expenses represent costs incurred at the Company's corporate offices, primarily related to personnel costs, including salaries, benefits, and other professional service costs, including legal and accounting. Going forward, G&A expenses are expected to continue in line with the Company's expansion plans. Furthermore, the Company expects to continue to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the cannabis industry, it is subject to the limits of Section 280E of the Code under which the Company is only allowed to deduct expenses directly related to the sale of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under Section 280E of the Code and a higher effective tax rate than most industries.

Plants of Ruskin on a Consolidated Basis for the Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Revenue for the fiscal year ended December 31, 2020, was \$105,661 representing an increase of \$66,290 or 168%, compared to revenue of \$39,371 for the fiscal year ended December 31, 2019. The increase in revenue was driven by a full fiscal year of revenue from the 11 retail locations opened in prior years plus the addition of 18 locations.

Cost of Goods Sold

Cost of goods sold are derived from costs related to internal cultivation. Cost of goods sold for the fiscal year ended December 31, 2020 was \$23,360 representing an increase of \$11,378 or 95% compared to cost of goods sold of \$11,982 for the fiscal year ended December 31, 2019. The increase was primarily driven by the increased revenue due to expansion. In addition, the cost of sales also includes costs related to other products acquired from other producers and sold by Plants of Ruskin.

Gross Profit

Gross profit for the fiscal years ended December 31, 2020, and 2019, was \$82,300 and \$27,389 respectively, representing a gross margin on the sale of cannabis, cannabis extractions, and from related accessories of 78% and 70%, for the years ended December 31, 2020, and 2019, respectively. The increase in gross profit margin is mainly due to the expansion of its captive cultivation site.

Operating Expenses

Operating expenses for the fiscal year ended December 31, 2020, was \$21,246, representing an increase of \$12,147 or 133% compared to operating expenses of \$9,099 for the fiscal year ended December 31, 2019, which represents 20% of revenue for the fiscal year ended December 31, 2020, compared to 23% of revenue for the prior year. The overall increase in operating expenses was attributable to continued expansion of operations in Florida.

Plants of Ruskin had marketing and advertising expense of \$982 in 2020 which represented an increase from 2019 marketing and advertising expense of \$607. This increase is primarily due to Plants of Ruskin's operations in Florida of 29 retail dispensaries as of December 31, 2020, as compared to 11 retail dispensaries as of December 31, 2019. In addition, each retail location incurred a large amount of marketing expenses, particularly around the opening, ongoing online presence, and search engine optimization strategies for each location. Plants of Ruskin continues to implement key advertising and marketing strategies to raise awareness in the market of the brand and additional retail locations. Depreciation and amortization expense was \$4,476 for the fiscal year ended December 31, 2020, representing a \$1,575 increase from \$2,901 for the fiscal year ended December 31, 2019. The increase was due to the expansion of the cultivation site and continued expansion of retail dispensary locations.

Income from Operations

Income from operations for the fiscal year ended December 31, 2020, was \$61,054 an increase of \$42,764 or 234%, compared to income from operations of \$18,290 for the fiscal year ended December 31, 2019. The increase was driven by a full fiscal year of revenue from the 11 retail locations opened in prior years plus the addition of 18 retail locations.

Other Income (Expenses)

Other Income

Other income was \$109 for the fiscal year ended December 31, 2020, compared to \$36 for the fiscal year ended December 31, 2019. The increase was due to the increase in ATM commissions from the additional retail dispensary locations.

Other Expenses

Other expenses were \$1,423 for the fiscal year ended December 31, 2020, compared to \$334 for the fiscal year ended December 31, 2019. The increase was primarily due to increased leased dispensary locations and implementing ASC 842 – Lease Accounting.

Total Assets

Total assets increased by \$53,214 to \$103,893 for the fiscal year ended December 31, 2020, from \$50,678 for the fiscal year ended December 31, 2019. The increase was due to the continued expansion of retail.

AME on a Consolidated Basis for the Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Operating revenue for fiscal year ended December 31, 2020 and 2019 was \$20,648 and \$14,482 respectively, an increase of \$6,166 or 43% year over year. Operating revenue consists of sales out of the Müv dispensary, wholesale sales consisting of product sold to other dispensaries within the state of Arizona, MüvHealth CBD products, and other revenue. Most sales come from dispensary sales and wholesale sales.

Revenue increased year over year due to the increase is due to two main drivers. The first is the increase in gummy sales. During 2020, AME produced Wana gummy products which increased in sales due in large part to the popularity of the product and the introduction of a 300 mg product. The second driver for the increase in sales relates to bulk flower. In the fourth quarter of 2019 the bulk price per pound of Müv flower was increased. As demand increased in 2020, AME continued to increase the price. The average wholesale price for a pound of flower increased on average \$635/lb. from 2019. While the total pounds sold through wholesale decreased year over year, total revenue related to bulk flower sales remained unchanged. The flower that would have been sold wholesale was routed to the dispensary where flower sales averaged \$360/lb. more than if sold wholesale.

During 2020, the cultivation site reached capacity and some product categories were no longer sold through the wholesale channel. Concentrates (shatter, crumble, etc.) and vape cartridges were sold through dispensaries and not sold wholesale. With the limitations in production capacity, biomass resources were allocated to the production of gummies, flower, and a sufficient number of other product categories to sell through dispensaries.

In 2020 total pounds sold of flower were 2,548 lbs., an increase of 448 lbs. (21%) from 2019. While this allowed for record sales in 2020, it was determined early in 2020 that AME needed to expand production capacity. An additional 2,000+ square foot flower room was placed in service in Q4 of 2020. The first harvest date was in the fourth quarter of 2020, with the biomass beginning to be sold in 2021. In addition, AME entered a contract to build a semi-enclosed greenhouse on the property it purchased in 2020.

Cost of Goods Sold

Cost of goods sold are derived from costs related to the internal cultivation and production of cannabis and from retail and wholesale purchases from other licensed producers operating within our state markets. Cost of goods sold for the fiscal year ended December 31, 2020 was \$9,804 representing an increase of \$1,183 or 14% compared to cost of goods sold of \$8,621 for the fiscal year ended December 31, 2019. In 2020, AME focused on selling their Müv™ products out of its own dispensaries. This resulted in a 254% increase in products sold through AME dispensaries. This in turn reduced the cost of revenue for dispensary sales since the produced product have a lower cost than third-party products that would have otherwise been purchased.

Gross Profit

Gross Profit for the fiscal years ended December 31, 2020 and 2019 was \$10,845 and \$5,861, representing a gross margin of 52.5% and 40.5%, respectively. The increase in gross profit margin is attributable to an increase in top line revenue of the sale of cannabis and cannabis infused products.

General and Administrative Expenses

General and administrative expenses for the fiscal year ended December 31, 2020 was \$4,544, representing a decrease of \$264 or (5.8%) compared to general and administrative expense of \$4,808 for the fiscal year ended December 31, 2019. 2020 selling, general, and administrative (“SG&A”) expenses are comprised of general and administrative expenses and the costs associated with operating the dispensary and wholesale sales departments. Largely, the 2020 SG&A expense is related to legal expenses accrued at year end to account for fees incurred stemming from the Go Public Transactions.

Depreciation and Amortization

Depreciation and amortization expense was \$1,379 for the fiscal year ended December 31, 2020, representing a decrease of \$367 or (26.6%) from \$1,746 for the fiscal year ended December 31, 2019. In 2020 assets were written off resulting in a loss on the disposal of the assets, but the overall depreciation expense for the year was also reduced. Amortization expense for the year consists of three intangible assets, those being the cultivation and management fee agreement between Agronomy Innovations LLC and Fort Consulting, a right to use agreement, and a buyout of investor equity dating back to 2015. The values of both the right to use and buyout agreements were written down to zero in 2020. Thereafter, the only intangible asset to be amortized was the cultivation and management fee agreement for the dispensaries where flower sales averaged \$360/lb. more than if sold wholesale.

Income (Loss) from Operations

Income (loss) from operations for the fiscal year ended December 31, 2020 was \$4,922 an increase of \$5,615 compared to loss from operations of (\$693) for the fiscal year ended December 31, 2019. The increase in income from operations is attributable to the year over year decrease of SG&A, amortization and depreciation expense.

Provision for Income Taxes

Fort Consulting, LLC is a non-profit entity for Arizona income tax purposes and it elected to be taxed as a C-corporation for US Federal tax purposes. Therefore, income taxes are provided for the tax effects of transactions in the financial statements and consist of taxes currently due, plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting.

Deferred taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in the tax laws and rates on the date of enactment.

Other Income (Expenses)

Other Income

Other income was \$25,407 for the fiscal year ended December 31, 2020, compared to \$8,037 for the fiscal year ended December 31, 2019. The increase was due to the increase in income from investments in related companies.

Other Expenses

Other expenses were \$591 for the fiscal year ended December 31, 2020, compared to \$29 for the fiscal year ended December 31, 2019. The increase was primarily due to a loss on the sale of property and equipment.

Total Assets

Total assets increased by \$24,043 to \$64,226 for the fiscal year ended December 31, 2020, from \$40,183 for the fiscal year ended December 31, 2019. The increase was due to equity investments and the continued expansion of retail operations.

LIQUIDITY, FINANCING ACTIVITIES AND CAPITAL RESOURCES

As of March 31, 2022 and December 31, 2021, the Company had total current liabilities of \$450,677 and \$469,855, respectively. As of March 31, 2022 and December 31, 2021, the Company had cash and cash equivalents of \$139,637 and \$99,118, respectively, to meet its current obligations. The Company had a working capital deficit of (\$110,898) as of March 31, 2022, an increase of working capital of \$84,982 as compared to December 31, 2021. This increase in working capital was primarily driven by a \$26,129 net increase in inventories and proceeds from issuance of notes payable of \$102,660, which was partially offset by \$62,498 of cash payments related to acquisition consideration payable and an increase in accounts payable of \$15,878.

The Company is an early-stage growth company, generating cash from revenues deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and long term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, strategic investment opportunities, product development and marketing, as well as customer, supplier, and investor and industry relations.

While our revenue, gross profit and operating income were not materially impacted by COVID-19 and we maintained the consistency of our operations during the first three months of 2022 and the year ended December 31, 2021, the uncertain nature of the spread of COVID-19 may impact our business operations for reasons including the potential quarantine of our employees or those of our supply chain partners. Our ability to continue to operate without any significant negative operational impact from the COVID-19 pandemic will in part depend on our ability to protect our employees, customers and supply chain partners. The Company takes a cautious approach in allocating its capital to maximize its returns while ensuring appropriate liquidity. Given the current uncertainty of the future economic environment, the Company has taken additional measures in monitoring and deploying its capital to minimize the negative impact on its current operations and expansion plans.

Liquidity Requirements

Our short-term liquidity requirements consist primarily of funds necessary to pay for our ongoing acquisitions, to repay borrowings, maintain our operations and other general business needs. We believe that internally generated funds and other sources of liquidity discussed below will be sufficient to meet working capital needs, capital expenditures, and other business requirements for at least the next 12 months. We believe we will meet known or reasonably likely future cash requirements through the combination of cash generated from operating activities, available cash balances and available borrowings. If these sources of liquidity need to be augmented, additional cash requirements would likely be financed through the issuance of equity securities or additional borrowings; however, there can be no assurances that we will be able to obtain additional equity financing or debt financing on acceptable terms in the future.

Our long-term liquidity requirements consist primarily of completing additional acquisitions, scheduled debt payments, maintaining and expanding our operations and other general business needs. We expect to meet our long-term liquidity requirements through various sources of capital, which may include future debt or equity issuances, net cash provided by operations and other secured and unsecured borrowings. We believe that the foregoing sources of capital will provide sufficient funds for our operations, anticipated expansion and scheduled debt payments for the long-term. Our ability to fund our operating needs will depend on our future ability to continue to generate positive cash flow from operations and obtain debt or equity financing on acceptable terms.

Credit Facility

The Company and certain of its subsidiaries are credit parties as co-borrowers and joint guarantors under the Credit Agreement. A total of \$350,000 in fully funded term loan commitments is currently outstanding under the Credit Agreement, with an option for the Company to request up to an additional \$175,000 in funding on terms to be mutually decided by the Company and the lenders if the Company exercises the option.

The Credit Agreement provides for, among other things, (i) the term loans being secured by a first priority lien on specified assets of Verano and our subsidiaries that are parties to the Credit Agreement, including ownership interests in credit parties, cash, accounts receivable, inventory, equipment, licenses and designated real estate, (ii) the original \$30,000 loan bearing interest at a rate of 15.25% per annum, the incremental \$100,000 loan funded in May 2021 bearing interest at a rate of 9.75% per annum and the remaining \$220,000 bearing interest at a rate of 8.50% per annum; (iii) no principal amortization with \$120,000 plus applicable interest being due in full on the stated maturity date of April 28, 2023, \$130,000 plus applicable interest being due in full on the stated maturity date of May 30, 2023 and the balance of the last funding of \$100,000 being due in full on the stated maturity date of August 31, 2023; (iv) prepayment fees generally of 1% of any principal amount being prepaid during a specified period after funding; (v) restrictive covenants which apply to the operations of the Company and our subsidiaries that are parties to the Credit Agreement, including limitations on their ability to incur additional debt, grant liens on assets, advance or contribute funds to non-credit parties and enter into acquisitions; and (vi) financial covenants requiring Verano to maintain on a consolidated basis:

- minimum liquidity averaging at least \$20,000 during any fiscal quarter and at least \$25,000 as of the last day of each fiscal quarter;
- minimum consolidated EBITDA for any fiscal quarter of at least \$20,000; and
- a fixed charge coverage ratio of no more than 1.5 to 1.0 measured at the end of each fiscal quarter.

As of March 31, 2022 and December 31, 2021, the Company was in compliance with such covenants.

Mortgage Loans

On May 14, 2021, the Company acquired The Healing Center, which operates three dispensaries on three separate leased real estate parcels in the greater Pittsburgh area and on September 3, 2021, Verano acquired these three parcels from the owners. The Company funded the real estate acquisitions through a credit facility with Chicago Atlantic for \$12,650 and interest of 9.75% per annum that matures in September 2023. Total consideration was paid directly to the sellers in the amount of \$12,225. The Company received \$20 in cash proceeds and incurred \$405 in issuance costs and debt discounts on the credit facility, which was paid net of proceeds upon closing.

On July 17, 2021, the Company assumed a loan with 100 Mile Fund, LLC for a principal amount of \$13,000 as part of the acquisition of Agronomed Holdings, Inc. The loan bears interest only payments of 13% per annum due monthly and matures July 11, 2022. The note is secured by first-priority blanket liens on the property, assets, and ownership interests of Agri-Kind and Agronomed Holdings Inc.

Sources and Uses of Cash

Cash Used in Operating Activities, Investing and Financing Activities

Net cash provided by (used in) operating, investing, and financing activities for the three months ended March 31 2022 and 2021 were as follows:

	Three Months Ended March 31,	
	2022	2021
Net Cash Provided by Operating Activities	\$ 34,457	\$ 24,831
Net Cash Used in Investing Activities	(86,743)	(71,969)
Net Cash Provided by Financing Activities	92,805	143,004

Net cash provided by (used in) operating, investing, and financing activities for the years ended December 31, 2021, 2020, 2019, were as follows:

	Years ended December 31,		
	2021	2020	2019
Net Cash Provided by (Used in) Operating Activities	\$ 181,197	\$ 71,627	\$ (6,660)
Net Cash (Used in) Investing Activities	(454,157)	(86,908)	(84,118)
Net Cash Provided by Financing Activities	355,676	25,266	24,108

Our capital expenditures plan for 2022 is expected to be in the range of \$185,000 to \$250,000. Approximately 90% of our capital expenditures in 2022 are focused on growth initiatives including projects to expand current cultivation and processing capacity in existing markets, automate our consumer package goods business, expand our retail footprint and improve our technology systems infrastructure. In addition, the Company intends to continue to invest in growth through acquisitions and expects to incur acquisition and transaction costs related to expansion.

Contractual Obligations

The Company's contractual obligations primarily consist of lease liabilities related to real estate used for dispensaries as well as promissory notes to fund business activity such as acquisitions and capital expenditures.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-2 years	3-4 years	5 years and after
Long Term Debt ¹	\$ 289,924	\$ 13,771	\$ 265,867	\$ 2,108	\$ 8,178
Operating Leases	\$ 89,541	\$ 11,457	\$ 21,372	\$ 18,534	\$ 38,178
Purchase Obligations ²	-	-	-	-	-
Other Long Term Obligations ³	-	-	-	-	-
Total Contractual Obligations	<u>\$ 379,465</u>	<u>\$ 25,228</u>	<u>\$ 287,239</u>	<u>\$ 20,642</u>	<u>\$ 46,356</u>

¹ Long Term Debt generally includes the Credit Agreement, mortgages and other long term debt included on the Company's consolidated balance sheet.

² "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price considerations; and the approximate timing of the transaction (Purchase Obligations do not include current acquisition agreements).

³ "Other Long-Term Obligations" means other long-term liabilities reflected on the Company's balance sheet, excluding deferred income taxes.

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.

Changes in or Adoption of Accounting Practices

Refer to the discussion of recently adopted/issued accounting pronouncements within the Notes to Unaudited Interim Condensed Consolidated Financial Statements, Note 1 — Overview and Basis of Presentation and the Notes to the Consolidated Financial Statements Note 2 — Basis of Presentation.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, 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 review affects both current and future periods. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

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 lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired.

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and any contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Determination of Reporting Units

The Company's assets are aggregated into two reportable segments: Cultivation (Wholesale) and Retail. For the purposes of testing impairment of goodwill, the Company has identified 12 reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on the geographic areas in which the Company conducts business (or each market). The markets were then further divided into reporting units based on the market operations (retail and cultivation) which were primarily determined based on the licenses each market holds. The following represents the markets in which the Company operates as of December 31, 2021: Arizona, Arkansas, California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, Ohio, Pennsylvania and West Virginia.

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 transaction-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 ASC 450, *Contingencies*, 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 transaction 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 transaction date.

Consolidation

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the entity, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the entities. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained. See Note 18 – Variable Interest Entities for further details.

Income Tax

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

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, 2021, 2020 and 2019 is the carrying amount of cash. The Company does not have significant credit risk with respect to its customers. All cash is placed with major US financial institutions with the exception of its Nevada operations.

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 – 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. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate risk.

Market Risk – Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 6 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

Banking Risk

Notwithstanding that a majority of states have legalized medical or adult-use cannabis, or both, there has been no change in US federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that US federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit, funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the US banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was 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.

Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operation, and financial condition.

The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect of unforeseen regulatory changes can have on the goals and operations of the business as a whole.

Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to section 280E which bars businesses from deducting all expenses except their cost of sales when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations.

ITEM 3. PROPERTIES

The following tables set forth the Company's owned and leased physical properties as of March 25, 2022, which includes the corporate principal office, a call center, locations of operating dispensaries, dispensaries under construction and actively being planned, and locations for operating cultivation and processing facilities and cultivation and processing facilities under construction. In some cases, dispensary sites under construction or being planned are intended to be re-location sites. The cultivation and processing facilities in operation comprise over 1,000,000 square feet.

Property Type	Owned/ Leased	County	State
<u>Arizona:</u>			
<i>two cultivation facilities and six dispensary sites</i>			
Cultivation facility	Owned	Navajo County	Arizona
Cultivation facility	Owned	Pinal County	Arizona
Dispensaries (five)	Leased	Maricopa County	Arizona
Dispensary	Owned	Maricopa County	Arizona
<u>Arkansas:</u>			
<i>one dispensary site</i>			
Dispensary	Owned	Union County	Arkansas
<u>Connecticut:</u>			
<i>one cultivation facility and two dispensary sites</i>			
Cultivation facility	Owned	Hartford County	Connecticut
Dispensary (two)	Leased	New Haven County	Connecticut
<u>Florida:</u>			
<i>one call center, two cultivation facilities, forty-five dispensary sites, four dispensary sites under construction and two planned dispensary sites</i>			
Call Center	Owned	Hillsborough County	Florida
Cultivation facility	Owned	Hillsborough County	Florida
Cultivation facility	Owned	Putnam County	Florida
Dispensaries (two)	Leased	Manatee County	Florida
Dispensaries (three and one planned)	Leased	Lee County	Florida
Dispensaries (three)	Leased	Palm Beach County	Florida
Dispensaries (four)	Leased	Pinellas County	Florida
Dispensaries (one and one planned)	Leased	Broward County	Florida
Dispensary	Leased	Alachua County	Florida
Dispensaries (two)	Leased	Duval County	Florida
Dispensary	Leased	Monroe County	Florida
Dispensary	Leased	Lake County	Florida
Dispensary	Leased	Polk County	Florida
Dispensaries (eight)	Leased	Hillsborough County	Florida
Dispensary	Leased	Brevard County	Florida
Dispensary	Owned	Brevard County	Florida
Dispensaries (one and one under construction)	Leased	Miami-Dade County	Florida
Dispensaries (two)	Leased	Sarasota County	Florida
Dispensaries (two)	Leased	Volusia County	Florida

Dispensaries (two)	Leased	Orange County	Florida
Dispensary	Leased	Escambia County	Florida
Dispensary	Leased	St. Lucie County	Florida
Dispensary	Leased	Indian River County	Florida
Dispensary	Leased	Okaloosa County	Florida
Dispensary	Leased	Pasco County	Florida
Dispensary	Leased	St. Johns County	Florida
Dispensary	Owned	Seminole County	Florida
Dispensary	Owned	Leon County	Florida
Dispensary (under construction)	Leased	Martin County	Florida
Dispensary (under construction)	Leased	Charlotte County	Florida
Dispensary	Leased	Clay County	Florida
Dispensary (under construction)	Leased	Collier County	Florida

Illinois:

one corporate office, one cultivation facility, ten dispensary sites and one planned dispensary site

Corporate office	Leased	Cook County	Illinois
Cultivation facility	Owned	Edwards County	Illinois
Dispensaries (five and one planned)	Leased	Cook County	Illinois
Dispensary	Leased	Kane County	Illinois
Dispensary	Leased	Lake County	Illinois
Dispensaries (three)	Leased	DuPage County	Illinois

Maryland:

one cultivation facility, four dispensary sites and one dispensary site under construction

Cultivation facility	Owned	Howard County	Maryland
Dispensary	Owned	Anne Arundel County	Maryland
Dispensary	Leased	Baltimore County	Maryland
Dispensary	Leased	Montgomery County	Maryland
Dispensary (under construction)	Leased	Anne Arundel County	Maryland
Dispensary	Owned	Howard County	Maryland

Massachusetts:

one cultivation facility and two dispensary sites

Cultivation facility	Owned	Norfolk County	Massachusetts
Dispensary	Leased	Norfolk County	Massachusetts
Dispensary	Leased	Plymouth County	Massachusetts

Michigan:

one dispensary site

Dispensary	Owned	Berrien County	Michigan
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Nevada:

one cultivation facility, three dispensary sites and one dispensary site under construction

Cultivation facility	Owned	Clark County	Nevada
Dispensaries (one and one under construction)	Owned	Clark County	Nevada
Dispensary (two)	Leased	Clark County	Nevada

New Jersey:

one cultivation facility and three dispensary sites

Cultivation facility	Owned	Hunterdown County	New Jersey
Dispensary	Leased	Monmouth	New Jersey
Dispensary	Leased	Mercer	New Jersey
Dispensary	Leased	Union	New Jersey

Ohio:

one cultivation facility and five dispensary sites

Cultivation facility	Owned	Stark County	Ohio
Dispensary	Owned	Licking County	Ohio
Dispensary	Leased	Montgomery	Ohio
Dispensary	Leased	Hamilton	Ohio
Dispensary	Leased	Wood County	Ohio
Dispensary	Owned	Stark County	Ohio

Pennsylvania:

one cultivation facility, twelve dispensary sites, a cultivation facility under construction and four dispensary sites under construction

Cultivation facility	Owned	Chester County	Pennsylvania
Cultivation facility (under construction)	Owned	Chester County	Pennsylvania
Dispensary	Leased	Philadelphia County	Pennsylvania
Dispensary	Leased	Dauphin	Pennsylvania
Dispensary	Leased	Logan County	Pennsylvania
Dispensary	Leased	York County	Pennsylvania
Dispensary and office	Leased	Montgomery	Pennsylvania
Dispensary and office (under construction)	Owned	Montgomery	Pennsylvania
Dispensary (under construction)	Owned	Montgomery	Pennsylvania
Dispensary	Leased	Bucks	Pennsylvania
Dispensary (one and one under construction)	Leased	Delaware	Pennsylvania
Dispensary (under construction)	Leased	Westmoreland	Pennsylvania
Dispensary	Owned	Venango	Pennsylvania
Dispensary	Owned	Allegheny	Pennsylvania
Dispensary	Owned	Washington	Pennsylvania
Dispensary	Leased	Chester County	Pennsylvania
Dispensary	Owned	Chester County	Pennsylvania

West Virginia:

one cultivation facility, one dispensary site and four dispensary sites under construction

Cultivation facility	Leased	Raleigh	West Virginia
Dispensary (one and one under construction)	Leased	Monongalia	West Virginia
Dispensary (under construction)	Leased	Harrison	West Virginia
Dispensary (under construction)	Leased	Ohio	West Virginia
Dispensary (under construction)	Leased	Upshur	West Virginia

Properties Subject to an Encumbrance.

Substantially all of the real property owned by the Company's subsidiaries is subject to mortgages that secure outstanding indebtedness for borrowed money or are otherwise pledged as collateral securing the obligations of the Company and the other credit parties that are outstanding under the Credit Agreement. In addition, the Company and its subsidiaries that are credit parties under the Credit Agreement have pledged substantially all their other assets to secure, on a joint and several basis, the obligations under the Credit Agreement, including their cash, accounts receivable, inventory, licenses and permits, intellectual property, equipment and ownership interests in other credit parties.

ITEM 4: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 25, 2022, the amount of Subordinate Voting Shares and Proportionate Voting Shares (collectively, the “**Company Shares**”) beneficially owned by (i) any person who is known by us to be the beneficial owner of more than 5% of the voting rights attached to the Company Shares, (ii) members of our board of directors (the “**Board**” and such members, the “**Directors**”), (iii) our named executive officers, as determined in accordance with SEC’s rules regarding Emerging Growth Companies (the “**Named Executive Officers**” or “**NEOs**”), and (iv) all of our Directors and all of our executive officers together as a single group. The address for each beneficial owner is c/o Verano Holdings Corp., 415 North Dearborn Street, 4th Floor, Chicago, Illinois, 60654 unless otherwise provided.

Percentage of beneficial ownership is calculated based on 305,034,095 Subordinate Voting Shares and 228,343 Proportionate Voting Shares outstanding as of March 25, 2022, with each Proportionate Voting Share being convertible into 100 Subordinate Voting Shares. To calculate a shareholder’s percentage of beneficial ownership of the Company Shares in accordance with SEC rules, we must include in both the numerator and denominator those Company Shares underlying restricted stock units (“**Company RSUs**”), Company Options (defined below), warrants and convertible securities that such shareholder has the right to acquire within 60 days of March 25, 2022 and is considered to beneficially own. Company Shares underlying Company RSUs, Company Options, warrants and convertible securities held by other shareholders, however, are disregarded in this calculation. Therefore, the denominator used in calculating beneficial ownership of each of the shareholders may be different.

Name	Subordinate Voting Shares		Proportionate Voting Shares		Subordinate Shares on an As Converted Basis	
	Number	Percentage (1)	Number	Percentage (2)	Number	Percentage (3)
George Archos, Director & NEO ⁽⁴⁾	57,372,456	18.8%	-	-	57,372,456	17.5%
R. Michael Smullen, Director	2,275,601	*	-	-	2,275,601	*
Edward Brown, Director	28,464	*	-	-	28,464	*
Cristina Nuñez, Director	33,333	*	-	-	33,333	*
John Tipton, NEO ⁽⁵⁾	3,140,540	1.0%	-	-	3,140,540	1.0%
Darren Weiss, NEO ⁽⁶⁾	451,606	*	-	-	451,606	*
All Directors and executive officers as a group (nine persons) ⁽⁷⁾	63,345,802	20.8%	-	-	63,345,802	19.3%

* Reports less than 1%

- (1) Based on 305,034,095 Subordinate Voting Shares outstanding as of March 25, 2022.
- (2) Based on 228,343 Proportionate Voting Shares outstanding as of March 25, 2022.
- (3) Based on 327,868,395 outstanding Company Shares as of March 25, 2022, including the conversion of each issued and outstanding Proportionate Voting Share into 100 Subordinate Voting Shares, in accordance with the terms of the Proportionate Voting Shares.
- (4) Includes (i) 464,066 Subordinate Voting Shares; (ii) Company Options to purchase up to 2,210 Subordinate Voting Shares; (iii) 15,205,752 Subordinate Voting Shares held by 3PLGK, LLC; (iv) 4,420,790 Subordinate Voting Shares held by Archos Capital Group, LLC; (v) 22,225,852 Subordinate Voting Shares held by Copperstone Trust; (vi) 10,154,606 Subordinate Voting Shares held by GP Management Group, LLC and (vii) 4,899,180 Subordinate Voting Shares held by The George P. Archos Irrevocable Trust. Mr. Archos holds sole voting and dispositive power over the Company Shares held by each of the foregoing entities other than the Company Shares held by 3PLGK, LLC, over which he has shared voting and dispositive power.
- (5) Includes (i) 2,629,140 Subordinate Voting Shares and (ii) 511,400 Subordinate Voting Shares held by The Jaclyn Tipton & Mitchell Tipton & Miranda Tipton TR the John A Tipton Irrevocable Spousal Trust Agreement of 2021 DTD 05/11/2021. Members of Mr. Tipton’s immediate family are the trustees and beneficiaries of the foregoing trust and Mr. Tipton has a pecuniary interest in the Company Shares held by such trust.
- (6) Includes (i) 449,564 Subordinate Voting Shares and (ii) Company Options to purchase up to 2,042 Subordinate Voting Shares.
- (7) Includes (i) 63,341,122 Subordinate Voting Shares beneficially owned directly and indirectly by such group members, and (ii) Company Options to purchase up to 4,680 Subordinate Voting Shares held individually by such group members.

ITEM 5: DIRECTORS AND EXECUTIVE OFFICERS

Our Directors and Executive Officers

The below table and biographies provide information regarding the Directors and the Company's executive officers as of March 31, 2022.

<u>Name and Age</u>	<u>Positions</u>
George Archos ⁽¹⁾ Age: 43	Chairman & Chief Executive Officer
R. Michael Smullen Age: 67	Director & Executive Director of MÜV Enterprises
Edward Brown ^{(1), (2)} Age: 59	Director
Cristina Nuñez ^{(1), (2)} Age: 37	Director
John Tipton Age: 61	President
Brett Summerer Age: 45	Chief Financial Officer
Darren Weiss Age: 38	Chief Operating Officer, Chief Legal Officer, General Counsel & Secretary
Aaron Miles Age: 43	Chief Investment Officer
Destiny Thompson Age: 41	Chief People Officer

(1) Member of the audit committee of the Board.

(2) Member of the compensation committee of the Board.

George Archos, Chairman and Chief Executive Officer

Mr. Archos has served as Chairman and Chief Executive Officer of the Company since February 2021 upon consummation of the RTO. Mr. Archos co-founded Verano LLC in September 2017 and served as Verano LLC's Chairman and Chief Executive Officer until February 2021 when Verano LLC became a subsidiary of the Company in the Go Public Transactions. Mr. Archos has significant executive-level experience in the logistics, delivery and operations business verticals. Mr. Archos entered the cannabis industry in 2014 when he founded Ataraxia Grow and Labs, an Illinois based medical cannabis growth and cultivation company ("Ataraxia"), where he led Ataraxia's successful effort to obtain one of the first issued medical cannabis growth license in Illinois. Mr. Archos began his career in the hospitality industry in 2001 and is President and Owner of eight restaurants located throughout Illinois. Mr. Archos attended Loyola University in Chicago where he studied communications and philosophy. As a co-founder of Verano LLC, Mr. Archos brings to the Board substantial insight and business experience with respect to the cannabis industry, the founding and building of Verano LLC and leading the Go Public Transactions, as well as his successful investment and business experience in logistics, delivery and operations business verticals in the cannabis and hospitality industries.

R. Michael Smullen, Director and Executive Director of MÜV Enterprises

Mr. Smullen has served as a Director of the Company and Executive Director of MÜV Enterprises since February 2021 upon consummation of the RTO, and Mr. Smullen served as Corporate Secretary of the Company from February 2021 until December 31, 2021. Mr. Smullen co-founded AltMed in October 2014 and served as AltMed's Chief Executive Officer and Chairman until February 2021 when the AME Group was acquired by the Company in the Go Public Transactions. Prior to entering the cannabis industry, Mr. Smullen spent 31 years in the pharmaceutical and biotech industries, where he built and led commercial operations for several companies. From May 1994 to July 2007, Mr. Smullen held various executive-level positions with MedImmune, LLC, a pharmaceutical company based in Maryland ("**MedImmune**"), which successfully launched the first monoclonal antibody approved in the US for an infectious disease. In 2007, Mr. Smullen was part of the executive team that secured MedImmune's \$15.6 billion acquisition by AstraZeneca plc. Mr. Smullen graduated from Norwich University in 1976 and holds degrees in History and Criminal Justice. Mr. Smullen brings to the Board substantial insight with respect to the cannabis industry and extensive senior management experience through his leadership positions with the AltMed Group as well as his successful business experience in building and integrating business operations and acquisitions in the cannabis, pharmaceutical and biotech industries.

Edward Brown, Director

Mr. Brown has served as a Director of the Company since February 2021 upon the consummation of the RTO. Since January 2020, Mr. Brown has served as Chairman and Chief Executive Officer of Clear Sports, an innovative sports equipment company. From June 2000 through December 2019, Mr. Brown served as Chief Executive of The Patron Spirit's Company AG ("**Patron**"), where he led the growth of the Patron brand as one of the largest ultra-premium tequilas in the world. In 2018, Mr. Brown completed the sale of the Patron brand to Bacardi Limited for \$5.1 billion. Prior to joining Patron, Mr. Brown spent ten years with Seagram Company Ltd., then one of the largest liquor companies in the world, where he held many executive positions between 1990 and 2000. Mr. Brown graduated from the University of Texas in 1985 and holds a Bachelor of Business Administration in Marketing. Mr. Brown's senior executive positions with public companies in branded businesses brings substantial senior leadership, vast business experience and public company insight to the Board. Mr. Brown's management oversight of expanding branded businesses by product offering and geographic footprint adds value to overseeing and assessing the Company's expansion plans by product and geographic markets.

Cristina Nuñez, Director

Ms. Nuñez has served as a Director of the Company since February 2021 upon the consummation of the RTO. Ms. Nuñez is a Partner with True Beauty Ventures, which she co-founded in April 2020. True Beauty Ventures is an emerging growth venture capital fund focused on identifying, partnering with, and scaling beauty, wellness and personal care companies. Prior to launching True Beauty Ventures in 2020, Ms. Nuñez spent half of her career as an operator in beauty and wellness. From May 2017 through April 2019, she was the General Manager and Chief Operating Officer of Clark's Botanicals, a clean, botanical skincare brand with international ecommerce and prestige wholesale distribution. From October 2014 to May 2017, Ms. Nuñez held various executive leadership and operating roles at Laura Geller Beauty, a global, prestige makeup brand. Ms. Nuñez spent seven years with various prominent private equity firms and investment banks, including Tengram Capital Partners, L Catterton and UBS. Ms. Nuñez graduated *magna cum laude* from Duke University in May 2007 and holds a Bachelor of Arts with Highest Distinction in Public Policy Studies and Political Science. Ms. Nuñez's work experience in private equity and investment banking brings financial analysis and capital markets expertise to the Board, while her experiences with emerging growth companies in scaling their operations adds substantial value in assessing and implementing the Company's strategic plan as it scales its operations in the emerging cannabis markets.

John Tipton, President

Mr. Tipton has served as President of the Company since February 2021 upon consummation of the RTO. Beginning in 1997, Mr. Tipton served as Chief Executive Officer of Artesian Farms, Dickman Investments and Plants of Ruskin, a subsidiary of the Company since February 2021 upon the consummation of the Go Public Transactions. Mr. Tipton's acumen in accounting, finance, agriculture, and construction have been directly applied in his role as founder and Chief Executive Officer of Plants of Ruskin. As Chief Executive Officer of Plants of Ruskin, Mr. Tipton successfully spearheaded the acquisition of a highly coveted vertically integrated medical marijuana treatment center license in Florida. From 1989 to 1997, Mr. Tipton acted as Chief Financial Officer of Harloff Farms. Mr. Tipton earned a degree in accounting (*magna cum laude*) from Wheeling College in 1988 and has been a registered CPA since 1993.

Brett Summerer, Chief Financial Officer

Mr. Summerer has served as Chief Financial Officer of the Company since January 2022. Mr. Summerer joined the Company in December 2021, and at that time served as a financial consultant for the Company until his appointment to Chief Financial Officer. Mr. Summerer brings more than 21 years of diverse leadership experience to the Company's executive team. Throughout his career, he has held leadership positions of increasing responsibility across multiple information technology, manufacturing, and consumer packaged goods ("CPG") companies. Mr. Summerer began his career in the information technology sector at Modern Engineering, and while serving as Head of Information Technology, he managed the firm's budget, vendor contracts, and operational integration for acquisitions. After earning an MBA in 2005, he joined General Motors in 2006, working in Financial Planning and Analysis, Controller and Chief Financial Officer positions in the US and Asian markets. He joined Corning Incorporated in 2016 and served as the head of Financial Planning and Analysis and Supply Chain Finance, and in 2018 gained pharmaceutical industry experience as the Head of Finance for their pharmaceutical business. In 2019, Summerer served as Vice President, Head of Supply Chain Finance and Chief Financial Officer of The Kraft Heinz Company's US Operations, where he led all aspects of the CPG company's financial activities across its extensive national manufacturing footprint in its largest market. Mr. Summerer received two bachelor's degrees from Michigan State University in 1999 in Electrical Engineering and Computer Science and received his master's degree as well in Electrical Engineering in 2000. He received an MBA from the University of Michigan in 2005 and has been a CPA in the state of Illinois since 2007.

Darren Weiss, Chief Operating Officer, Chief Legal Officer, General Counsel and Secretary

Mr. Weiss has served as Chief Legal Officer and General Counsel of the Company since February 2021 upon the consummation of the RTO, as Chief Operating Officer since October 2021 and as Secretary since January 1, 2022. Mr. Weiss joined Verano LLC in September 2017 and served as Verano LLC's General Counsel until February 2021 when Verano LLC became a subsidiary of the Company in the Go Public Transactions. From March 2015 to September 2017, Mr. Weiss was a Principal at Offit Kurman, P.A. based in the firm's Baltimore, Maryland office, where he led the firm's cannabis practice. Mr. Weiss currently sits on the Executive Committee and Board of the Maryland Wholesale Medical Cannabis Trade Association, was named to the *Baltimore Business Journal's* 40 Under 40 List and is identified as a 2017 People to Know in the Law. Offit Kurman, a firm Mr. Weiss co-founded, was awarded a *Maryland Daily Record's* 2016 Innovator of the Year prize. Mr. Weiss received his bachelor's degree *magna cum laude* from Washington University in St. Louis in 2005 and his Juris Doctorate *cum laude* from George Mason University School of Law in 2010. Prior to his legal career, from 2005 through 2007, Mr. Weiss worked as a business consultant with performancesoft, Inc. (later Actuate Corp.), where he provided performance management and business operational consulting services for public and private-sector clients.

Aaron Miles, Chief Investment Officer

Mr. Miles has served as Chief Investment Officer of the Company since June 2021. Mr. Miles joined Verano LLC in September 2020 and served as Head of Investor Relations of Verano LLC and of the Company upon consummation of the RTO, until his promotion to Chief Investment Officer in June 2021. Mr. Miles has worked in a finance capacity for more than 19 years with capital markets, investor relations, treasury, mergers and acquisitions and communication responsibilities throughout a career that has spanned organizations including Cresco Labs, Inc. from September 2018 to May 2019 and December 2019 to September 2020, the New York Stock Exchange from May 2019 to December 2019, Tribune Publishing from June 2017 to August 2019, Navigant Consulting from December 2014 to June 2017, the CME Group from May 2011 to October 2014, and Abbott Labs from June 2008 to May 2011. Mr. Miles graduated from Central Michigan University in 2002 with a Bachelor of Science in Economics, and from Walsh College in 2005 with a Master of Science in Finance.

Destiny Thompson, Chief People Officer

Ms. Thompson has served as the Chief People Officer of the Company since October 2021. In this role, Ms. Thompson is responsible for leading the Company's overall people strategy, which includes workforce planning; talent management; learning and development; diversity, equity, and inclusion; acquisitions and integration and overall employee engagement to support the future growth of the company. Ms. Thompson has over 20 years of human resources experience in professional and financial services firms. Her expertise is leading and transforming companies in various industries through their next evolution of supercharged growth, building and scaling the people function to align to the overall business long-term strategy and revenue goals while also maintaining the people first philosophy and culture through continual innovation and change. She has experience in various industries, including technology, higher education, life sciences and financial services. For the 18 months prior to joining the Company, Ms. Thompson served as the Chief Human Resource Officer at Stout, an investment banking and financial services firm where she served on the executive team leading Stout's people strategy. Previously Ms. Thompson spent 15 years at Huron Consulting Group leading and scaling many businesses globally for transformative growth. Ms. Thompson earned her B.A. in English Literature at Purdue University. She is a member of Chief, a private network of C-level women that share and cross-pollinate ideas across many industries. Ms. Thompson also serves on the Expert Council for Hacking HR, leading and contributing to conversations about the future of human resources and the evolving workforce.

Corporate Governance

Verano is a British Columbia corporation that is a public reporting company in Canada with the Subordinate Voting Shares listed on the CSE. Since the time of the RTO, we have been subject to British Columbia corporate law, Canadian Securities Administrators' laws, rules and regulations, and the listing standards and rules of the CSE. Our current corporate governance structure, policies and procedures were established and implemented at the time of the RTO in accordance with applicable Canadian laws, rules, regulations and listing standards.

Upon the effectiveness of this Registration Statement, we will become subject to the rules and regulations of the SEC, including the Exchange Act. We also will continue to be subject to Canadian corporate and securities laws, rules, regulations and listing standards for so long as we are a British Columbia corporation that is a public reporting company in Canada with the Subordinate Voting Shares listed on the CSE. As such we will be a "dual reporting company" in both Canada and the US.

Board of Directors

We are managed by the Board, which is comprised of four persons. The current Directors, who have served as Directors since the formation of the Company upon the consummation of the RTO on February 11, 2021, are Mr. Archos, Mr. Smullen, Mr. Brown and Ms. Nuñez. Each Director's term of office will expire at the next annual meeting of shareholders of the Company to be held in 2022 or when his or her successor is duly elected or appointed, unless his or her office is vacated earlier in accordance with the articles of the Company, or he or she becomes disqualified to act as a Director.

Upon their appointment to the Board in February 2021, the Board determined Ms. Nuñez and Mr. Brown were "independent" Directors within the meaning of that term as defined in sections 1.4 and 1.5 of Canadian National Instrument 52-110- *Audit Committees* ("**NI 52-110**"). In addition, our Board has determined that each of Ms. Nuñez and Mr. Brown is "independent" in accordance with the listing rules of the Nasdaq Stock Market ("**Nasdaq**") and applicable SEC rules. The independent Directors are expected to devote sufficient time to the Company's business in order to carry out their duties as directors of the Company; however, being a Director is not the primary occupation of either of the independent Directors. See "**—Our Directors and Executive Officers**" above for additional information about our independent Directors.

Committees of the Board

Our Board may establish committees it deems appropriate to address specific areas in more depth than may be possible at a full meeting of the Board. Upon the formation of the Board and the election of the Directors in February 2021, the Board established a standing audit committee (the “**Audit Committee**”) and a standing compensation committee (the “**Compensation Committee**”). Members will serve on the Board committees until their resignation or until otherwise determined by the Board.

Audit Committee

The role of the Audit Committee is to act in an objective, independent capacity as a liaison between the auditors, management and the Board and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

Composition of the Audit Committee

The Audit Committee is currently composed of Cristina Nuñez and Edward Brown. The Chairman of the Audit Committee is Mr. Brown. The Board has determined that Ms. Nuñez and Mr. Brown are independent under Nasdaq listing rules and applicable SEC rules.

The Board has determined that all members of the Audit Committee are financially literate as required by section 3.1(4) of NI 52-110. In arriving at this determination, the Board has examined each Audit Committee member’s scope of experience, the nature of their employment and all other facts and circumstances that the Board deemed relevant in determining his or her financial literacy. Each Audit Committee member possesses certain education and experience which is relevant to the performance of his or her responsibilities as an Audit Committee member and, in particular, education or experience which provides the member with one or more of the following: an understanding of the accounting principles used by the Company to prepare its financial statements; the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more individuals engaged in such activities; and an understanding of internal controls and procedures for financial reporting. The Board has not determined that anyone serving on the audit committee is an “audit committee financial expert” within the meaning of SEC rules and regulations, but has reviewed the qualifications and backgrounds of the members of the Audit Committee and determined that the combined qualifications and experience of the members of the Audit Committee give the Audit Committee collectively the financial expertise necessary to discharge its responsibilities.

Audit Committee Oversight

In 2021, there was no recommendation of the Audit Committee to nominate or compensate an external auditor that was not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee’s policies and procedures for the engagement of external auditors for non-audit services is that such services require the pre-approval of the Audit Committee.

Compensation Committee

The role of the Compensation Committee is to assist the Board in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for the Company’s executive officers. In addition, the Compensation Committee is charged with reviewing the Company’s Stock and Incentive Plan (the “**Equity Incentive Plan**”) and proposing changes thereto, approving any awards under the Equity Incentive Plan and recommending any other employee benefit plans, incentive awards and prerequisites with respect to the Company’s executive officers.

Composition of the Compensation Committee

The Compensation Committee is currently composed of Cristina Nuñez and Edward Brown. Ms. Nuñez is Chair of the Compensation Committee. Following examination of each Compensation Committee member’s relationships with the Company and all other facts and circumstances that the Board deemed relevant, the Board has determined that Ms. Nuñez and Mr. Brown are independent under Nasdaq listing standards and SEC rules.

Nominating Committee

The Board has not established a standing nominating committee and as a result performs the functions typically assigned to a nominating committee, including the identification, recruitment and nomination of candidates for the Board and its committees, determining the structure, composition and functioning of the Board and its committees including the reporting channels through which the Board receives information and the quality and timeliness of the information, developing and recommending to the Board corporate governance guidelines applicable to the Company and annually reviewing and recommending changes, as necessary or appropriate, overseeing the annual evaluation of the Board’s effectiveness and performance.

ITEM 6. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth all compensation paid, payable, awarded, given or otherwise provided, directly or indirectly, by the Company or any subsidiary of the Company, to the Named Executive Officers, as determined in accordance with the SEC’s rules regarding Emerging Growth Companies, that served in such capacities for the year ended December 31, 2021:

Name and Principal Position	Year ⁽¹⁾	Salary (\$) ⁽²⁾	Bonus (\$) ⁽³⁾	Stock Awards (\$) ⁽⁴⁾	Option Awards (\$) ⁽⁵⁾	Non-Equity Plan Compensation (\$) ⁽⁶⁾	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽⁷⁾	Total (\$)
George Archos, Chairman & CEO	2021	\$ 367,694	\$ 200,000	\$ 15,342,890	\$ 123,524			\$ 14	\$ 16,034,122
	2020	\$ 475,000	\$ 81,250						\$ 556,250
Darren Weiss, COO, CLO & Secretary	2021	\$ 336,664	\$ 150,000	\$ 13,826,901	\$ 114,137			\$ 14	\$ 14,427,716
	2020	\$ 247,854	\$ 64,687						\$ 312,541
John Tipton, President	2021	\$ 156,796	\$ 4,000,000	\$ 1,000,000		\$ 15,500,000		\$ 14	\$ 16,656,810
	2020	\$ 340,000	\$ 250,000						\$ 590,000

- (1) For fiscal year 2020, amounts reflect (a) with respect to Mr. Archos, compensation received from Verano LLC as Verano LLC’s Chairman and Chief Executive Officer prior to the consummation of the RTO, (b) with respect to Mr. Weiss, compensation received from Verano LLC as Verano LLC’s General Counsel prior to the consummation of the RTO and (c) with respect to Mr. Tipton, compensation received from Plants of Ruskin as Plants of Ruskin’s Chief Executive Officer prior to the consummation of the RTO.
- (2) Amounts reflect the actual base salary earned by each Named Executive Officer in the applicable fiscal year.
- (3) With respect to Mr. Archos, Mr. Weiss and, solely with respect to fiscal year 2020, Mr. Tipton, amounts reflect annual bonus payments. With respect to Mr. Tipton for fiscal year 2021, amounts reflect a signing bonus of \$1,000,000 in cash.
- (4) Amounts reflect Company RSUs granted to our Named Executive Officers under the Equity Incentive Plan, which vest (i) with respect to approximately 13% of the Company RSUs, 25% on the 12-month anniversary of the date of grant and 25% on each 6-month anniversary thereafter and (ii) with respect to approximately 87% of the Company RSUs, 33% on each 6-month anniversary of the date of grant. Company RSUs entitle the holder to Proportionate Voting Shares, which are convertible into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share. The amounts assume conversion of all Proportionate Voting Shares underlying such Company RSUs into Subordinate Voting Shares at the conversion rate of 100 to one based on the average of the highest and lowest reported sale prices per Subordinate Voting Share on the CSE on the grant date as converted from Canadian dollars to US dollars based on the exchange rate published by the Bank of Canada on the day immediately preceding the grant date.
- (5) Amounts reflect Company Options granted to our Named Executive Officers under the Equity Incentive Plan, which vest 35% on the 12-month anniversary of the date of grant and 25% on each 6-month anniversary thereafter. Subject to payment of the applicable exercise price, Company Options entitle the holder to Proportionate Voting Shares, which are convertible into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share. The Company Options were granted with a per share exercise price equal to the fair market value of a Proportionate Voting Share on the date of grant. The values were calculated using a Black-Scholes option pricing model with weighted-average assumptions, as described in Note 11 to the 2021 consolidated financial statements of the Company included in this Registration Statement.
- (6) Amounts for Mr. Tipton reflect four performance bonuses with a maximum aggregate payout of \$15,500,000, each payable 41.379% in cash and 58.621% in Proportionate Voting Shares, based upon the gross sales for the Company’s Florida and Arizona operations acquired in the Go Public Transactions (such aggregate maximum amount, the “**Tipton Performance Bonus**”), pursuant to the Tipton Employment Agreement. Subject to the achievement of the applicable performance goals, 25% of the Tipton Performance Bonus is earned and payable following each of (i) the first fiscal quarter of 2021, (ii) the year-to-date from the first day of fiscal year 2021 through the last day of the third fiscal quarter of 2021, (iii) the first fiscal quarter of 2022 and (iv) the year-to-date from the first day of fiscal year 2022 through the last day of the third fiscal quarter of 2022. In 2021, Mr. Tipton received 50% of the Tipton Performance Bonus in accordance with the Tipton Employment Agreement.
- (7) Amounts reflect basic life premiums paid by the Company for the benefit of our Named Executive Officers.

Outstanding Equity Awards at December 31, 2021

The following table sets forth the number of unexercised Company Options and the number and value of unvested Company RSUs outstanding at December 31, 2021 for our Named Executive Officers.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) ⁽¹⁾	Option Exercise Price (\$) ⁽²⁾	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Stock that Have Not Vested (\$) ⁽⁴⁾	Equity Incentive Plan Awards: Number of Shares, Units or Rights that Have Not Vested (#) ⁽⁵⁾	Equity Incentive Plan: Market or Payout Value of Unearned Shares, Units or Rights that Have Not Vested (\$) ⁽⁶⁾
George Archos			8,843	\$ 24.10	2/18/2026			437,067	5,504,301
Darren Weiss			8,171	24.10	2/18/2031			392,434	4,942,205
John Tipton						360,745	\$ 4,543,128		

- (1) Amounts in this column reflect Proportionate Voting Shares underlying Company Options, as converted into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share.
- (2) The Company Options were granted with a per Proportionate Voting Share exercise price of C\$3,060, which is equal to 100 times the applicable closing price of Subordinate Voting Shares on the CSE of C\$30.60 on the grant date of February 18, 2021, as converted to US dollars based on the exchange rate published by the Bank of Canada on such date.
- (3) Amounts in this column reflect the portion of the Tipton Performance Bonus which are payable in Proportionate Voting Shares, assuming maximum performance, as converted into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share and determined using the closing sale price per Subordinate Voting Share on the CSE on December 31, 2021 of C\$15.99, as converted to US dollars based on the exchange rate published by the Bank of Canada on such date.
- (4) Amounts in this column reflect the unvested portion of the Tipton Performance Bonus that is payable in Proportionate Voting Shares, assuming maximum performance.
- (5) Amounts in this column reflect Proportionate Voting Shares underlying Company RSUs, as converted into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share.
- (6) The market value of Company RSUs is equal to (i) the closing sale price per Subordinate Voting Share on the CSE on December 31, 2021 of C\$15.99, as converted to US dollars based on the exchange rate published by the Bank of Canada on such date, multiplied by (ii) the number of Subordinate Voting Shares issuable upon conversion of the Proportionate Voting Share underlying such Company RSU on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share.

Director Compensation

The following table sets forth all compensation paid, payable, awarded, given or otherwise provided, directly or indirectly, by the Company or any subsidiary of the Company, to the Directors that served in such capacities for the year ended December 31, 2021.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earning (\$)	All Other Compensation (\$)	Total (\$)
R. Michael Smullen ⁽²⁾	\$ 45,000	-	-	-	-	\$ 14,600,000	\$ 14,645,000
Edward Brown	\$ 45,000	\$ 630,500	-	-	-	-	\$ 675,500
Cristina Nuñez	\$ 45,000	\$ 630,500	-	-	-	-	\$ 675,500

- (1) Amounts reflect 500 Company RSUs granted on February 18, 2021 under the Equity Incentive Plan. Each Company RSU has a ten year term and entitles the holder to one Proportionate Voting Share convertible into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share, and vests in three equal increments on the six-, 12- and 18-month anniversaries of the date of grant. The amounts assume the exchange of all Proportionate Voting Share underlying such Company RSUs into Subordinate Voting Shares at the conversion rate of 100 to one based on the average of the highest and lowest reported sale prices per Subordinate Voting Share on the CSE on the grant date, as converted from Canadian dollars to US dollars based on the exchange rate published by the Bank of Canada on the day immediately preceding the grant date.
- (2) In addition to his service as a Director, Mr. Smullen served as the Executive Director of MÜV Enterprises for the year ended December 31, 2021. Pursuant to his employment agreement with the Company, dated March 31, 2021 (the “**Smullen Employment Agreement**”), Mr. Smullen received (i) a base salary of \$100,000, (ii) a signing bonus of \$1,000,000 in cash and (iii) four performance bonuses with a maximum aggregate payout of \$13,500,000, each payable 61.111% in cash and 38.889% in Proportionate Voting Shares, based upon the gross sales for the Company’s Florida and Arizona operations acquired in the Go Public Transactions (such aggregate maximum amount, the “**Smullen Performance Bonus**”). Subject to the achievement of the applicable performance goals, 25% of the Smullen Performance Bonus is earned and payable following each of (i) the first fiscal quarter of 2021, (ii) the year-to-date from the first day of fiscal year 2021 through the last day of the third fiscal quarter of 2021, (iii) the first fiscal quarter of 2022 and (iv) the year-to-date from the first day of fiscal year 2022 through the last day of the third fiscal quarter of 2022. In 2021, Mr. Smullen received 50% of the Smullen Performance Bonus.

Oversight and Description of Director and Executive Officer Compensation

The Company’s compensation practices are designed to retain, motivate and reward its executive officers for their performance and contribution to the Company’s long-term success. The Board seeks to compensate the Company’s executive officers by combining cash and equity incentives. These practices are intended to reward the achievement of corporate and individual performance objectives, and to align executive officer incentives with shareholder value creation. The Board seeks to tie individual goals to the area of each executive officer’s primary responsibility. These goals may include the achievement of specific financial or business development goals. The Board also intends to set Company performance goals that reach across all business areas and include achievements in finance, business development and corporate development.

The Compensation Committee reviews the executive compensation arrangements for the Chief Executive Officer, President, Chief Operating Officer, Chief Legal Officer and General Counsel, Chief Financial Officer, Chief Investment Officer, Chief People Officer and other senior officers of the Company and makes recommendations regarding such executive compensation arrangements to the Board.

Benchmarking

The executive team is expected to establish an appropriate comparator group for purposes of setting the future compensation of executive officers.

Elements of Executive Officer Compensation

The compensation of executive officers is comprised of the following major elements: (i) base salary; (ii) an annual cash bonus; and (iii) Awards granted under the Equity Incentive Plan and any other equity plan that may be approved by the Board from time to time. These principal elements of compensation are described below, all of which are subject to the terms and conditions of any employment agreement an executive officer may have with the Company.

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 Company's success, each executive officer's experience and expertise, the position and responsibilities of such executive officer, and competitive industry pay practices for other high growth, premium brand companies of similar size and revenue growth potential.

Annual Cash Bonus

Annual bonuses are awarded based on qualitative and quantitative performance standards and will reward performance of executive officers individually. The determination of an executive officer'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.

Equity-Based Compensation

The Board may also decide to grant Awards pursuant to the Equity Incentive Plan and any other equity plan that may be approved by the Board from time to time.

Elements of Director Compensation

The Compensation Committee reviews the compensation arrangements for our Directors. All of our independent directors are paid the same compensation. Mr. Smullen also received the same cash compensation as the independent directors for his services as a Director in addition to his compensation for his services as the Executive Director of MUV Enterprises for the year ended December 31, 2021. Mr. Archos does not receive any compensation for his services as a Director.

Director Fees

During 2021, the cash and equity compensation program for our independent Directors consisted of the following:

- An annual cash fee of \$45,000, paid in equal installments quarterly.
- A grant of 500 Company RSUs, entitling the holder to one Proportionate Voting Share for each Company RSU, which are convertible into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share. The Company RSUs vest in three equal portions on the six-, 12- and 18-month anniversaries of the date of grant.

All Directors are reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Board, committees of the Board or meetings of the shareholders of the Company. In addition, the Company maintains directors and officers insurance for the benefit of its Directors.

Employment Agreements with Named Executive Officers and Employee Directors

Since the completion of the RTO, the Company has entered into employment agreements with certain officers. The following are merely summaries of the relevant agreements the Company has with the employee Directors and Named Executive Officers.

George Archos, Chief Executive Officer and Chairman

On February 18, 2021, the Company entered into an employment agreement with George Archos in his capacity as Chief Executive Officer of the Company, for a period of three years, which was subsequently amended effective January 1, 2022, to increase the base salary payable to Mr. Archos thereunder (as amended, the “**Archos Employment Agreement**”). The Archos Employment Agreement automatically renews following the initial three-year term for successive one-year terms unless either party gives the other party at least 30 days’ notice of its election not to renew.

Mr. Archos was initially entitled to a base annual salary of no less than \$375,000, which amount was increased to \$475,000 effective January 1, 2022. Mr. Archos is entitled to a cash bonus at the end of each calendar year in a targeted amount of \$200,000 that is based upon the Company’s and the executive’s performance, and he is also eligible to receive awards of equity incentives granted pursuant to the Equity Incentive Plan.

The Archos Employment Agreement terminates upon Mr. Archos’ death or permanent disability or incapacity or may be terminated by the Company at any time with or without Cause (as defined in the Archos Employment Agreement). If the Archos Employment Agreement is terminated either by the Company for Cause or by Mr. Archos during the employment period, Mr. Archos will be entitled to receive his accrued obligations up to the termination date and will not be entitled to any other compensation. If the Archos Employment Agreement is terminated without Cause by the Company, then Mr. Archos will receive, for a period of ten consecutive months, (i) his base salary (prorated monthly), and (ii) an amount equal to the monthly premiums or cost of coverage under COBRA for Mr. Archos applicable to the Company’s group health plans. If the Archos Employment Agreement is terminated as a result of Mr. Archos’ death, permanent disability or incapacity during the employment period, Mr. Archos’ representatives or beneficiaries will be entitled to receive the accrued obligations.

Under the Archos Employment Agreement, Mr. Archos is also subject to restrictive covenants, including a non-competition covenant and non-solicitation covenant for a period terminating on the second anniversary of the termination date along with restrictive covenants regarding confidentiality and intellectual property.

Darren Weiss, Chief Operating Officer, Chief Legal Officer, General Counsel and Secretary

On February 18, 2021, the Company entered into an employment agreement with Darren Weiss in his capacity as Chief Legal Officer and General Counsel of the Company, for a period of three years, which was subsequently amended effective January 1, 2022, to add his capacity as Chief Operating Officer and Secretary of the Company and to increase the base salary payable to Mr. Weiss thereunder (as amended, the “**Weiss Employment Agreement**”). The Weiss Employment Agreement automatically renews following the initial three-year term for successive one-year terms unless either party gives the other party at least 30 days’ notice of its election not to renew.

Mr. Weiss was initially entitled to a base annual salary of no less than \$350,000, which amount was increased to \$450,000 effective January 1, 2022. Mr. Weiss is entitled to a cash bonus at the end of each calendar year in a targeted amount of \$150,000 that is based upon the Company’s and the executive’s performance, and he is also eligible to receive awards of equity incentives granted pursuant to the Equity Incentive Plan.

The Weiss Employment Agreement terminates upon Mr. Weiss’ death or permanent disability or incapacity or may be terminated by the Company at any time with or without Cause (as defined in the Weiss Employment Agreement). If the Weiss Employment Agreement is terminated either by the Company for Cause or by Mr. Weiss during the employment period, Mr. Weiss will be entitled to receive his accrued obligations up to the termination date and will not be entitled to any other compensation. If the Weiss Employment Agreement is terminated without Cause by the Company, then Mr. Weiss will receive, for a period of ten consecutive months, (i) his base salary (prorated monthly), and (ii) an amount equal to the monthly premiums or cost of coverage under COBRA for Mr. Weiss applicable to the Company’s group health plans. If the Weiss Employment Agreement is terminated as a result of Mr. Weiss’ death, permanent disability or incapacity during the employment period, Mr. Weiss’ representatives or beneficiaries will be entitled to receive the accrued obligations.

Under the Weiss Employment Agreement, Mr. Weiss is also subject to restrictive covenants, including a non-competition covenant and non-solicitation covenant for a period terminating on the second anniversary of the termination date along with restrictive covenants regarding confidentiality and intellectual property.

John Tipton, President

On March 31, 2021, the Company entered into an employment agreement (the “**Tipton Employment Agreement**”) with John Tipton in his capacity as President of the Company for a period of two years. The Tipton Employment Agreement renews automatically following the initial two-year term for successive one-year terms unless either party gives the other party at least 30 days’ notice of its election not to renew.

Pursuant to the Tipton Employment Agreement, Mr. Tipton also received a signing bonus in the amount of \$1,000,000 in cash. The Tipton Employment Agreement also provides for the Tipton Performance Bonus with a maximum payout of \$15,500,000, payable 41.379% in cash and 58.621% in Proportionate Voting Shares, based upon the gross sales for the Company’s Florida and Arizona operations acquired in the Go Public Transactions. Subject to the achievement of the applicable performance goals, 25% of the Tipton Performance Bonus will be earned and payable following each of (i) the first fiscal quarter of 2021, (ii) the year-to-date from the first day of fiscal year 2021 through the last day of the third fiscal quarter of 2021, (iii) the first fiscal quarter of 2022 and (iv) the year-to-date from the first day of fiscal year 2022 through the last day of the third fiscal quarter of 2022. Under the Tipton Performance Bonus, the number of Proportionate Voting Shares payable in respect of the applicable performance period will equal the volume weighted average price trading benchmark for the trading day that is the third business day prior to (and not including) the date of payment.

The Tipton Employment Agreement terminates upon Mr. Tipton’s death or permanent disability or incapacity or may be terminated by the Company at any time with or without Cause (as defined in the Tipton Employment Agreement). If the Tipton Employment Agreement is terminated either by the Company or by Mr. Tipton during the employment period, then Mr. Tipton will be entitled to receive his accrued obligations up to the termination date and unpaid performance bonuses. If the Tipton Employment Agreement is terminated as a result of Mr. Tipton’s death, permanent disability or incapacity during the employment period, Mr. Tipton’s representatives or beneficiaries will be entitled to receive the accrued obligations and any performance bonuses unpaid as of the termination date.

Under the Tipton Employment Agreement, Mr. Tipton is also subject to restrictive covenants, including a non-competition covenant and non-solicitation covenant for a period terminating on the third anniversary of the termination date along with restrictive covenants regarding confidentiality and intellectual property.

R. Michael Smullen, Executive Director of MÜV Enterprises and Director

On March 31, 2021, the Company entered into an employment agreement (the “**Smullen Employment Agreement**”) with R. Michael Smullen in his capacity as Executive Director of MÜV Enterprises for a period of two years. The Smullen Employment Agreement renews automatically following the initial two-year term for successive one-year terms unless either party gives the other party at least 30 days’ notice of its election not to renew.

Pursuant to the Smullen Employment Agreement, Mr. Smullen is entitled to a base annual salary of no less than \$100,000 and received a signing bonus in the amount of \$1,000,000 in cash. The Smullen Employment Agreement also provides for the Smullen Performance Bonus with a maximum payout of \$13,500,000, payable 61.111% in cash and 38.889% in Proportionate Voting Shares, based upon the gross sales for the Company’s Florida and Arizona operations acquired in the Go Public Transactions. Subject to the achievement of the applicable performance goals, 25% of the Smullen Performance Bonus will be earned and payable following each of (i) the first fiscal quarter of 2021, (ii) the year-to-date from the first day of fiscal year 2021 through the last day of the third fiscal quarter of 2021, (iii) the first fiscal quarter of 2022 and (iv) the year-to-date from the first day of fiscal year 2022 through the last day of the third fiscal quarter of 2022. Under the Smullen Performance Bonus, the number of Proportionate Voting Shares payable in respect of the applicable performance period will equal the volume weighted average price trading benchmark for the trading day that is the third business day prior to (and not including) the date of payment.

The Smullen Employment Agreement terminates upon Mr. Smullen’s death or permanent disability or incapacity or may be terminated by the Company at any time with or without Cause (as defined in the Smullen Employment Agreement). If the Smullen Employment Agreement is terminated either by the Company or by Mr. Smullen during the employment period, then Mr. Smullen will be entitled to receive his accrued obligations up to the termination date and unpaid performance bonuses. If the Smullen Employment Agreement is terminated as a result of Mr. Smullen’s death, permanent disability or incapacity during the employment period, Mr. Smullen’s representatives or beneficiaries will be entitled to receive the accrued obligations and any performance bonuses unpaid as of the termination date.

Under the Smullen Employment Agreement, Mr. Smullen is also subject to restrictive covenants, including a non-competition covenant and non-solicitation covenant for a period terminating on the third anniversary of the termination date along with restrictive covenants regarding confidentiality and intellectual property.

Equity Incentive Plans

The Equity Incentive Plan was approved by Majesta Minerals' shareholders on January 27, 2021 and was adopted and approved by the Board on February 11, 2021 upon the consummation of the RTO.

Purpose

The purpose of the Equity Incentive Plan is to enable the Company and its affiliated companies to: (i) promote and retain employees, officers, consultants, advisors and directors capable of assuring the future success of the Company; (ii) offer such persons incentives to put forth maximum efforts; and (iii) 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 shareholders.

The Equity Incentive Plan permits the grant of: (i) nonqualified stock options ("**Company NQSOs**") and incentive stock options ("**Company ISOs**") (collectively, "**Company Options**"); (ii) restricted stock awards; (iii) Company RSUs; (iv) stock appreciation rights ("**Company SARs**"); (v) performance compensation awards; and (vi) other stock-based awards, which are referred to herein collectively as "**Awards**", as more fully described below.

Eligibility

Any of the Company's employees, officers, directors, consultants (who are natural persons) (the "**Participants**") are eligible to participate in the Equity Incentive Plan if selected by the Compensation Committee. The basis of participation of an individual under the Equity Incentive Plan, and the type and amount of any Award that an individual will be entitled to receive under the Equity Incentive Plan, will be determined by the Compensation Committee taking into account the nature of the services rendered by the respective Participants, their historical contributions to the success of the Company's predecessor entities or affiliates, present and potential contributions to the success of the Company or such other factors as the Compensation Committee determines, based on its judgment as to the best interests of the Company and its shareholders, and therefore cannot be determined in advance.

Awards granted pursuant to the Equity Incentive Plan may be convertible into, or exercisable for, as applicable, Subordinate Voting Shares or Proportionate Voting Shares. The maximum aggregate number of Subordinate Voting Shares and Proportionate Voting Shares that may be issued under the Equity Incentive Plan will be determined by the Board from time to time, but in no case will exceed, in the aggregate, 10% of the number of Company Shares then outstanding (whereby the Proportionate Voting Shares are calculated on an as-converted to Subordinate Voting Share basis). Any shares subject to an Award under the 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 will again be available for Awards under the Equity Incentive Plan. Other than an Award made pursuant to any election by the director to receive an award in lieu of all or a portion of annual and committee retainers and meeting fees, no non-employee director may be granted any Award or Awards denominated in Subordinate Voting Shares that exceed in the aggregate \$1,000,000 in any calendar year. If, and so long as, the Company is listed on the CSE, the aggregate number of Company Shares issued or issuable to persons providing investor relations activities (as defined in CSE policies) as compensation within a one-year period, will not exceed 1% of the total number of Subordinate Voting Shares then outstanding.

In the event of: (i) 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 Company; (ii) issuance of warrants or other rights to acquire Subordinate Voting Shares or other securities of the Company or other similar corporate transaction or events which affects the Subordinate Voting Shares; (iii) unusual or nonrecurring events affecting the Company, the financial statements of the Company; or (iv) 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 Compensation Committee may make such adjustment, which is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Equity Incentive Plan, to (A) the number and kind of shares which may thereafter be issued in connection with Awards, (B) the number and kind of shares issuable in respect of outstanding Awards, (C) the purchase price or exercise price relating to any Award or, if deemed appropriate, provide for a cash payment with respect to any outstanding Award, and (D) any share limit set forth in the Equity Incentive Plan.

Awards

Company Options

The Compensation Committee is authorized to grant Company Options to purchase Subordinate Voting Shares that are either Company ISOs, meaning they are intended to satisfy the requirements of Section 422 of the Code, or Company NQSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code. Company Options granted under the Equity Incentive Plan will be subject to the terms and conditions established by the Compensation Committee. Under the terms of the Equity Incentive Plan, unless the Compensation Committee determines otherwise, in the event that a Company Option is substituted for another Company Option in connection with a corporate transaction, the exercise price of the Company Option will not be less than the fair market value (as determined under the Equity Incentive Plan) of the shares at the time of grant. Company Options granted under the 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 Compensation Committee and specified in the applicable award agreement. The maximum term of a Company Option granted under the Equity Incentive Plan will be ten years from the date of grant (or five years in the case of a Company ISO granted to a shareholder of the Company who holds more than 10% of Company Shares). Payment in respect of the exercise of a Company 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 Compensation Committee may determine to be appropriate. Additional minimum provisions set forth in the Equity Incentive Plan will apply to awards granted to California participants if such award is granted in reliance on Section 25102(o) of the California Corporations Code.

Restricted Stock

A restricted stock award is a grant of Subordinate Voting Shares, which are subject to forfeiture restrictions during a restriction period. The Compensation Committee will determine the price, if any, to be paid by the Participant for each Subordinate Voting Shares subject to a restricted stock award. The Compensation Committee may condition the expiration of the restriction period, if any, upon: (i) the Participant's continued service over a period of time with the Company or its affiliates; (ii) the achievement by the Participant, the Company or its affiliates of any other performance goals set by the Compensation Committee; 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 those conditions which 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 Compensation Committee 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 Compensation Committee, upon a Participant's termination of service with the Company, the unvested portion of a restricted stock award will be forfeited.

Company RSUs

Company 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 Compensation Committee, after a period of continued service with the Company 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 Company RSU; provided, that the Compensation Committee may elect to pay cash, or part cash and part Subordinate Voting Shares in lieu of delivering only Subordinate Voting Shares. The Compensation Committee may, in its discretion, accelerate the vesting of Company RSUs. Unless otherwise provided in the applicable award agreement or as may be determined by the Compensation Committee, upon a Participant's termination of service with the Company, the unvested portion of the Company RSUs will be forfeited.

Stock Appreciation Rights

A Company SAR entitles the recipient to receive, upon exercise of the Company SAR, the increase in the fair market value of a specified number of Subordinate Voting Shares from the date of the grant of the Company SAR and the date of exercise payable in Subordinate Voting Shares. Any grant may specify a vesting period or periods before the Company SAR may become exercisable and permissible dates or periods on or during which the Company SAR will be exercisable. No Company 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 Company Options as described above would be applicable to the Company SAR.

Other Stock-Based Awards

The Compensation Committee may grant other awards that are denominated or valued in whole or in part by reference to Subordinate Voting Shares. The Compensation Committee will determine the terms and condition of such awards. No Other Stock-Based Award will contain a purchase right or option-like exercise feature.

Proportionate Voting Share Awards

The Compensation Committee may, in its sole discretion, determine on the exercise or conversion of any Award that would otherwise result in a participant receiving Proportionate Voting Shares, that such participant will receive Subordinate Voting Shares in lieu of Proportionate Voting Shares. The number of Subordinate Voting Shares substituted for Proportionate Voting Shares will be determined by the Committee in its sole and reasonable discretion, based on (at the date hereof) a conversion ratio of 100 Subordinate Voting Shares for every one Proportionate Voting Share (or such exchange ratio as is in effect from time to time), and any exercise or conversion price applicable to such Award will be amended correspondingly.

Administration of the Equity Incentive Plan

The Compensation Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the Equity Incentive Plan will be nontransferable except by will or by the laws of descent and distribution. No Participant will have any rights as a shareholder with respect to Subordinate Voting Shares covered by Company Options, Company SARs, restricted stock awards, Company RSUs or other stock-based awards, unless and until such Awards are settled in Subordinate Voting Shares.

No Company Option (or, if applicable, Company SARs) will be exercisable, no Subordinate Voting Shares will be issued, no certificates for Subordinate Voting Shares will be delivered and no payment will be made under the Equity Incentive Plan except in compliance with all applicable laws.

The Board may amend, alter, suspend, discontinue or terminate the Equity Incentive Plan and the Compensation Committee may amend any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination will be subject to the approval of the Company's shareholders if such approval is necessary to comply with any tax or regulatory requirement applicable to the Equity Incentive Plan (including, without limitation, as necessary to comply with any rules or requirements of any applicable securities exchange), and (ii) no such amendment or termination may adversely affect Awards then outstanding without the Award holder's permission.

In the event of any reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, takeover bid or tender offer, repurchase or exchange of Subordinate Voting Shares or other securities of the Company or any other similar corporate transaction or event involving the Company (or the Company entering into a written agreement to undergo such a transaction or event), the Compensation Committee or the Board may, in its sole discretion, provide for any (or a combination) of the following to be effective upon the consummation of the event (or effective immediately prior to the consummation of the event, provided, however that the consummation of the event subsequently occurs):

- termination of the Award, whether or not vested, in exchange for cash or other property, if any, equal to the amount that would have been attained upon the exercise of the vested portion of the Award or realization of the Participant's vested rights,
- the replacement of the Award with other rights or property selected by the Compensation Committee or the Board, in its sole discretion,
- assumption of the Award by the successor or survivor corporation, or a parent or subsidiary thereof, or will be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices,
- that the Award will be exercisable or payable or fully vested with respect to all Subordinate Voting Shares covered thereby, notwithstanding anything to the contrary in the applicable award agreement, or
- that the Award cannot vest, be exercised or become payable after a date certain in the future, which may be the effective date of the event.

Tax Withholding

The Company may take such action as it deems appropriate to ensure that all applicable federal, state, local 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.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serve, or in the past year have served, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our Board or our Compensation Committee. None of the members of our Compensation Committee is, or has ever been, an officer or employee of the Company.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The Company was formed upon consummation of the RTO and the other Go Public Transactions, as described in this Registration Statement. Other than as disclosed below, since the consummation of the RTO, there have been no (i) transactions or presently proposed transactions which are material to the Company or the related party, (ii) transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets, to which the Company or any of its subsidiaries or affiliates was a party, or (iii) loans for the benefit of any person listed in (a) through (e) below (including guarantees of any kind), between the Company and:

- (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company;
- (b) associates, meaning unconsolidated enterprises in which the Company holds a significant influence over, or which hold a significant influence over the Company;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family (close members of an individual's family are those that may be expected to influence, or be influenced by, that person in their dealings with the Company);
- (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and senior management of the Company and close members of such individuals' families; and
- (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence, including enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

See "*Item 1. Business - History of the Company*" for a description of the RTO and the AME Merger Agreement.

See "*Item 6. Executive Compensation*" for a description of the Company's employment agreements with the Company's employee Directors and Named Executive Officers.

Director Independence

See "*Item 5. Directors and Executive Officers – Board of Directors*" for a description of the independence of the Company's directors.

ITEM 8: LEGAL PROCEEDINGS

Neither the Company nor any of its subsidiaries is a party to any legal proceedings which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition, results of operations, or financial statements, taken as a whole, if determined adversely to us.

ITEM 9: MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

The Company's dual class structure consists of the Subordinate Voting Shares and the Proportionate Voting Shares. The Subordinate Voting Shares are listed in Canada on the CSE under the symbol "VRNO". The Subordinate Voting Shares are also quoted over-the-counter in the United States on the OTCQX under the symbol "VRNOF". The Proportionate Voting Shares are not listed or quoted for trading in Canada, over-the-counter in the United States or in any other jurisdiction.

The Company's articles permit the issuance of an unlimited number of Subordinate Voting Shares and an unlimited number of Proportionate Voting Shares. The outstanding Subordinate Voting Shares and Proportionate Voting Shares are fully paid.

The Subordinate Voting Shares and Proportionate Voting Shares are managed by the Company's transfer agent and registrar, Odyssey Trust Company.

For additional details regarding the Subordinate Voting Shares and Proportionate Voting Shares, see "Item 11. Description of the Registrant's Securities to be Registered".

Shareholders

As of March 25, 2022, there were 586 holders of record of Subordinate Voting Shares and 91 holders of record of Proportionate Voting Shares.

Dividend Policy

There are no restrictions in the Company's articles that prevent the Company from paying dividends. However, the Company has not paid dividends in the past, and it is not anticipated that the Company will pay any dividends in the foreseeable future. Rather, the Company currently intends to retain future earnings, if any, to fund the development and growth of its business and does not intend to pay any cash dividends on its shares for the foreseeable future. Any decision to pay dividends in the future will be made by the Board on the basis of earnings, financial requirements and other conditions existing at the time. All Company Shares are entitled to an equal share in any dividends declared and paid. The Credit Agreement further restricts the Company's ability to pay dividends.

Equity Incentive Plan

The Equity Incentive Plan was approved by Majesta Minerals shareholders on January 27, 2021 and was adopted and approved by the Board on February 11, 2021 upon the consummation of the RTO.

The following table provides certain information as of December 31, 2021 with respect to compensation plans (including any individual compensation arrangements, of which there are none) under which our equity securities are authorized for issuance, aggregated as follows.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities issuable upon exercise of outstanding options, warrants and rights) (3)
Equity compensation plans approved by securityholders			
Equity Incentive Plan	2,706,200 Subordinate Voting Shares	\$ 23.70	28,676,557 Subordinate Voting Shares
Equity Compensation plans not approved by security holders			
None			28,676,557 Subordinate Voting Shares
Total	2,706,200 Subordinate Voting Shares	\$ 2,370.10	Shares

(1) Represents 26,492 Company RSUs and 570 Company Options. Each Company RSU vests into Proportionate Voting Shares and each Company Option is exercisable for Proportionate Voting Shares. The Proportionate Voting Shares are represented as converted into Subordinate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share.

(2) The weighted average exercise price of the Company Options has been adjusted by dividing the stated exercise price by 100 to reflect the conversion of the underlying Proportionate Voting Shares into Subordinate Voting Shares, and then such adjusted exercise price has been converted to US dollars based on the exchange rate published by the Bank of Canada on the day immediately preceding the grant dates of the Company Options.

(3) The aggregate number of Shares that may be issued under the Equity Incentive Plan is equal to 10% of the Shares outstanding (i.e. the Subordinate Voting Shares plus Proportionate Voting Shares on an as-converted basis of 100 Subordinate Voting Shares for one Proportionate Voting Share).

ITEM 10: RECENT SALES OF UNREGISTERED SECURITIES.

The following information represents securities sold by the Company since its inception in February 2021 upon the consummation of the RTO which were not registered under the Securities Act. Included are new issuances, securities issued in exchange for property, services or other securities, securities issued upon conversion or vesting of other Company securities. The Company issued all of the securities listed below pursuant to the exemption from registration provided by Rule 701 of the Securities Act, Section 4(a)(2) of the Securities Act, or Regulation D or Regulation S promulgated thereunder.

Go Public Transactions

In order to consummate the Go Public Transactions, on February 11, 2021 the members of Verano LLC, and owners of some of Verano LLC's subsidiaries, through a series of transactions, exchanged their ownership interests in Verano LLC and such subsidiaries for an aggregate of 96,892,040 Subordinate Voting Shares and an aggregate of 1,172,382 Proportionate Voting Shares, resulting in Verano LLC becoming a wholly-owned subsidiary of the Company.

In addition, on February 11, 2021 the members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for an aggregate of 18,092,987 Subordinate Voting Shares and 470,984 Proportionate Voting Shares, plus cash consideration of \$35 million.

RTO Financing

In accordance with the terms of the RTO Financing, 10,000,000 subscription receipts were issued on January 21, 2021, at a price per subscription receipt of \$10, for aggregate gross proceeds of \$100,000,000. An aggregate of 10,000,000 Subordinate Voting Shares were issued in exchange for the subscription receipts. In connection with the Financing and the RTO, the Company issued 578,354 Subordinate Voting Shares and \$4,579,883 in transactions costs to the offering agents as a broker fee.

Private Placement

On March 11, 2021, the Company closed an offering on a bought deal private placement basis of special warrants of the Company for 3,510,000 Subordinate Voting Shares (the "**Special Warrants**") at a price per Special Warrant of C\$28.50 for aggregate gross proceeds of C\$100,035.00 pursuant to an agreement with Beacon Securities Limited and Canaccord Genuity Corp., on behalf of a syndicate of underwriters pursuant to which the underwriters purchased the Special Warrants. All Special Warrants were exercised in full for such Subordinate Voting Shares on September 24, 2021 and are no longer outstanding.

Acquisitions

During the year ended December 31, 2021, the Company issued an aggregate of 20,654,927.20 Subordinate Voting Shares and an aggregate of 88,718.3227 Proportionate Voting Shares in connection with acquisitions (other than the acquisitions of the AME Group included as part of the Go Public Transactions).

Since January 1, 2022, the Company issued an aggregate of 3,496,770 Subordinate Voting Shares in earn-out and make-whole payments in connection with acquisitions completed in 2021 and an aggregate of 1,403,067 Subordinate Voting Shares in connection with acquisitions completed to date in 2022.

The Company relied on Section 4(a)(2) of the Securities Act, Rule 506(b) and Regulation S as the Subordinate Voting Shares and Proportionate Voting Shares were sold to a limited number of accredited investors in connection with each acquisition.

Equity Incentive Plan

During the year ended December 31, 2021, pursuant to the Equity Incentive Plan, the Company issued (i) Company RSUs for an aggregate of 37,936 Proportionate Voting Shares, 10,485 of which vested during 2021 and 959 of which were forfeited during 2021, resulting in Company RSUs for 26,492 Proportionate Voting Shares outstanding at December 31, 2021 and (ii) Company Options for an aggregate of 570 Proportionate Voting Shares, all of which remained outstanding at December 31, 2021. The aggregate 27,062 Proportionate Voting Shares underlying the issued and outstanding Company RSUs and Company Options as of December 31, 2021 are convertible into an aggregate of 2,706,200 Subordinate Voting Shares following vesting or exercise, as applicable.

Since January 1, 2022, pursuant to the Equity Incentive Plan, the Company issued Company RSUs for an aggregate of 253,177 Subordinate Voting Shares. From February 18, 2022 through February 23, 2022, the Company issued an aggregate of 1,430,921 Subordinate Voting Shares in connection with the vesting of previously granted Company RSUs.

ITEM 11. DESCRIPTION OF THE REGISTRANT'S SECURITIES TO BE REGISTERED

The Company is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Proportionate Voting Shares. As of April 30, 2022, there were 305,037,009 Subordinate Voting Shares and 228,313.8954 Proportionate Voting Shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attached to the Subordinate Voting Shares and the Proportionate Voting Shares.

Subordinate Voting Shares

Shareholder Vote

Holders of Subordinate Voting Shares are entitled to notice of and to attend and vote at any meeting of the shareholders of the Company, except a meeting of which only holders of another class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares are entitled to one vote for each Subordinate Voting Share held.

Protective Provisions

As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, alter or amend the articles of the Company if the result of such alteration or amendment would (i) prejudice or interfere with any right or special right attached to the Subordinate Voting Shares or (ii) affect the rights or special rights of the holders of Subordinate Voting Shares or Proportionate Voting Shares or on a per share basis.

No subdivision or consolidation of the Subordinate Voting Shares will occur unless, simultaneously, the Proportionate Voting Shares are subdivided or consolidated using the same divisor or multiplier.

Dividends

Holders of Subordinate Voting Shares are entitled to receive, as and when declared by the Board, dividends in cash or property of the Company. No dividend will be declared on the Subordinate Voting Shares unless the Company simultaneously declares an equivalent dividend on the Proportionate Voting Shares in an amount per Proportionate Voting Share equal to the amount of the dividend declared per Subordinate Voting Share, multiplied by 100.

The Board may declare a stock dividend payable in Subordinate Voting Shares on the Subordinate Voting Shares, but only if the Board simultaneously declares a stock dividend payable in: (i) Proportionate Voting Shares on the Proportionate Voting Shares, in a number of shares per Proportionate Voting Share equal to the number of Subordinate Voting Shares declared as a dividend per Subordinate Voting Share; or (ii) Subordinate Voting Shares on the Proportionate Voting Shares, in a number of shares per Proportionate Voting Share (or a fraction thereof) equal to the number of Subordinate Voting Shares declared as a dividend per Subordinate Voting Share, multiplied by 100.

The Board may declare a stock dividend payable in Proportionate Voting Shares on the Subordinate Voting Shares, but only if the directors simultaneously declare a stock dividend payable in Proportionate Voting Shares on the Proportionate Voting Shares, in a number of shares per Proportionate Voting Share equal to the number of Proportionate Voting Shares declared as a dividend per Subordinate Voting Share, multiplied by 100.

Holders of fractional Subordinate Voting Shares are entitled to receive any dividend declared on the Subordinate Voting Shares in an amount equal to the dividend per Subordinate Voting Share multiplied by the fraction thereof held by such holder.

Liquidation and Dissolution Events

In the event of a liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares will, subject to the rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares, be entitled to participate ratably along with all the holders of Proportionate Voting Shares, with the amount of such distribution per Subordinate Voting Share equal to the amount of such distribution per Proportionate Voting Share divided by 100. Each fraction of a Subordinate Voting Share is entitled to the amount calculated by multiplying such fraction by the amount payable per whole Subordinate Voting Share.

Conversion Right

If an offer is made to purchase Proportionate Voting Shares, and such offer is required pursuant to applicable securities legislation or the rules of any stock exchange on which the Proportionate Voting Shares or the Subordinate Voting Shares may then be listed, to be made to all or substantially all of the holders of Proportionate Voting Shares in a province or territory of Canada to which the requirement applies (an “**Offer**”) and not made to the holders of Subordinate Voting Shares for consideration per Subordinate Voting Share equal to or greater than 1/100th of the consideration offered per Proportionate Voting Share, then each Subordinate Voting Share will become convertible at the option of the holder into Proportionate Voting Shares on the basis of 100 Subordinate Voting Shares for one Proportionate Voting Share, at any time while the Offer is in effect until one day after the time prescribed by applicable securities legislation or stock exchange rules for the offeror to take up and pay for such shares as are to be acquired pursuant to the Offer (the “**Subordinate Voting Share Conversion Right**”).

The Subordinate Voting Share Conversion Right may only be exercised for the purpose of depositing the Proportionate Voting Shares acquired upon conversion under such Offer, and for no other reason.

If Proportionate Voting Shares issued upon such conversion and deposited under such Offer are withdrawn by such holder, or such Offer is abandoned, withdrawn or terminated by the offeror, or such Offer expires without the offeror taking up and paying for such Proportionate Voting Shares, such Proportionate Voting Shares and any fractions thereof issued will automatically be reconverted into Subordinate Voting Shares on the basis of one Proportionate Voting Share for 100 Subordinate Voting Shares.

Subject to approval by the Board, each Subordinate Voting Share may be converted at the option of the holder into such number of Proportionate Voting Shares as is determined by dividing the number of Subordinate Voting Shares being converted by 100. The conversion will be deemed to have taken place immediately prior to the close of business on the day on which the certificates or direct registration statements representing the Subordinate Voting Shares to be converted is deemed surrendered by the holder thereof and the conversion notice is delivered by such holder, and the person entitled to receive the Proportionate Voting Shares issuable upon such conversion will be treated for all purposes as the holder of record of such Proportionate Voting Shares as of such date.

Proportionate Voting Shares

Shareholder Vote

Holders of Proportionate Voting Shares are entitled to notice of and to attend and vote at any meeting of the shareholders of the Company, except a meeting of which only holders of another class or series of shares of the Company will have the right to vote. Subject to the terms set out in the articles of the Company, at each such meeting, holders of Proportionate Voting Shares are entitled to 100 votes in respect of each Proportionate Voting Share, and each fraction of a Proportionate Voting Share will entitle the holder to the number of votes calculated by multiplying the fraction by 100 and rounding the product down to the nearest whole number.

Protective Provisions

As long as any Proportionate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Proportionate Voting Shares expressed by separate special resolution, alter or amend the articles of the Company if the result of such alteration or amendment would (i) prejudice or interfere with any right or special right attached to the Proportionate Voting Shares or (ii) affect the rights or special rights of the holders of Subordinate Voting Shares or Proportionate Voting Shares on a per share basis. At any meeting of holders of Proportionate Voting Shares called to consider such a separate special resolution, each whole Proportionate Voting Share will entitle the holder to one vote.

No subdivision or consolidation of the Proportionate Voting Shares may occur unless, simultaneously, the Subordinate Voting Shares are subdivided or consolidated using the same divisor or multiplier.

Dividends

Holders of Proportionate Voting Shares are entitled to receive, as and when declared by the Board, dividends in cash or property of the Company. No dividend will be declared on the Proportionate Voting Shares unless the Company simultaneously declares equivalent dividends on the Subordinate Voting Shares, in an amount equal to the amount of the dividend declared per Proportionate Voting Share divided by 100.

The Board may declare a stock dividend payable in Proportionate Voting Shares on the Proportionate Voting Shares, but only if the directors simultaneously declare a stock dividend payable in (i) Proportionate Voting Shares on the Subordinate Voting Shares, in a number of shares per Subordinate Voting Share equal to the number of Proportionate Voting Shares declared as a dividend per Proportionate Voting Share, divided by 100, or (ii) Subordinate Voting Shares on the Subordinate Voting Shares, in a number of shares per Subordinate Voting Share equal to the number of Proportionate Voting Shares declared as a dividend per Proportionate Voting Share. The Board may declare a stock dividend payable in Subordinate Voting Shares on the Proportionate Voting Shares, but only if the directors simultaneously declare a stock dividend payable in Subordinate Voting Shares on the Subordinate Voting Shares, in a number of shares per Subordinate Voting Share equal to the number of Subordinate Voting Shares declared as a dividend per Proportionate Voting Share, divided by 100. Holders of fractional Proportionate Voting Shares will be entitled to receive any dividend declared on the Proportionate Voting Shares, in an amount equal to the dividend per Proportionate Voting Share multiplied by the fraction held by such holder.

Liquidation and Dissolution Events

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Proportionate Voting Shares are entitled to participate ratably along with the holders of Subordinate Voting Shares, with the amount of such distribution per Proportionate Voting Share equal to the amount of such distribution per Subordinate Voting Share multiplied by 100; and each fraction of a Proportionate Voting Share will be entitled to the amount calculated by multiplying the fraction by the amount payable per whole Proportionate Voting Share.

Conversion Right

Each Proportionate Voting Share will be convertible, at the option of the holder thereof, into a number of Subordinate Voting Shares as is determined by multiplying the number of Proportionate Voting Shares in respect of which the share conversion right is exercised by 100. The ability of a holder to convert the Proportionate Voting Shares during any restricted period is subject to a restriction that, unless the Board determines otherwise, the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act) may not exceed 40% of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares then outstanding after giving effect to such conversions, determined in accordance with the articles of the Company. As of the date hereof, the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act) exceeds 40% and there is no restriction on any holder of Proportionate Voting Shares to convert such shares, at the option of the holder, into a number of Subordinate Voting Shares.

In addition, in accordance with the articles of the Company, the Company may require a holder of Proportionate Voting Shares to convert all, but not less than all, of the Proportionate Voting Shares held by such holder into Subordinate Voting Shares if (i) the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, and (ii) the Subordinate Voting Shares are listed or quoted (and are not suspended from trading) on a recognized North American stock exchange. Following the effectiveness of this Registration Statement, the Company will be subject to the reporting requirements of Section 13 and 15(d) of the Exchange Act, but the Company does not expect to require any holder of Proportionate Voting Shares to convert all of their Proportionate Voting Shares held by such holder into Subordinate Voting Shares in connection with the effectiveness of this Registration Statement. Each Proportionate Voting Share will be convertible into such number of fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Proportionate Voting Shares in respect of which the share conversion right is exercised by 100. Following the effectiveness of this registration statement, the Company intends to require the holders of Proportionate Voting Shares to convert all such Proportionate Voting Shares into Subordinate Voting Shares.

ITEM 12: INDEMNIFICATION OF DIRECTORS AND OFFICERS

Business Corporations Act (British Columbia)

Section 160 of the *Business Corporations Act* (British Columbia) provides that Verano may indemnify an “Eligible Party” against all judgments, penalties or fines awarded or imposed in, or an amount paid in settlement of, an eligible proceeding to which the Eligible Party is or may be liable. An “**Eligible Party**” is an individual who: (i) is or was a director or officer of the Company; (ii) is or was a director or officer of another corporation: (a) at a time when such other corporation is or was an affiliate of the Company; or (b) at the request of the Company; or (iii) at the request of the Company, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity, and, except in certain circumstances, his or her heirs and personal or other legal representatives of that individual. Verano may also after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by an Eligible Party in respect of that proceeding. Expenses include costs, charges and expenses, including legal and other fees, but excluding judgments, penalties, fines or amounts paid in settlement of a proceeding. Verano must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by the Eligible Party in respect of that proceeding if the Eligible Party, (a) has not been reimbursed for those expenses; and (b) is wholly successful, on the merits or otherwise, in the outcome of the proceeding or is substantially successful on the merits in the outcome of the proceeding. The Company may pay, as they are incurred in advance of the final disposition of an eligible proceeding, the expenses actually and reasonably incurred by an Eligible Party in respect of that proceeding. However the Company must not make such payments unless it first receives from the Eligible Party a written undertaking that, if it is ultimately determined that the payment of expenses is prohibited by the following sentence, the Eligible Party will repay the amounts advanced.

The Company must not indemnify an Eligible Party or pay its expenses if, (a) in relation to the subject matter of the eligible proceeding, the Eligible Party did not act honestly and in good faith with a view to the best interests of the applicable corporation; (b) in the case of an eligible proceeding other than a civil proceeding, the Eligible Party did not have reasonable grounds for believing that the Eligible Party’s conduct in respect of which the proceeding was brought was lawful, (c) the indemnity or payment is made under an earlier agreement to indemnify or pay expenses and, at the time that the agreement to indemnify or pay expenses was made, the Company was prohibited from giving the indemnity or paying the expenses by its memorandum or articles, or (d) the indemnity or payment is made otherwise than under an earlier agreement to indemnify or pay expenses and, at the time that the indemnity or payment is made, the Company is prohibited from giving the indemnity or paying the expenses by its memorandum or articles. If an eligible proceeding is brought against an Eligible Party by or on behalf of the Company or by or on behalf of an associated corporation, the Company must not indemnify the Eligible Party or pay the expenses of the Eligible Party in respect of the proceeding as aforesaid.

In addition, a court may, on the application of the Company or an Eligible Party: (i) order the Company to indemnify an Eligible Party against any liability incurred by the Eligible Party in respect of an eligible proceeding; (ii) order the enforcement of, or any payment under, an agreement of indemnification entered into by the Company; (iii) order the Company to pay some or all of the expenses incurred by an Eligible Party in respect of an eligible proceeding; (iv) order the Company to pay some or all of the expenses actually and reasonably incurred by any person in obtaining an order under this section; or (v) make any other order the court considers appropriate.

The Company may purchase and maintain insurance for the benefit of an Eligible Party or the heirs and personal or other legal representatives or the Eligible Party against any liability that may be incurred by reason of the Eligible Party being or having been a director or officer of the Company, or holding or having held a position equivalent to that of a director or officer of the Company or an associated corporation.

The Company’s Articles

The Company’s articles contain a provision permitting it to eliminate the personal liability of its directors to the Company and its shareholders for damages incurred by a director or officer to the extent provided for under British Columbia law. The Company may also have contractual indemnification obligations under employment agreements with its officers or agreements entered into with its directors. These indemnification obligations could result in the Company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which the Company may be unable to recoup. These provisions and the resulting costs may also discourage it from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by shareholders against the Company’s directors and officers even though such actions, if successful, might otherwise benefit it and its shareholders.

D&O Insurance

The Company obtained directors and officers liability insurance (“**D&O Insurance**”) for the benefit of the Directors and the Company’s officers and intends to maintain D&O Insurance. D&O Insurance is insurance coverage intended to protect individuals from personal losses if they are sued as a result of serving as a director or an officer of a business or other type of organization. It can also cover the legal fees and other costs the organization may incur as a result of such a suit.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required to be included in this Registration Statement appear immediately following the signature page to this Registration Statement beginning on page F-1.

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company retained Baker Tilly US, LLP (“**Baker Tilly**”) as its independent registered public accounting firm effective June 25, 2021, and for the fiscal year ended December 31, 2021. From inception through the interim period on or prior to the appointment of Baker Tilly, neither the Company nor anyone on its behalf has consulted with Baker Tilly on either (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements, or (b) any matter that was the subject of a disagreement, as that term is defined in Item 304 of Regulation S-K under the Exchange Act (“**Regulation S-K**”) or a reportable event as set forth in Item 304 of Regulation S-K.

On June 25, 2021, upon the Company’s request, Macias Gini & O’Connell LLP (“**MGO**”) stepped down for the year ended December 31, 2021 as the Company’s independent registered public accounting firm upon the Company retaining Baker Tilly, as noted above. The change was considered and approved by the Company’s Audit Committee and Board. The audit reports of MGO on the financial statements of Verano LLC as of and for the fiscal years ended December 31, 2020 and 2019 did not contain any adverse opinion or disclaimer of opinion, nor was any opinion qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2020 and 2019, and during the period of January 1, 2021 through the date MGO stepped down, there were no disagreements with MGO on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures that, if not resolved to MGO’s satisfaction, would have caused MGO to make reference in connection with its opinion to the subject matter of the disagreement. No “reportable events”, as that term is described in Item 304 of Regulation S-K, occurred within the fiscal years ended December 31, 2020 and 2019, and subsequently up to the date MGO stepped down.

Upon the consummation of the Go Public Transactions and the Company’s retention of MGO for the Company, the Company dismissed Hill, Barth & King LLC (“**HBK**”), the prior independent registered public accounting firm for (i) AME for the year ended December 31, 2020 and (ii) Plants of Ruskin for the years ended December 31, 2020 and 2019.

The change from HBK to MGO was considered and approved by the Audit Committee and Board. The audit reports of HBK on the financial statements of the AME Group as of and for the fiscal year ended December 31, 2020 and on the financial statements of Plants of Ruskin for the years ended December 31, 2020 and 2019 did not contain any adverse opinion or disclaimer of opinion, nor was any opinion qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2020 and 2019, and during the period of January 1, 2021 through the date of dismissal, there were no disagreements with HBK on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures that, if not resolved to HBK’s satisfaction, would have caused HBK to make reference in connection with its opinion to the subject matter of the disagreement. No “reportable events”, as that term is described in Item 304 of Regulation S-K, occurred within the fiscal years ended December 31, 2020 and 2019, and subsequently up to the date of dismissal.

We provided a copy of this disclosure to MGO and HBK and requested that each of MGO and HBK furnish us with a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letters from each of MGO and HBK addressed to the SEC, are filed as Exhibits 16.1 and 16.2 to this Registration Statement.

ITEM 15: FINANCIAL STATEMENTS AND EXHIBITS

(a) *Financial Statements.* See “Index to Financial Statements” on page F-1 of this Form 10.

(b) *Exhibits.*

Exhibit Number	Description of Exhibit
2.1*	<u>Arrangement Agreement between Verano Holdings LLC, Majesta Minerals Inc., 1276268 B.C. Ltd., 1277233 B.C. Ltd. and 1278655 B.C. Ltd. dated December 14, 2020.</u>
2.2*	<u>Amendment to Arrangement Agreement between Verano Holdings LLC, Majesta Minerals Inc., 1276268 B.C. Ltd., 1277233 B.C. Ltd. and 1278655 B.C. Ltd. dated January 26, 2021.</u>
2.3*†	<u>Agreement and Plan of Merger between Verano Holdings, LLC, Alternative Medical Enterprises LLC, Plants of Ruskin GPS LLC, RVC 360 LLC and John Tipton, solely in the capacity as member representative, dated November 6, 2020.</u>
2.4*	<u>First Amendment to Agreement and Plan of Merger between Verano Holdings, LLC, Alternative Medical Enterprises LLC, Plants of Ruskin GPS LLC, RVC 360 LLC and John Tipton, solely in the capacity as member representative, dated December 14, 2020.</u>
2.5*	<u>Second Amendment to Agreement and Plan of Merger between Verano Holdings, LLC, Alternative Medical Enterprises LLC, Plants of Ruskin GPS LLC, RVC 360 LLC and John Tipton, solely in the capacity as member representative, dated February 5, 2021.</u>
3.1*	<u>Articles of Verano Holdings Corp., dated February 11, 2021.</u>
3.2*	<u>Notice of Articles of Verano Holdings Corp., dated February 11, 2021.</u>
10.1*†	<u>Amended and Restated Credit Agreement by and between Verano Holdings Corp. and certain of its subsidiaries, Chicago Atlantic GIC Advisers, LLC, Green Ivy Capital, LLC and the lenders party thereto, dated May 10, 2021.</u>
10.2†	<u>Fourth Amendment to Amended and Restated Credit Agreement by and between Verano Holdings Corp. and certain of its subsidiaries, Chicago Atlantic GIC Advisers, LLC, Green Ivy Capital, LLC and the lenders party thereto, dated March 1, 2022.</u>
10.3*††	<u>Executive Employment Agreement between Verano Holdings Corp. and George Archos, dated February 18, 2021.</u>
10.4*††	<u>Amendment to Executive Employment Agreement between Verano Holdings Corp. and George Archos, effective January 1, 2022.</u>
10.5*††	<u>Executive Employment Agreement between Verano Holdings Corp. and Darren Weiss, dated February 18, 2021.</u>

- 10.6*†† [Amendment to Executive Employment Agreement between Verano Holdings Corp. and Darren Weiss, effective January 1, 2022.](#)
- 10.7*†† [Executive Employment Agreement between Verano Holdings Corp. and John Tipton, dated March 31, 2021.](#)
- 10.8*†† [Executive Employment Agreement between Verano Holdings Corp. and R. Michael Smullen, dated March 31, 2021.](#)
- 10.9*†† [Executive Employment Agreement between Verano Holdings Corp. and Brett Summerer, dated to be effective as of January 1, 2022.](#)
- 10.10*†† [Stock and Equity Incentive Plan of Verano Holdings Corp.](#)
- 10.11*†† [Form of Equity Award Agreement for Stock Option.](#)
- 10.12*†† [Form of Equity Award Agreement for RSU.](#)
- 10.13* [Arrangement Agreement between Verano Holdings Corp. and Goodness Growth Holdings, Inc., dated January 31, 2022.](#)
- 16.1* [Letter from Macias Gini & O'Connell LLP to the SEC, dated April 26, 2022.](#)
- 16.2* [Letter from Hill Barth & King, LLC to the SEC, dated April 26, 2022.](#)
- 21.1* [List of Subsidiaries of the Registrant](#)

* Previously filed.

† Certain confidential portions of this exhibit have been omitted and replaced with “[***]”. Such identified information has been excluded from this exhibit because it (i) is not material and (ii) would likely cause competitive harm to the company if disclosed.

†† Management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 17, 2022

VERANO HOLDINGS CORP.

By: /s/ George Archos

Name: George Archos

Title: Chief Executive Officer

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Verano Holdings Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Verano Holdings Corp. (the Company) as of December 31, 2021, the related consolidated statements of operations, changes in shareholders' equity and cash flows, for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2021.

Irvine, California

April 26, 2022

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Report of Independent Registered Public Accounting Firm (PCAOB Number 324)

Board of Directors and Shareholders
Verano Holdings Corp. (f.k.a. Verano Holdings LLC)

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Verano Holdings Corp. (f.k.a. Verano Holdings LLC) (the “Company”) as of December 31, 2020, and the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for each of the two years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for each of the two years ended December 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the entity’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Macias Gini & O’Connell LLP

We have served as Verano Holdings Corp.’s auditor since 2016.
Chicago, Illinois
April 26, 2022

VERANO HOLDINGS CORP.**Consolidated Balance Sheets****As of December 31, 2021 & 2020***(\$ in Thousands except share and per share amounts)*

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 99,118	\$ 16,402
Accounts Receivable, net	17,410	7,270
Notes Receivable	285	3,945
Due from Related Parties	-	108
Inventory	137,634	37,354
Prepaid Expenses and Other Current Assets	19,528	6,169
	<u>273,975</u>	<u>71,248</u>
Total Current Assets	273,975	71,248
Property, Plant and Equipment, net	452,232	144,182
Right Of Use Assets, net	61,346	11,784
Intangible Assets, net	1,379,913	72,419
Goodwill	368,130	16,029
Investment in Associates	7,628	11,547
Deposits and Other Assets	2,499	2,442
	<u>2,545,723</u>	<u>329,651</u>
TOTAL ASSETS	\$ 2,545,723	\$ 329,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 45,172	\$ 18,293
Accrued Liabilities	42,150	13,886
Income Tax Payable	153,850	41,158
Current Portion of Lease Liabilities	6,563	1,803
Current Portion of Notes Payable	13,771	7,814
Acquisition Consideration Payable	208,349	33,290
Due to Related Parties	-	45
	<u>469,855</u>	<u>116,289</u>
Total Current Liabilities	469,855	116,289
Long-Term Liabilities:		
Deferred Revenue	1,183	2,036
Notes Payable, net of Current Portion	276,154	32,480
Lease Liabilities, net of Current Portion	56,812	10,624
Deferred Income Taxes	262,984	14,824
	<u>597,133</u>	<u>59,964</u>
Total Long-Term Liabilities	597,133	59,964
	<u>1,066,988</u>	<u>176,253</u>
TOTAL LIABILITIES	\$ 1,066,988	\$ 176,253
SHAREHOLDERS' EQUITY	1,475,784	147,161
NON-CONTROLLING INTEREST	2,951	6,237
	<u>2,545,723</u>	<u>329,651</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,545,723	\$ 329,651

The accompanying notes are an integral part of these consolidated financial statements.

VERANO HOLDINGS CORP.
Consolidated Statements of Operations
For the Years Ended December 31, 2021, 2020 & 2019
(\$ in Thousands except share and per share amounts)

	2021	2020	2019
Revenues, net of discounts	\$ 737,850	\$ 228,530	\$ 65,968
Cost of Goods Sold, net	403,287	92,961	29,928
Gross Profit	334,563	135,569	36,040
Operating Expenses:			
General and Administrative	100,903	23,838	29,692
Sales and Marketing	8,644	919	926
Salaries and Benefits	78,634	16,228	6,231
Depreciation and Amortization	41,784	2,278	2,288
Total Operating Expenses	229,965	43,263	39,137
Income (Loss) from Investments in Associates	3,085	2,692	(456)
Income (Loss) From Operations	107,683	94,998	(3,553)
Other Income (Expense):			
(Loss) on Disposal of Property, Plant and Equipment	(1,085)	(1,655)	(1,546)
(Loss) on Deconsolidation	-	(189)	(3,087)
Gain on Previously Held Equity Interest	-	457	-
Amortization of Debt Issuance Costs for Warrant	-	(3,018)	(425)
Amortization of Convertible Debt Discount	-	(2,912)	(364)
Other Income (Expense), net	9,632	(701)	94
Interest Income (Expense), net	(24,270)	(4,528)	390
Total Other Expense	(15,723)	(12,546)	(4,938)
Net Income (Loss) Before Provision for Income Taxes and Non-Controlling Interest	91,960	82,452	(8,491)
Provision For Income Taxes	(104,127)	(42,296)	(10,333)
Net Income (Loss) Before Non-Controlling Interest	(12,167)	40,156	(18,824)
Net Income (Loss) Attributable to Non-Controlling Interest	2,509	1,755	(551)
Net Income (Loss) Attributable to Verano Holdings Corp.	\$ (14,676)	\$ 38,401	\$ (18,273)
Net Income (Loss) per share – basic	(0.05)	0.15	(0.07)
Net Income (Loss) per share – diluted	(0.05)	0.14	(0.07)
Basic – weighted average shares outstanding	290,443,432	263,919,366	261,432,115
Diluted – weighted average shares outstanding	290,443,432	270,719,280	261,432,115

The accompanying notes are an integral part of these consolidated financial statements.

VERANO HOLDINGS CORP.
Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2021, 2020 and 2019
(in Thousands)

	LLC Membership Units	Pubco Shares (as converted)	Share Capital	Accumulated Earnings (Deficit)	Non- Controlling Interest	Total
Balance as of January 1, 2019	253,138	-	\$ 112,071	\$ -	\$ 2,801	\$ 114,872
Adoption of ASC 842, <i>Leases</i>	-	-	(252)	-	-	(252)
Contributions from Members	-	-	5,906	-	71	5,977
Warrants issued for Notes Payable	7,421	-	5,449	-	-	5,449
Issuance of Warrants	987	-	-	-	-	-
Issuance of Beneficial Conversion Notes	-	-	3,276	-	-	3,276
Non-controlling interest from acquisition	-	-	-	-	8,171	8,171
Transfer from non-controlling interest to controlling	-	-	688	(688)	-	-
Distributions to members	-	-	-	(6,632)	(9)	(6,641)
Net Income (Loss)	-	-	-	(18,273)	(551)	(18,824)
Balance as of December 31, 2019	<u>261,546</u>	<u>-</u>	<u>\$ 127,390</u>	<u>\$ (25,157)</u>	<u>\$ 9,795</u>	<u>\$ 112,028</u>
Balance as of January 1, 2020	261,546	-	\$ 127,390	\$ (25,157)	\$ 9,795	\$ 112,028
Purchase of Non-controlling interest	-	-	-	(3,950)	(2,950)	(6,900)
Deconsolidation of subsidiary	-	-	-	-	79	79
Conversion of Warrants	18,354	-	10,524	-	-	10,524

The accompanying notes are an integral part of these consolidated financial statements.

VERANO HOLDINGS CORP.
Statements of Changes in Shareholders' Equity (Continued)
For the Years Ended December 31, 2021, 2020 and 2019
(in Thousands)

	<u>LLC Membership Units</u>	<u>Pubco Shares (as converted)</u>	<u>Share Capital</u>	<u>Accumulated Earnings (Deficit)</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
Derecognition of NCI	-	-	-	-	(2,442)	(2,442)
Distributions to members	-	-	-	(47)	-	(47)
Net Income (Loss)	-	-	-	38,401	1,755	40,156
Balance as of December 31, 2020	<u>279,900</u>	<u>-</u>	<u>\$ 137,914</u>	<u>\$ 9,247</u>	<u>\$ 6,237</u>	<u>\$ 153,398</u>
Balance as of January 1, 2021	279,900	-	\$ 137,914	\$ 9,247	\$ 6,237	\$ 153,398
RTO-related issuances, net	-	-	652,217	-	-	652,217
Issuance of Pubco shares in redemption of membership units	(279,900)	279,900	-	-	-	-
Reverse takeover ("RTO Financing"), net	-	-	95,420	-	-	95,420
Purchase of Non-controlling interest	-	-	505	(6,975)	(5,795)	(12,265)
Share-based compensation	-	-	742	-	-	742
Issuance of shares in conjunction with acquisitions	-	-	522,120	-	-	522,120
Warrants issued and exercised	-	-	75,100	-	-	75,100
Contingent consideration & other adjustments to purchase accounting	-	-	4,170	-	-	4,170
Net Income (Loss)	-	-	-	(14,676)	2,509	(12,167)
Balance as of December 31, 2021	<u>-</u>	<u>279,900</u>	<u>\$ 1,488,188</u>	<u>\$ (12,404)</u>	<u>\$ 2,951</u>	<u>\$ 1,478,735</u>

The accompanying notes are an integral part of these consolidated financial statements.

VERANO HOLDINGS CORP.
Consolidated Cash Flow Statements
For the Years Ended December 31, 2021, 2020 and 2019
(\$ in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income (loss) attributable to Verano Holdings Corp. and Subsidiaries	\$ (14,676)	\$ 38,401	\$ (18,273)
Net income (loss) attributable to non-controlling interest	2,509	1,755	(551)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	96,244	7,866	7,393
Non-cash interest expense	5,727	1,074	-
Non-cash interest income	(166)	(935)	-
Non-cash inventory step-up expense on acquisitions	80,988	-	-
Loss on disposal of property, plant and equipment	1,085	1,655	1,546
Loss on disposition of VIE	-	2,202	-
Gain on previously held equity interest	-	(458)	-
Bad debt expense	1,701	300	331
Amortization of loan issuance costs – warrants	-	3,018	424
Amortization of debt issuance costs	2,566	235	124
Amortization of convertible debt discount	-	2,912	364
Write-off of note receivable	14	300	-
Loss on deconsolidation of subsidiary	-	159	2,275
Loss (Income) from underlying investees	(3,006)	(2,608)	456
Contingent consideration compensation	4,170	-	-
Loss on share issuance	1,207	-	-
(Decrease) in fair value of contingent consideration	(13,676)	-	-
Stock based compensation	742	-	-
Derecognition of deferred rent	-	-	104
Changes in operating assets and liabilities:			
Accounts receivable	(6,673)	(2,506)	(2,622)
Inventories	(59,506)	(22,873)	(8,368)
Prepaid expenses and other current assets	(6,252)	(3,043)	(1,657)
Deposits and other assets	8,553	3,008	(1,795)
Accounts payable	9,920	1,777	4,221
Accrued liabilities	1,670	10,508	1,263
Change in Lease Liabilities	(7,743)	(1,717)	(1,479)
Income tax payable	108,790	29,952	10,420
Due to related parties, net	(45)	(833)	(513)
Deferred taxes	(32,009)	(557)	(323)
Deferred revenue	(937)	2,035	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>181,197</u>	<u>71,627</u>	<u>(6,660)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Cash paid in membership interest acquisition	-	-	(3,500)
Purchases of property, plant and equipment	(141,265)	(60,153)	(59,041)
Proceeds from disposal of assets	1,894	-	-
Advances to related parties	108	145	-
Purchases of intangible assets	(8,374)	(7,010)	(7,237)
Purchase of NCI	(7,840)	-	-
Acquisition of businesses, net of cash acquired	(309,815)	(21,902)	61
Payment of acquisition price payable	-	(1,544)	-
Cash paid in deconsolidation of subsidiary	-	-	(59)
Purchase of interest in investment in associates	(3,350)	-	(9,913)
Dividend received from investments in associates	10,275	1,867	571
Issuance of note receivable	(147)	(186)	(5,000)
Proceeds from note receivable	4,215	1,875	-
Interest received on note receivable	142	-	-
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(454,157)</u>	<u>(86,908)</u>	<u>(84,118)</u>

The accompanying notes are an integral part of these consolidated financial statements.

VERANO HOLDINGS CORP.
Consolidated Cash Flow Statements (Continued)
For the Years Ended December 31, 2021, 2020 and 2019
(\$ in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Contributions from members	-	-	5,977
Distributions to members	-	(46)	(6,102)
Proceeds from exercise of warrants	-	2,191	2,173
Proceeds from issuance of notes payable	224,725	33,943	21,613
Principal repayments of notes payable	(10,757)	(9,754)	(4,353)
Debt issuance costs paid	(8,812)	(1,068)	(200)
Proceeds from sale of Property, Plant & Equipment	-	-	5,000
Proceeds received from RTO financing	75,420	-	-
Cash received in warrant private placement	75,100	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>355,676</u>	<u>25,266</u>	<u>24,108</u>
NET INCREASE (DECREASE) IN CASH	82,716	9,985	(66,670)
CASH, BEGINNING OF PERIOD	<u>16,402</u>	<u>6,417</u>	<u>73,087</u>
CASH, END OF PERIOD	<u>\$ 99,118</u>	<u>\$ 16,402</u>	<u>\$ 6,417</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest (received) paid	<u>\$ 18,709</u>	<u>\$ 1,761</u>	<u>\$ (218)</u>
Cash paid for taxes	<u>\$ 27,962</u>	<u>\$ 10,237</u>	<u>\$ 569</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Accrued capital expenditures	<u>\$ 8,512</u>	<u>\$ 1,860</u>	<u>\$ 6,633</u>
Issuance of note receivable related to sale of property, plant, and equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Distributions receivable from investment in associate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83</u>
Issuance of shares under business combinations	<u>\$ 1,148,127</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisitions			
Tangible and Intangible assets acquired, net of cash	\$ 1,638,726	\$ 50,925	\$ 4,394
Liabilities assumed	(354,933)	(17,872)	(1,055)
Acquisition consideration payable	(1,324,914)	(21,186)	(1,000)
Issuance of note payable	-	(350)	-
Goodwill	350,936	10,965	-
Noncontrolling interest from acquisitions	-	-	(2,400)
Previously held equity interest	-	(580)	-
	<u>309,815</u>	<u>21,902</u>	<u>(61)</u>

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

References herein to “the Company,” or “Verano,” are intended to mean Verano Holdings Corp. and its subsidiaries, licensees, and managed entities.

Verano is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider, the Company owns, operates, manages, controls, and/or has licensing, consulting or other commercial agreements with cultivation, processing, and retail licensees across thirteen state markets (Arizona, Arkansas, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Jersey, Ohio, Pennsylvania, and West Virginia).

In addition to the states listed above, the Company also conducts pre-licensing activities in several other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, processing, or retail licenses.

On February 11, 2021, the Company completed a reverse takeover transaction (“RTO”) as further described in Note 3. Thereafter, the Company’s Class A Subordinate Voting Shares (the “Subordinate Voting Shares”) were listed on the Canadian Securities Exchange (the “CSE”) under ticker symbol “VRNO” and subsequently began trading in the U.S. on the OTCQX, part of the OTC Markets Group, under the ticker “VRNOF”.

The Company’s corporate headquarters is located at 415 North Dearborn St., Suite 400, Chicago, Illinois 60654.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements for the years ended December 31, 2021, December 31, 2020 and December 31, 2019, have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”).

(b) Basis of Measurement

The consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

(c) Functional and Presentation Currency

The Company’s functional currency, as determined by management, is the United States (“U.S.”) dollar. These consolidated financial statements are presented in U.S. dollars.

(d) Basis of Consolidation

The consolidated financial statements have been prepared in accordance with GAAP and include the accounts of the Company and its subsidiaries, as well as the accounts of any entities over which the Company has a controlling financial interest in accordance with Accounting Standards Codification (“ASC”) 810 *Consolidation*. All transactions and balances between these entities have been eliminated upon consolidation.

VERANO HOLDINGS CORP.**Notes to the Consolidated Financial Statements****For the Years Ended December 31, 2021, 2020 and 2019***(\$ in Thousands except shares and per share amounts)***2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Verano Holdings Corp. has owned subsidiaries and entities over which the Company has control, that are included in these consolidated financial statements for the year ended December 31, 2021. The ownership percentages set forth in the tables below may not necessarily match state regulatory records as the below assumes for purposes of presentation the approval of certain pending, planned, or anticipated state regulatory transfers. The Company will update its regulatory filings in those states where it is permitted to do so as soon as practical and will continue to operate the entities below, where and as applicable, in accord with current practice and in compliance with applicable laws and regulations.

Subsidiaries

Entity Name	Jurisdiction	Purpose	Percentage Interest
12395 North Miami, LLC	Florida	Real Estate holding company	100%
130 Monroeville, LLC	Pennsylvania	Real Estate holding company	100%
16 Magothy Road Beach, LLC	Maryland	Real Estate holding company	100%
1728 & 52 Old York Road, LLC	Pennsylvania	Real Estate holding company	100%
2000-2015 W. 3 rd Street, LLC	Arizona	Real Estate holding company	100%
257 Wynnewood, LLC	Pennsylvania	Real Estate holding company	100%
270 Cranberry, LLC	Pennsylvania	Real Estate holding company	100%
3510 Ocala, LLC	Florida	Real Estate holding company	100%
4450 New Haven, LLC	Florida	Real Estate holding company	100%
4674 JAX, LLC	Florida	Real Estate holding company	100%
5409 S. Power Road, LLC	Arizona	Real Estate holding company	100%
7221 Jessup, LLC	Maryland	Real Estate holding company	100%
783 Butterfield Road, LLC	Illinois	Real Estate holding company	100%
799 Washington, LLC	Pennsylvania	Real Estate holding company	100%
A&T SPV II LLC	Texas	Holding company	100%
AGG Wellness, LLC	Maryland	Dispensary	100%
AGOZ Redevelopment, LP	Pennsylvania	Real Estate holding company	100%
Agri-Kind, LLC	Pennsylvania	Cultivation	100%
Agronomed Biologics Holdings Inc.	Pennsylvania	Holding company	100%
Agronomed Biologics LLC	Pennsylvania	Cultivation/Dispensary	100%
Agronomed Holdings, Inc.	Pennsylvania	Holding company	100%
Agronomed IP LLC	Pennsylvania	Intellectual property	15%
Agronomy Holdings, LLC	Florida	Holding company	100%
Agronomy Innovations LLC	Arizona	Management company	100%
Albion MM, LLC	Illinois	Real Estate holding company	100%
Alternative Medical Enterprises LLC	Delaware	Holding company	100%
AltMed, LLC	Florida	Holding company	100%
Ataraxia, LLC	Illinois	Cultivation	100%
AZ MM Logistics, LLC	Arizona	Logistics company	100%
BISHCO LLC	Arizona	Management company	100%
Branchburg Rte. 22, LLC	New Jersey	Real Estate holding company	100%
Caring Nature, LLC	Connecticut	Dispensary	100%
Cave Creek RE, LLC	Arizona	Real Estate holding company	100%
Chicago Natural Treatment Solutions, LLC	Delaware	Holding company	100%
Connecticut Pharmaceutical Solutions, Inc.	Delaware	Holding company	100%
Connecticut Pharmaceutical Solutions, LLC	Connecticut	Cultivation	100%

VERANO HOLDINGS CORP.**Notes to the Consolidated Financial Statements****For the Years Ended December 31, 2021, 2020 and 2019***(\$ in Thousands except shares and per share amounts)*

Entity Name	Jurisdiction	Purpose	Percentage Interest
CTPharma Real Estate Inc.	Connecticut	Real Estate holding company	100%
CTPharma Research Solutions, LLC	Delaware	Research business	10%
Cultivation Corner, LLC	Arizona	Management company	100%
DGV Group, LLC	Delaware	California joint venture	62.50%
Eastern and Pebble, LLC	Florida	Real Estate holding company	100%
FAD Investment Group, LLC	Illinois	Holding company	100%
FGM Processing, LLC	Maryland	Processor	100%
Four Daughters Compassionate Care, Inc.	Massachusetts	Cultivation/Dispensary	100%
Freestate Wellness, LLC	Maryland	Cultivation/Dispensary	100%
Glass City Alternatives, LLC	Ohio	Dispensary	100%
GLD Holdings, LLC	Delaware	Holding company	100%
Green RX, LLC	Ohio	Dispensary	100%
GVB Holding Group LLC	Pennsylvania	Holding company	100%
Healthway Services of Illinois, LLC	Illinois	Holding company	100%
ILDISP, LLC ¹	Illinois	Holding company	50%
ILMM Logistics, LLC	Illinois	Logistics company	100%
Local Dispensaries, LLC	Pennsylvania	Dispensary	100%
MA MM Logistics, LLC	Illinois	Logistics company	100%
Mad River Remedies, LLC	Ohio	Dispensary	100%
Maryland Natural Treatment Solutions, LLC	Maryland	Dispensary	100%
MD MM Logistics, LLC	Maryland	Logistics company	100%
MDCult, LLC	Maryland	Holding company	100%
Mother Grows Best, LLC	Ohio	Cultivation	100%
Mother Know's Best, LLC	Ohio	Dispensary	100%
MUVHealth LLC	Arizona	Holding company	100%
NH Medicinal Dispensaries, LLC ¹	Illinois	Dispensary	50%
NJ MM Logistics, LLC	New Jersey	Logistics company	100%
NNTS Holdings, LLC	Delaware	Holding company	100%
NSE Pennsylvania LLC	Pennsylvania	Dispensary	100%
NuTrae, LLC	Florida	Intellectual property	100%
Nuuvn Holdings, LLC	Delaware	Holding company	100%
NV MM Logistics, LLC	Nevada	Logistics company	100%
OH MM Logistics, LLC	Ohio	Logistics company	100%
Ohio Natural Treatment Solutions, LLC	Delaware	Management company	100%
PA MM Logistics, LLC	Pennsylvania	Logistics company	100%
Plants of Ruskin GPS, LLC	Delaware	Holding company	100%

¹ **ILDISP, LLC and NH Medicinal Dispensaries, LLC:** Company affiliate Ataraxia has a 50% membership interest share of ILDISP, which owns 100% interest in NH Medicinal Dispensaries. As such, affiliate Ataraxia owns a 50% interest in NH Medicinal Dispensaries. NH Medicinal Dispensaries holds two licenses which are associated with two dispensaries: The Clinic Effingham and Zen Leaf Charleston. Due to the nature of the extent of control the Ataraxia exercises over each dispensary, the Company recognizes The Clinic Effingham as an equity-method investment and fully consolidates Zen Leaf Charleston.

VERANO HOLDINGS CORP.**Notes to the Consolidated Financial Statements****For the Years Ended December 31, 2021, 2020 and 2019***(\$ in Thousands except shares and per share amounts)*

Entity Name	Jurisdiction	Purpose	Percentage Interest
Plants of Ruskin, LLC	Florida	Cultivation/Dispensary	100%
Prospect Heights RE, LLC	Illinois	Real Estate holding company	100%
Redfish Holdings, Inc.	Maryland	Holding company	100%
RedMed Holdings, LLC	Delaware	Holding company	100%
RedMed, LLC	Delaware	Holding company	100%
RVC 360, LLC	Delaware	Real Estate holding company	100%
Saint Chicago Holdings, LLC	Delaware	Holding company	100%
SG1 LLC	Delaware	Holding company	100%
SW Merger Sub, Inc.	Nevada	Acquisition subsidiary	100%
TAB Management Group, LLC	Illinois	Holding company	100%
TAMM, LLC	Illinois	Holding company	100%
TerraVida Holistic Centers LLC	Pennsylvania	Dispensary	100%
The Healing Center LLC	Pennsylvania	Dispensary	100%
TOKI Veterans Group, LLC	Illinois	Holding company	100%
Verano Arizona Holdings, LLC	Delaware	Holding company	100%
Verano Arizona II, LLC	Delaware	Management company	100%
Verano Arizona, LLC	Delaware	Management company	100%
Verano Arlington, LLC	Delaware	Real Estate holding company	100%
Verano Connecticut, LLC	Delaware	Holding company	100%
Verano El Dorado, LLC	Arkansas	Real Estate holding company	100%
Verano Evanston, LLC	Illinois	Holding company	100%
Verano Four Daughters Holdings, LLC	Delaware	Holding company	100%
Verano Highland Park, LLC	Illinois	Holding company	100%
Verano Holdings, LLC	Delaware	Holding company	100%
Verano Holdings USA Corp.	Delaware	Holding company	100%
Verano Illinois, LLC	Illinois	Holding company	100%
Verano IP, LLC	Delaware	Intellectual property	100%
Verano Michigan, LLC	Delaware	Management company	100%
Verano NJ Holdings, LLC	Delaware	Holding company	100%
Verano NSE Holdings, LLC	Delaware	Holding company	100%
Verano Oklahoma, LLC	Delaware	Holding company	100%
Verano Technologies, LLC	Delaware	Holding company	100%
Verano THC Holdings, LLC	Delaware	Holding company	100%
VH MRR, LLC	Ohio	Holding company	100%
VHGCA Holdings, LLC	Delaware	Holding company	100%
VHGG Holdings, LLC	Delaware	Holding company	100%
VHGG Real Estate Holdings, LLC	Delaware	Real Estate holding company	100%
VHGRX Holdings, LLC	Delaware	Holding company	100%
VHMD Processor, LLC	Delaware	Processor	100%
VZL Staffing Services, LLC	Illinois	Staffing company	100%
Willow Brook Wellness, LLC	Connecticut	Dispensary	100%
Zen Leaf Retail, LLC	Maryland	Holding company	100%
Zen Leaf Technologies, LLC	Delaware	Management company	100%
ZenNorth, LLC	Delaware	Holding company	100%
ZNN Holdings, LLC	Delaware	Holding company	100%

VERANO HOLDINGS CORP.**Notes to the Consolidated Financial Statements****For the Years Ended December 31, 2021, 2020 and 2019***(\$ in Thousands except shares and per share amounts)***Controlled Entities**

Entity Name	Jurisdiction of Organization	Purpose	Percentage Interest
2900 Lone Mountain, LLC	Nevada	Real Estate holding company	100%
4444 W. Craig Road, LLC	Nevada	Real Estate holding company	100%
AZGM 3, Inc.	Arizona	Cultivation/Dispensary	100%
Buchanan Development, LLC	Michigan	Dispensary	100%
Canna Cuzzos, LLC	Maryland	Dispensary	40%
ChiVegs Real Estate, LLC	Nevada	Real Estate holding company	100%
EIJNO, LP	Illinois	Holding company	100%
Elevele LLC	Illinois	Dispensary	100%
Fort Consulting, LLC	Arizona	Cultivation/Dispensary	100%
Healthway Services of West Illinois, LLC	Illinois	Dispensary	100%
Lone Mountain Partners, LLC	Nevada	Cultivation	100%
Mikran, LLC	Maryland	Dispensary	100%
MME Aurora Retail, LLC	Illinois	Dispensary	100%
MME Evanston Retail, LLC	Illinois	Dispensary	100%
MME IL Holdings, LLC	Illinois	Holding company	100%
Natural Treatment Solutions, LLC	Nevada	Holding company	100%
NatureX, LLC	Nevada	Dispensary	100%
Nevada Natural Treatment Solutions, LLC	Nevada	Holding company	100%
Noah's Ark, LLC	Arkansas	Dispensary	100%
Patient Alternative Relief Center	Arizona	Cultivation/Dispensary	100%
Perpetual Healthcare, Inc.	Arizona	Cultivation/Dispensary	100%
Saint Chicago, LLC	Illinois	Holding company	100%
SPSLE Corp.	Illinois	Holding company	100%
The Herbal Care Center, Inc.	Illinois	Dispensary	100%
The M Group, LLC	Maryland	Holding company	40%
The Medicine Room, LLC	Arizona	Dispensary	100%
V Waldorf, LLC	Maryland	Holding company	100%
Vending Logistics LLC	Arizona	Dispensary	100%
Verano MI2, LLC	Michigan	Holding company	100%
Verano MO Holdings, LLC	Delaware	Holding company	100%
Verano MO, LLC	Missouri	Holding company	100%
Verano NJ LLC	New Jersey	Cultivation/Dispensary	100%
Verano WV, LLC	West Virginia	Dispensary	100%
VMO Processing, LLC	Missouri	Processor	100%
VMO Retail, LLC	Missouri	Dispensary	100%
West Capital, LLC	Illinois	Real Estate holding company	100%

(e) VIE's & Non-controlling Interests

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

If the Company determines that it has operating power and the obligation to absorb losses or receive benefits, the Company consolidates the VIE as the primary beneficiary, and if not, does not consolidate. The Company's involvement constitutes power that is most significant to the entity when it has unconstrained decision-making ability over key operational functions within the entity.

Assets recognized as a result of consolidating VIEs do not represent additional assets that could be used to satisfy claims against the Company's general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity.

Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, with original maturities of three months or less, and cash held at retail locations.

(g) Accounts Receivable and Expected Credit Loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered. 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. As of December 31, 2021 and 2020, the allowance for credit losses were \$356 and \$300, respectively.

(h) Inventories

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Cultivated inventories include direct and indirect costs of production, including costs of materials, labor and depreciation related to cultivation. Such costs are capitalized as incurred, and subsequently included within cost of goods sold within the consolidated statements of operations, at the time the products are sold. Net realizable value is determined as the estimated selling price in the ordinary course of business, less reasonable costs associated with the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value.

In calculating final inventory values, management is required to compare the inventory cost to estimated net realizable value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

(i) Investments in Associates

Associates are all entities over which the Company has significant influence, but not control, generally accompanying an ownership of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of operations.

The Company assesses annually whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal or value in use) and charged to the consolidated statement of operations. If the financial statements of an associate are prepared on a date different from that used by the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of these consolidated financial statements. There were no impairment charges recorded for the years ended December 31, 2021, 2020 and 2019.

(j) Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. The Company's estimated depreciable lives of operating assets and facilities are as follows:

Land	Not Applicable
Building	30 years
Construction in Progress ("CIP")	Not Applicable
Leasehold Improvements	Shorter of: remaining lease term or 10 years
Tools & Equipment	7 years
Kitchen & Lab Equipment	7 years
Other Machinery & Equipment	7 years
Furniture & Fixtures	7 years
Electronic & Security Equipment	5 years
Vehicles	7 years
Land Improvements	15 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on 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 Statements of Operations in the year the asset is derecognized.

Depreciation of property, plant 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.

Property, plant and equipment classified as construction in progress are transferred when placed in service, at which time depreciation of the asset begins.

(k) Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisitions. Intangible assets with finite lives are amortized over their estimated useful lives. The estimated useful lives, residual values and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively. The Company did not record any impairment losses for the years ended December 31, 2021, 2020 and 2019. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition and were as follows for each class of intangible asset as of December 31, 2021:

Licenses	9-15 years
Tradenames	5-10 years
Technology	5-20 years

The Company did not record any intangible asset impairment losses for the years ended December 31, 2021, 2020 and 2019.

(l) 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 tested at least annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. No such events or circumstances occurred during the years ended December 31, 2021, 2020 or 2019 and accordingly, there was no impairment for the years ended December 31, 2021, 2020 or 2019.

(m) Leased Assets

Effective January 1, 2019, the Company adopted Accounting Standards Update No. 2016-02 "Leases (Topic 842)."

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset,

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- the Company has the right to obtain substantially all of the economic benefits from use of the asset through the period of use; and
- the Company has the right to direct the use of the asset.

Such standard is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. For operating leases, the right of use asset depreciation fluctuates in relation to the interest expense on the lease liability, in combination, resulting in a straight-line rent expense attribution. The estimated useful lives of the right-of-use assets are determined on the same basis as the life of the lease. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

(n) Advertising

Advertising costs are charged to expense when incurred. Advertising expenses totaled \$8,643, \$919 and \$926 for the years ended December 31, 2021, 2020 and 2019, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income Taxes

Deferred taxes are provided using an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax assets and liabilities are measured using the enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that enactment occurs.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. As discussed further in Note 12, the Company is subject to the limitations of Section 280E of the Internal Revenue Code of 1986, as amended (the "IRC").

(p) Revenue Recognition

Revenue is recognized by the Company in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). Through application of ASU 2014-09, the Company recognizes revenue upon the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company adopted ASU 2014-09 effective January 1, 2019, and the adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements.

In order to recognize revenue under ASU 2014-09, the Company applies the following five steps:

- Identify a customer along with a corresponding contract;
- identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- allocate the transaction price to the performance obligation(s) in the contract; and
- recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues from the wholesale and retail sales of cannabis are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of discounts. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. Sales discounts were not material during the years ended December 31, 2021, 2020 and 2019.

Certain wholesale customers may have payment terms within a specified time-period permitted under the Company's credit policy, typically within 30 days of transfer. The Company generally requires previous payment from a customer prior to entering into another contract with such customer.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Company has customer loyalty programs in which retail customers accumulate points for each dollar of spending. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis and vape products as part of an in-store sales transaction. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated redemption probability of point obligation incurred, which is calculated based on a standalone selling price.

(q) Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statement on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

- 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 individual fair values attributed to the different components of a financing transaction, derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. For further details, see Note 19 – Fair Value Measurements.

(r) Commitments and Contingencies

The Company is subject to lawsuits, investigations and other claims related to employment, commercial and other matters that arise out of operations in the normal course of business. Periodically, the Company reviews the status of each significant matter and assesses the potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable, and the amount can be reliably estimated, such amount is recognized in other liabilities.

Contingent liabilities are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records contingent liabilities for such contracts.

Contingent consideration is measured upon acquisition and is estimated using probability weighting of potential payouts. Subsequent changes in the estimated contingent considerations from the final purchase price allocation are recognized in the Company's consolidated statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Impairment of Other Long-Lived Assets

The Company evaluates the recoverability of other long-lived assets, including property, plant and equipment, and certain identifiable intangible assets, whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company performs impairment tests of indefinite-lived intangible assets on an annual basis or more frequently in certain circumstances. Factors which could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the overall business, a significant decrease in the market value of the assets or significant negative industry or economic trends.

When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. There were no impairment charges related to intangible assets or property, plant and equipment for the years ended December 31, 2021, 2020 and 2019.

(t) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated using the treasury stock method, by dividing the net earnings (losses) attributable to members by the weighted average number of shares (on an as converted basis to Subordinate Voting Shares) outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding shares and consequently are not included in the earnings (loss) per share calculations. Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential units and shares.

To determine diluted income per share, it is assumed that any proceeds from the exercise of dilutive share options would be used to repurchase shares at the average market price during the period. The diluted income per share calculation excludes any potential conversion of share options and convertible debt that would increase earnings per share or decrease loss per share. No potentially dilutive share equivalents were included in the computation of diluted loss per share for the years ended December 31, 2021, 2020 and 2019 because their impact would have been anti-dilutive.

(u) Convertible Notes

The Company accounts for hybrid contracts that feature conversion options in accordance with ASC Topic 815, *Derivatives and Hedging Activities* ("ASC 815"). ASC 815 requires companies to bifurcate conversion options and account for them as freestanding financial instruments according to certain criteria. If the embedded features do not meet the criteria for bifurcation, the convertible instrument is accounted for as a single hybrid instrument in accordance with ASC Topic 470-20, *Debt with Conversion and Other Options* ("ASC 470-20").

The modification of warrant agreements presented as equity classified are first analyzed to ensure that such modifications do not change the classification of the instrument. If equity presentation remains proper, an adjustment to equity is recorded. If equity presentation is not preserved, the modification is evaluated under ASC 470-20.

(v) Business Combinations

In January 2017, the FASB issued Accounting Standards Update 2017-01 regarding Business Combinations (Topic 805) ("ASU 2017-01"), specifically to clarify the definition of what constitutes a business, with the

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. ASU 2017-01 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits. In a transaction, the Company considers inputs, processes and outputs in determining whether economic benefits may be obtained. If so, the transaction is accounted for as a business combination. Otherwise, the Company treats the transaction as an asset acquisition. The Company adopted ASU 2017-01 effective January 1, 2019, and the adoption of ASU 2017-01 did not have a material impact on the Company's consolidated financial statements.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of the transaction. Transaction related costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of the transaction. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of operations immediately as a gain.

Contingent consideration is measured at its transaction-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 Accounting Standards Codification (ASC) 450, *Contingencies*, as appropriate, with the corresponding gain or loss being recognized in the consolidated statement of operations.

The Company recognizes the identifiable assets acquired and the liabilities assumed at their acquisition date fair values in accordance with ASC 820, *Fair Value*. Management exercises judgement in estimating the fair values of specific assets and liabilities such as inventory, fixed assets and intangible assets. In general, acquired current assets and liabilities are valued at cost basis as carrying value approximates fair value.

Inventory is recognized at net realizable value. Historical inventory costs are used to calculate the estimated fair value of inventory, also known as the inventory step-up. Management analyzes the acquirees' historical performance and considers other factors that may impact the inventory step up such as operational, regulatory, legal or economic factors that may influence post-acquisition performance.

Where applicable, the Company engages independent valuation experts to perform fair value assessments on tangible assets, inclusive of property, plant and equipment. The valuation expert appraises the fair value of acquired fixed assets.

The Company identifies intangible assets and, 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.

Cannabis licenses are the primary intangible asset acquired in business combinations as they provide the Company the ability to operate in each market. The key assumptions used in these cash flow projections include discount rates and terminal growth rates. The most sensitive key assumption used is the estimated discount rate applied in the valuation. The average discount rate applied is 23% and is dependent upon the markets in which each of the acquisitions operates. The terminal growth rate represents the rate at which these businesses will continue to grow into perpetuity. Management selected terminal growth rates of approximately 3%. Other significant assumptions include revenue, gross profit, operating expenses and anticipated capital expenditures which are based upon the Corporation's historical operations along with management projections.

Certain fair values may be estimated at the transaction date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted in subsequent periods. However, the measurement period will last for one year from the transaction date.

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the entity, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the entities. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained.

(w) Segment Reporting

An operating segment is a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engages in business activities from which it may earn revenue and incur expenses. The Company has two reportable segments: (i) Cultivation (Wholesale), which is the cultivation, production and sale of cannabis to retail stores, and (ii) Retail, which is the retailing of cannabis to patients and consumers.

VERANO HOLDINGS CORP.

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For the Years Ended December 31, 2021, 2020 and 2019

(\$ in Thousands except shares and per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For the purposes of testing impairment of goodwill, the Company has identified 12 reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on the geographic areas in which the Company conducts business (or each market). The markets were then further divided into reporting units based on the market operations (retail and wholesale) which were primarily determined based on the licenses each market holds. The following represents the markets in which the Company operates as of December 31, 2021: Arizona, Arkansas, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Nevada, New Jersey, Ohio, Pennsylvania, and West Virginia.

All revenues were generated in the United States for the years ended December 31, 2021, 2020 and 2019.

(x) Stock-Based Payments

The Company operates equity settled stock-based remuneration plans for its eligible directors, officers, and employees. All goods and services received in exchange for the grant of any stock-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company measures their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled stock-based payments under stock-based payments plans are ultimately recognized as an expense in statement of operations with a corresponding credit to contributed surplus, in equity.

The Company recognizes compensation expense for restricted stock units (“RSUs”) and options on a straight-line basis over the requisite service period of the award. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

(y) 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 review affects both current and future periods. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

(i) 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 lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ii) Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and any contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

(iii) Determination of Reporting Units

The Company's assets are aggregated into two reportable segments: Cultivation (Wholesale) and Retail. For the purposes of testing impairment of goodwill, the Company has identified 12 reporting units. The Company analyzed its reporting units by first reviewing the operating segments based on the geographic areas in which the Company conducts business (or each market). The markets were then further divided into reporting units based on the market operations (retail and cultivation) which were primarily determined based on the licenses each market holds. The following represents the markets in which the Company operated as of December 31, 2021: Arizona, Arkansas, California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, Ohio, Pennsylvania and West Virginia.

(iv) 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. To determine if the value of goodwill has been impaired, the reporting unit to which goodwill has been assigned or allocated must be valued using present value techniques. When applying this valuation technique, the Corporation 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.

(v) Property, Plant and Equipment Impairment

The Company evaluates the carrying value of long-lived assets at the end of each reporting period whenever there is any indication that a long-lived asset is impaired. Such indicators include evidence of physical damage, indicators that the economic performance of the asset is worse than expected, or that the decline in asset value is more than the passage of time or normal use, or significant changes occur with an adverse effect on the Company's business. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset is impaired when its carrying amount exceeds its recoverable amount. The Company measures impairment based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset. The fair value is determined primarily by using the projected future cash flows discounted at a rate commensurate with the risk involved as well as market valuations. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are reduced for an estimate of the cost to dispose or abandon.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(vi) Discount Rate for Leases

ASC 842 requires lessees to discount lease payments using the rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company generally uses the incremental borrowing rate when initially recording leases. Generally, the Company uses its incremental borrowing rate as the discount rate.

(vii) 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 transaction-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 ASC 450, *Contingencies*, 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 transaction 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 transaction date.

(viii) Consolidation

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the entity, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the entities. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained. See Note 18 – Variable Interest Entities for further details.

(ix) Expected Credit Loss

Management determines the expected credit loss by evaluating individual receivable balances and considering accounts and other receivable financial conditions and current economic conditions. Accounts receivable and financial assets recorded in other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the condensed interim consolidated statement of financial position date.

(x) Fair Value of Financial Instruments

The individual fair values attributed to the different components of a financing transaction, derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. Such valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) *Income Tax*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(z) Accounting Pronouncements – Recently Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which replaces the incurred loss model with a current expected credit loss (“CECL”) model and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. ASU 2016-13 applies to financial assets, measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases and trade accounts receivable. ASU 2016-13 must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to members’ equity in the period of adoption. The Company adopted the new standard in the first quarter of the year ended December 31, 2020. The adoption of ASU 2016-13 did not have a material impact on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04 “Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”), which simplifies the accounting for goodwill impairment. ASU 2017-04 requires entities to record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value (Step 1 under the current impairment test). The standard eliminates Step 2 from the current goodwill impairment test, which included determining the implied fair value of goodwill and comparing it with the carrying amount of that goodwill. ASU 2017-04 must be applied prospectively and is effective in the first quarter of 2020. Early adoption is permitted. The Company adopted ASU 2017-04 in the first quarter of the year ended December 31, 2020. The adoption of ASU 2017-04 did not have a material impact on the Company’s consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 “Leases (Topic 842)” (“ASU 2016-02”), which requires lessees to record most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. ASU 2016-02 requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements and is effective in the first quarter of 2019.

Upon adoption of ASU 2016-02, the Company recorded right-of-use assets of \$3,065 and corresponding lease liabilities of \$3,333 with the difference of \$268 recorded in opening equity. See Note 13 for additional details.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes (“ASU 2019-12”). ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 was effective for the Company beginning January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on the Company’s consolidated financial statements. In January 2020, the FASB issued ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) (“ASU 2020-01”), which is intended to clarify the interaction of the accounting for equity securities under Topic 321, investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. ASU 2020-01 was effective for the Company beginning January 1, 2021. The adoption of ASU 2020-01 did not have a material impact on the Company’s consolidated financial statements.

(aa) Accounting Pronouncements – Recently Issued

On August 5, 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”), to improve financial reporting associated with accounting for convertible instruments and contracts in an entity’s own equity. The amendments in this ASU 2020-06 are effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company does not expect the adoption of ASU 2020-06 will have a material impact on the Company’s consolidated financial statements.

3. REVERSE TAKEOVER TRANSACTION (“RTO”)

On December 14, 2020, Verano Holdings, LLC, a Delaware limited liability company, Majesta Minerals, Inc., an Alberta corporation (the “Public Corporation”), 1276268 B.C. Ltd., a British Columbia corporation (“Verano FinCo”), 1277233 B.C. Ltd, a British Columbia corporation, and 1278655 B.C. Ltd., a British Columbia corporation (“Majesta SubCo”), entered into an arrangement agreement (as amended January 26, 2021, the “Definitive Agreement”), pursuant to which the Company would result from the reverse takeover transaction contemplated thereby (the “RTO”).

In accordance with the plan of arrangement forming part of the Definitive Agreement (the “Plan of Arrangement”), the Public Corporation changed its name to “Verano Holdings Corp.” and completed a consolidation of its common shares on the basis of 100,000 issued and outstanding common shares on a post-consolidation basis.

In accordance with the terms of the Plan of Arrangement, 10,000,000 subscription receipts (the “Subscription Receipts”) were issued on January 21, 2021, at a price per Subscription Receipt of \$10², for aggregate gross proceeds of \$100,000 (the “RTO Financing”). In the RTO Financing, the Company issued a total of 10,000,000 Subordinate Voting Shares to the purchasers of the Subscription Receipts and 578,354 Subordinate Voting Shares and \$4,580 in transactions costs to the offering agents as a broker fee, for a net RTO Financing amount of \$95,420.

The Public Corporation reorganized capital by altering its notice of articles and articles to (i) attach special rights and restrictions to its common shares, (ii) change the identifying name of its common shares to “Class A Subordinate Voting Shares” and (iii) create a new class of Class B Proportionate Voting Shares (the “Proportionate Voting Shares”). Pursuant to the Plan of Arrangement, thereafter Verano FinCo amalgamated with Majesta SubCo. Majesta SubCo was then liquidated, and the net proceeds of the RTO Financing transferred to the Company, as the resulting corporation in the RTO.

² Such amount not in thousands

VERANO HOLDINGS CORP.**Notes to the Consolidated Financial Statements****For the Years Ended December 31, 2021, 2020 and 2019***(\$ in Thousands except shares and per share amounts)***3. REVERSE TAKEOVER TRANSACTION (“RTO”) (Continued)**

The members of Verano Holdings LLC, and owners of certain of its subsidiaries, through a series of transactions, exchanged their ownership interests in Verano Holdings LLC and such subsidiaries for 96,892,040 Subordinate Voting Shares and 1,172,382 Proportionate Voting Shares. In connection with the Company’s acquisitions (Note 9) of Alternative Medical Enterprises, LLC, Plants of Ruskin GPS, LLC, and RVC 360, LLC (collectively, the “AME Parties”), that occurred concurrently with the RTO, the members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for 18,092,987 Subordinate Voting Shares and 470,984. Proportionate Voting Shares, plus cash consideration, as further described in Note 9(a). The members of the AME Parties received \$20,000 in proceeds from the RTO Financing.

In accordance with ASC 805, *Business Combinations*, the substance of the transaction is a reverse takeover of a nonoperating company. The transaction does not constitute a business combination as Majesta SubCo does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with Verano Holdings, LLC being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of Verano Holdings, LLC and comparative figures presented in the consolidated financial statements prior to the reverse takeover are those of Verano Holdings, LLC.

ASC 505-50, *Equity-Based Payments to Non-Employees*, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because the Company issued shares with a value in excess of the assets received, the difference is recognized in RTO-related issuance cost through equity. The amount assigned to the transaction cost of \$198 is the difference between the fair value of the consideration and the net identifiable assets of Majesta SubCo acquired by the Company.

4. INVENTORIES

The Company’s inventories consist of the following:

	December 31, 2021	December 31, 2020
Raw Materials	\$ 5,767	\$ -
Work in Process	93,298	26,835
Finished Goods	38,569	10,519
Total Inventories	\$ 137,634	\$ 37,354

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5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consists of the following at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Land	\$ 29,399	\$ 12,138
Buildings and Improvements	126,020	15,223
Furniture and Fixtures	13,259	5,466
Computer Equipment and Software	14,078	3,331
Leasehold Improvements	182,514	89,394
Tools and Equipment	65,774	27,237
Vehicles	3,229	850
Assets Under Construction ⁽¹⁾	64,107	8,514
Total Property, Plant and Equipment, Gross	498,380	162,153
Less: Accumulated Depreciation	(46,148)	(17,971)
Property, Plant and Equipment, Net	\$ 452,232	\$ 144,182

⁽¹⁾Assets under construction represent construction in progress related to facilities not yet completed or otherwise not placed in service.

A reconciliation of the beginning and ending balances of property, plant and equipment is as follows:

	Property, Plant and Equipment, Gross	Accumulated Depreciation	Property, Plant and Equipment, Net
Balance as of January 1, 2020	\$ 104,470	\$ (8,917)	95,553
Additions	57,002	-	57,002
Property, plant and equipment from business combination	2,511	-	2,511
Disposals	(11)	-	(11)
Deconsolidation	(1,819)	-	(1,819)
Depreciation		(9,054)	(9,054)
Balance as of December 31, 2020	\$ 162,153	\$ (17,971)	\$ 144,182
Additions	164,940	-	164,940
Property, plant and equipment from business combination	175,172	-	175,172
Disposals	(3,855)	15	(3,870)
Depreciation	-	(28,192)	(28,192)
Balance as December 31, 2021	\$ 498,380	\$ (46,148)	\$ 452,232

For the years ended December 31, 2021 and December 31, 2020, depreciation expense included in costs of goods sold totaled \$20,395 and \$7,797 respectively.

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6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

As of December 31, 2021, intangible assets consisted of the following:

	Licenses	Tradenames	Technology	Total
<u>Cost</u>				
Balance as of January 1, 2021	\$ 76,375	\$ 78	\$ -	\$ 76,453
Purchases	55,776	-	115	55,891
Additions from business combination	1,254,781	54,088	11,488	1,320,357
Adjustments to purchase price allocation	(801)	-	-	(801)
Disposals	-	-	-	-
Balance as of December 31, 2021	<u>\$ 1,386,131</u>	<u>\$ 54,166</u>	<u>\$ 11,603</u>	<u>\$ 1,451,900</u>
<u>Accumulated Amortization</u>				
Balance as of January 1, 2021	4,034	-	-	4,034
Amortization	62,669	4,158	1,126	67,953
Balance as of December 31, 2021	<u>\$ 66,703</u>	<u>\$ 4,158</u>	<u>\$ 1,126</u>	<u>\$ 71,987</u>
<u>Net Book Value</u>				
Balance as of January 1, 2021	72,341	78	-	72,419
Balance as of December 31, 2021	<u>\$ 1,319,428</u>	<u>\$ 50,008</u>	<u>\$ 10,477</u>	<u>\$ 1,379,913</u>

As of December 31, 2020, intangible assets consisted of the following:

	Licenses	Tradenames	Technology	Total
<u>Cost</u>				
Balance as of January 1, 2020	\$ 22,358	\$ 78	\$ -	\$ 22,436
Purchases	7,000	-	-	7,000
Additions from business combination	47,017	-	-	47,017
Disposals	-	-	-	-
Balance as of December 31, 2020	<u>\$ 76,375</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 76,453</u>
<u>Accumulated Amortization</u>				
Balance as of January 1, 2020	1,880	-	-	1,880
Amortization	2,154	-	-	2,154
Balance as of December 31, 2020	<u>\$ 4,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,034</u>
<u>Net Book Value</u>				
Balance as of January 1, 2020	20,478	78	-	20,556
Balance as of December 31, 2020	<u>\$ 72,341</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 72,419</u>

The Company recorded amortization expense for the years ended December 31, 2021 and 2020 \$67,953 and \$2,154, respectively.

Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition.

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6. INTANGIBLE ASSETS AND GOODWILL (Continued)

The following table outlines the estimated annual amortization expense related to intangible assets as of December 31, 2021:

Year Ending December 31:	Estimated Amortization
2022	\$ 99,057
2023	99,057
2024	99,057
2025	99,057
2026	99,057
Thereafter	884,628
	<u>\$ 1,379,913</u>

The changes in the carrying amount of goodwill, by reportable segment, for the years ended December 31, 2020 and 2021 were as follows:

	January 1, 2020	Impairment	Adjustments to purchase price allocation	Acquisitions	December 31, 2020
Cultivation	\$ 64	\$ -	\$ -	\$ -	\$ 64
Retail	5,000	-	-	10,965	15,965
	<u>\$ 5,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,965</u>	<u>\$ 16,029</u>

	January 1, 2021	Impairment	Adjustments to purchase price allocation	Acquisitions	December 31, 2021
Cultivation	\$ 64	\$ -	\$ 312	\$ 90,740	\$ 91,116
Retail	15,965	-	(30)	261,079	277,014
	<u>\$ 16,029</u>	<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 351,819</u>	<u>\$ 368,130</u>

During 2021, the Company recorded a measurement period adjustment in connection with its 2020 acquisitions of FGM Processing, LLC, Elevele, LLC, and MME IL Holdings, LLC. The net impact of the adjustment resulted in a decrease in the license value of \$801 and an increase to goodwill by \$282. The remaining \$519 of the adjustment to the purchase price was allocated among the other tangible assets on the opening balance sheet.

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7. EARNINGS PER SHARE

The Company presents basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares (on an as converted basis) outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential shares, which are comprised of convertible shares, warrants, options and RSUs issued.

The computations of net income per share on both basic and diluted bases, including reconciliations of the numerators and denominators, were as follows:

	Twelve Months Ended December 31, 2021	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
Numerator			
Net Income (Loss) attributable to Verano Holdings Corp.	\$ (14,676)	\$ 38,401	\$ (18,273)
Denominator			
Basic			
Pre-RTO weighted-average shares outstanding	158,203,932		
Post-RTO weighted-average shares outstanding	307,177,442		
Weighted-average shares outstanding – basic	290,443,432	263,919,366	261,432,115
Diluted			
Pre-RTO weighted-average shares outstanding	158,203,932		
Post-RTO weighted-average shares outstanding	307,177,442		
Weighted-average shares outstanding – diluted	290,443,432	270,719,280	261,432,115
Basic earnings per share	\$ (0.05)	\$ 0.15	\$ (0.07)
Diluted earnings per share	\$ (0.05)	\$ 0.14	\$ (0.07)

8. NOTES RECEIVABLE

As of December 31, 2021, notes receivable consisted of two secured promissory notes:

The first note is a secured promissory note dated August 13, 2020 with a third party for \$180. The note bears interest of 8% per annum and was originally due and payable on or before the earlier of February 13, 2021 or such other date the principal amount becomes due and payable by acceleration after an event of default. The promissory note can be extended at the discretion of the Company. Negotiation between parties is ongoing to extend the maturity date of the secured promissory note. As of December 31, 2020 the balance was fully outstanding. As of December 31, 2021, the Company has received principal payments of \$56 and has outstanding principal of \$124 plus accrued interest of \$7.

The second note is a secured promissory note issued March 24, 2021 with a third party for \$147. Interest of 8% per annum and principal were originally due on September 24, 2021. The maturity date of the secured promissory note has been extended to March 24, 2022. As of December 31, 2021, the Company has not received any principal payments to date and has recognized accrued interest of \$7.

As of December 31, 2020, notes receivable also consisted of a \$5,000 secured promissory note dated March 2019 bearing 10% interest and originally matured in September 2020. The note was later amended to reduce the principal due by \$300, increase the interest rate to 15.25%, and extend the maturity date. As of December 31, 2020, the Company had remaining principal outstanding of \$2,825 plus accrued interest. The Company received all principal and interest payments during 2021.

9. ACQUISITIONS

(a) Merger Agreement

On November 6, 2020, Verano Holdings LLC entered into an agreement and plan of merger with the AME Parties, pursuant to which the Company, as the assignee of all of Verano Holdings LLC's rights and obligations thereunder, would acquire the AME Parties and their subsidiaries and ownership and control interests (the "AME Group") via a series of merger transactions (the "AME Mergers"). The AME Mergers were contingent upon, and were to close contemporaneously with the RTO, resulting in the creation of the Company as a Canadian publicly-traded parent company of Verano Holdings LLC, the AME Parties and their respective subsidiaries.

The RTO and AME Mergers closed on February 11, 2021 and resulted in the AME Group becoming wholly-owned subsidiaries of the Company. The members of the AME Parties, through the RTO and AME Mergers, exchanged their membership interests in the AME Parties for 18,092,988 Subordinate Voting Shares and 470,984 Proportionate Voting Shares valued at approximately \$651,914, plus cash consideration of \$35,000. The securities issued were assigned a value on a converted basis at of \$10 per share on a converted basis. The share price is equivalent to the arm's-length value in the RTO Financing of Subscription Receipts of \$10 per share, which was an arms-length fair value transaction as described in Footnote 3. The shares and cash consideration of \$20,000 was paid at the closing of the mergers, \$10,000 was paid on August 11, 2021, and the \$5,000 balance is payable in February 2022. As of December 31, 2021, the present value of unpaid deferred consideration is \$4,986 and is included in the acquisition price payable balance on the Company's consolidated balance sheets.

The Company accounted for the transaction as a business combination in accordance with ASC 805, *Business Combinations*. The following table summarizes the provisional accounting estimates of the merger transaction:

	AltMed Florida	AltMed Arizona	Total
Cash	\$ 5,446	\$ 507	\$ 5,953
Accounts receivable, net	60	498	558
Inventory	83,205	5,827	89,032
Prepays and other current assets	833	1,989	2,822
Property, plant and equipment, net	73,386	9,751	83,137
Right-of-use asset, net	9,651	-	9,651
Other assets	1,001	-	1,001
Accounts payable and accrued liabilities	(8,935)	(2,576)	(11,511)
Notes payable	(3,579)	(3,343)	(6,922)
Deferred taxes	(123,720)	(37,290)	(161,010)
Lease liabilities	(9,651)	-	(9,651)
Total identifiable net assets (liabilities)	27,697	(24,637)	3,060
Intangible assets	498,938	184,588	683,526
Net assets	\$ 526,635	\$ 159,951	\$ 686,586

Selected line items from the Company's unaudited condensed interim consolidated statements of operations for the twelve months ended December 31, 2021, adjusted as if the acquisition of AltMed, deemed to be the only acquisition with material operations in the period, had occurred on January 1, 2021, are presented below:

	Consolidated Results	AltMed Pre- acquisition	Pro-forma Results
Revenues, net of discounts	737,850	22,402	760,252
Net income (loss)	(14,676)	10,932	(3,744)

9. ACQUISITIONS *(Continued)*

(b) 2021 Business Combinations

The Company has determined that the below acquisitions are business combinations under ASC 805, *Business Combinations*. Those acquisitions that are determined to be the acquisition of a business are accounted for by applying the acquisition method, whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these consolidated financial statements from the date of the acquisition. Any goodwill recognized is attributed based on reporting units. Refer to the end of section (b) of this Note for the revenue and net income (loss) since the acquisition date included in the Consolidated Statement of Operations and pro forma revenue and earnings.

The purchase price allocation for the acquisitions reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair value of certain tangible assets, the value of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period.

Measurement period adjustments that the Company determined to be material will be applied prospectively in the Company's consolidated financial statements, and depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected. The measurement period ends one year subsequent to the acquisition date.

Glass City Alternatives, LLC

On September 20, 2020, the Company entered into an agreement to acquire, upon the satisfaction of certain conditions precedent, all of the ownership interest of Glass City Alternatives, LLC which operates a dispensary located in Ohio. The transaction closed on January 7, 2021. The total cash purchase price was \$2,700 plus a \$329 purchase price adjustment. The Company issued \$500 in Subordinate Voting Shares based on the fair value of the securities as traded on the CSE on the date of issuance. As of December 31, 2021, the present value of unpaid deferred consideration of \$1,100 is included in the acquisition price payable balance on the Company's consolidated balance sheets and was paid in January 2022.

Perpetual Healthcare Inc.

On February 25, 2021, Verano entered into an agreement to purchase control of Perpetual Healthcare Inc. ("Emerald"). Emerald is a marijuana dispensary and is a non-profit entity in Arizona. The Company, through a management service agreement ("MSA") and control of the board of directors, obtained control of Emerald's dispensary operations and license. The transaction became effective on March 10, 2021, and the Company consolidated Emerald through the Voting Interest Model ("VOE") in accordance with ASC 810, *Consolidations*. Total consideration includes cash consideration of \$11,250 plus a \$326 purchase price adjustment, 541,994 Subordinate Voting Shares valued at approximately \$10,002 based on the fair value of the securities as traded on the CSE on the date of the transaction. The remaining obligation was settled through the issuance of 350,644 Subordinate Voting Shares valued at approximately \$6,992 in May 2021. As of December 31, 2021, the total consideration had been paid in full.

The Herbal Care Center Inc.

On February 24, 2021, Verano entered into an equity purchase agreement to acquire all equity interest in EINJO, L.P. and SPSLE, Corp. to become the sole owner of The Herbal Care Center, Inc. ("The Herbal Care Center"), which holds licenses for two dispensaries in Illinois. The Company, through a MSA, obtained control of The Herbal Care Center's operations and marijuana license. The transaction became effective on March 17, 2021, and the Company consolidated The Herbal Care Center through the Variable Interest Model ("VIE") in accordance with ASC 810, *Consolidations*. Total consideration includes cash consideration of \$18,750, plus a \$2,107 purchase price adjustment, of which \$10,000 was paid upon entering the MSA.

9. ACQUISITIONS *(Continued)*

(b) 2021 Business Combinations *(Continued)*

The total consideration also includes 90,464 Subordinate Voting Shares and 9,625 Proportionate Voting Shares valued at approximately \$22,778 paid at closing based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. As of December 31, 2021, the present value of unpaid deferred consideration of \$10,852 is included in the acquisition price payable balance on the Company's consolidated balance sheets.

Local Joint

On March 22, 2021, the Company entered into an agreement with Flower Launch LLC, to acquire the rights to manage Patient Alternative Relief Center, Inc. ("Local Joint"), also referred to as Local Joint. Local Joint is a retail dispensary that operates as a non-profit entity in Arizona. The Company, through a MSA and control of the board of directors, obtained control of Local Joint's operations and its license. The transaction became effective on March 30, 2021, and the Company consolidated Local Joint through the VOE in accordance with ASC 810, *Consolidations*. Total consideration included cash consideration of \$13,500, with \$10,000 paid on the closing date and \$3,500 paid in July 2021, plus 179,767 Subordinate Voting Shares valued at approximately \$3,031 based on the fair value of the securities as traded on the CSE on the date of the transaction. As of December 31, 2021, the total consideration had been paid in full.

BISHCO LLC

On February 23, 2021, the Company entered into a merger agreement to acquire BISHCO LLC, which holds the rights to manage three non-profit entities in Arizona through an MSA. The non-profit entities, AZGM3, Inc., Vending Logistics, LLC, and The Medicine Room, LLC, each hold an Arizona marijuana license. The agreement triggered the resignation of all board members and concurrently appointed the Company executives to the board of directors that govern each non-profit entity. Through the acquisition of BISHCO LLC and its MSA, as well as the Company's appointment to the board of directors, the Company obtained control of the non-profit entities' operations and their respective licenses.

The transaction became effective on April 8, 2021 and the Company consolidated the non-profit entities through the VOE in accordance with ASC 810, *Consolidations*. Total consideration included \$18,699 paid upon closing, plus a \$1,036 purchase price adjustment, 997,453 Subordinate Voting Shares and 29,924 Proportionate Voting Shares valued at approximately \$78,916 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. The remaining consideration is related to contingent consideration with \$12,750 payable in cash on March 31, 2022, and the remaining \$12,750 payable in shares or cash at the election of the recipient on March 31, 2023. As of December 31, 2021, the present value of unpaid deferred consideration of \$21,882 is included in the acquisition price payable balance on the Company's consolidated balance sheets.

TerraVida Holistic Center, LLC

On February 24, 2021, the Company entered into an agreement to acquire TerraVida Holistic Centers, LLC, which holds the rights to three active dispensaries in Pennsylvania. The transaction closed May 11, 2021. Total consideration included cash consideration of \$64,316, plus a \$1,993 purchase price adjustment, of which \$18,809 was paid at closing and the remaining \$47,500 was paid over the first six months after closing. The merger agreement also included consideration of 1,506,750 Subordinate Voting Shares and 15,067 Proportionate Voting Shares valued at approximately \$59,732 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. As of December 31, 2021, the total consideration had been paid in full.

9. ACQUISITIONS (Continued)

(b) 2021 Business Combinations (Continued)

The Healing Center, LLC

On March 29, 2021, the Company entered into an agreement to acquire three active dispensaries in Pennsylvania by purchasing all the issued and outstanding equity interests of The Healing Center, LLC (“The Healing Center”). The transaction closed on May 14, 2021. At the time the transaction closed, the Healing Center leased the real estate where the dispensaries are located from three separate real estate entities. On September 3, 2021, the Company acquired the THC Real Estate in cash transactions. The acquisitions were accounted for as a single business combination in accordance with ASC 805, *Business Combinations*. Total consideration for The Healing Center included cash consideration of \$56,892, plus a \$2,355 purchase price adjustment, of which \$31,463 was paid upon closing and an additional \$27,784 was paid 60 days after the closing. In addition, the total consideration included 454,302 Subordinate Voting Shares and 25,744 Proportionate Voting Shares valued at approximately \$61,108 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction, and \$18,925 of contingent consideration evenly allocated between shares and cash. As of December 31, 2021, The Healing Center’s present value of unpaid deferred consideration of \$13,982 payable in cash and shares is included in the acquisition price payable balance on the Company’s consolidated balance sheets, which was subsequently paid in February 2022.

Verano funded the acquisition of the THC Real Estate through a credit facility with Chicago Atlantic Credit Company (together with its affiliated entities, “Chicago Atlantic”) for \$12,650. Total consideration was paid directly to the sellers in the amount of \$12,225. The Company received \$20 in cash proceeds and incurred \$405 in issuance costs and debt discounts on the Chicago Atlantic credit facility, which was paid net of proceeds upon closing. The Company amortizes debt issuance costs through interest expense over the life of the credit agreement. Refer to Note 10 for more information. As of December 31, 2021, the total consideration for the THC Real Estate had been paid in full.

Mad River Remedies, LLC

On April 1, 2021, the Company entered into an agreement to acquire Mad River Remedies, LLC, which operates a dispensary in Ohio. The transaction closed on July 8, 2021. The consideration included cash consideration of \$12,984, subject to a purchase price adjustment of \$29, and 488,861 Subordinate Voting Shares value at approximately \$7,814 based on the fair value of the securities, as traded on the CSE on the date of the transaction. As of December 31, 2021, the total consideration had been paid in full.

Agri-Kind, LLC & Agronomed Holdings Inc

On April 21, 2021, the Company entered into an agreement to acquire all of the issued and outstanding equity interests in Agri-Kind, LLC (“Agri-Kind”), an operator of a cultivation and production facility of medical marijuana located in Pennsylvania, and Agronomed Holdings Inc., the owner of the cultivation and processing facility operated by Agri-Kind. The transaction closed on July 12, 2021. The total consideration included cash consideration of \$78,848, plus a \$678 purchase price adjustment, of which \$43,713 was paid at closing and the remaining \$35,813 was paid within three months of closing. In addition, the total consideration included the issuance of 3,208,035 Subordinate Voting Shares valued at approximately \$50,994 based on the fair value of the securities as traded on the CSE on the date of the transaction, and contingent consideration of \$33,971, which may fluctuate based upon financial performance metrics of Agri-Kind for 2021 and is payable in Subordinate Voting Shares, unless cash payment is elected by the recipient. As of December 31, 2021, the present value of unpaid deferred consideration of \$33,617 is included in the acquisition price payable balance on the Company’s consolidated balance sheets.

Agronomed Biologics, LLC

On April 21, 2021, the Company entered into an agreement to acquire all the issued and outstanding equity interests in Agronomed Biologics, LLC (“Agronomed”), which holds a clinical registrant license that allows for cultivation, production, and operation of six dispensaries in Pennsylvania. As a clinical registrant, Agronomed has partnered with the Drexel University College of Medicine to conduct medical marijuana research. The transaction closed on July 12, 2021. Total consideration included cash consideration of \$10,473 paid upon closing and an additional \$42,493 of contingent consideration to be paid in cash or shares at the election of the seller. In addition, the merger consideration included 3,240,436 Subordinate Voting Shares valued at approximately \$51,509 based on the fair value of the securities as traded on the CSE on the date of the transaction. As of December 31, 2021, the present value of unpaid deferred consideration of \$42,133 is included in the acquisition price payable balance on the Company’s consolidated balance sheets.

9. ACQUISITIONS *(Continued)*

(b) 2021 Business Combinations *(Continued)*

Willow Brook Wellness, LLC

On September 13, 2021, the Company entered into a definitive agreement to acquire all the issued and outstanding equity interests in Willow Brook Wellness, LLC, which operates a dispensary in Connecticut. The transaction closed on October 25, 2021. Total consideration included cash of \$14,913, subject to a purchase price adjustment of \$14, and 727,934 Subordinate Voting Shares valued at approximately \$8,163 based on the fair value of the securities as traded on the CSE on the date of the transaction. As of December 31, 2021, the present value of unpaid deferred consideration of \$7,070 is included in the acquisition price payable balance on the Company's consolidated balance sheets and will be settled through a cash payment due October 25, 2022.

Caring Nature, LLC

On November 10, 2021, the Company entered into an agreement to acquire all the issued and outstanding equity interests in Caring Nature LLC, which operates a dispensary in Connecticut. The transaction closed on December 20, 2021. The total consideration includes cash of \$12,331, subject to a purchase price adjustment and, \$12,000 payable in Subordinate Voting Shares payable over twelve months. Additionally, the purchase agreement included \$2,000 of contingent consideration to be paid in Subordinate Voting Shares. As of December 31, 2021, the present value of unpaid deferred consideration of \$19,961 is included in the acquisition price payable balance on the Company's consolidated balance sheets.

Connecticut Pharmaceutical Solutions, Inc.

On November 10, 2021, the Company entered into an agreement to acquire all the issued and outstanding equity interests in Connecticut Pharmaceutical Solutions, Inc., which holds a medical marijuana producer license in Connecticut. The transaction closed on December 28, 2021. Total consideration includes cash of \$6,402 and 8,145,142 Subordinate Voting Shares valued at approximately \$98,538 based on the fair value of the securities as traded on the CSE on the date of the transaction.

Additionally, there are 73,130 deferred Subordinate Voting Shares subject to purchase price adjustments and 1,128,441 deferred Subordinate Voting Shares to be issued in December 2022, collectively valued at approximately \$14,483 based on the fair value of the securities as traded on the CSE on the date of the transaction. The merger agreement also includes consideration of \$19,622 to be paid in 1,625,546 deferred Subordinate Voting Shares payable upon the first sale of adult-use cannabis in the state of Connecticut. Both payments meet equity classification in accordance with ASC 815.

The remaining consideration is related to contingent consideration of \$24,706, which may fluctuate based on 2021 financial performance metrics. The contingent consideration will be paid in Subordinate Voting Shares and is expected to be settled in the second quarter of 2022. As of December 31, 2021, the present value of unpaid deferred consideration, in the form of contingent consideration, is \$24,706 and is included in the acquisition price payable balance on the Company's consolidated balance sheets.

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9. ACQUISITIONS (Continued)

(b) 2021 Business Combinations (Continued)

The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the first quarter for the year ended December 31, 2021:

	<u>Glass City Alternatives</u>	<u>Perpetual Healthcare</u>	<u>The Herbal Care Center</u>	<u>Local Joint</u>	<u>Total</u>
Cash and cash equivalents	\$ 178	\$ 478	\$ 2,168	\$ 540	\$ 3,364
Accounts receivable, net	-	-	2,000	-	2,000
Notes receivable	-	-	-	398	398
Inventory	58	422	1,435	219	2,134
Prepaid and other current assets	50	43	109	-	202
Property, plant and equipment, net	502	135	1,642	451	2,730
Right-of-use asset, net	63	215	936	2,480	3,694
Accounts payable and accrued liabilities	(17)	(200)	(3,307)	(216)	(3,740)
Deferred income tax	-	(6,548)	(11,914)	-	(18,462)
Lease liabilities	(63)	(215)	(936)	(2,480)	(3,694)
Total identifiable net assets (liabilities)	771	(5,670)	(7,867)	1,392	(11,374)
Intangible assets	2,721	33,387	51,304	16,095	103,507
Net Assets	\$ 3,492	\$ 27,717	\$ 43,437	\$ 17,487	\$ 92,133

The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the second quarter for the year ended December 31, 2021:

	<u>BISHCO LLC</u>	<u>TerraVida Holistic Centers</u>	<u>The Healing Center</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,809	\$ 3,222	\$ 3,496	\$ 8,527
Accounts receivable, net	231	-	-	231
Inventory	7,162	4,091	3,088	14,341
Prepaid & other current assets	1,127	692	810	2,629
Deposits & other non-current assets	8	75	-	83
Property, plant and equipment, net	7,872	2,612	11,412	21,896
Right-of-use asset, net	129	2,122	-	2,251
Accounts payable and accrued liabilities	(2,770)	(1,635)	(2,569)	(6,974)
Other liabilities	(1,188)	-	-	(1,188)
Deferred income tax	(23,598)	-	-	(23,598)
Lease liabilities	(129)	(2,122)	-	(2,251)
Total identifiable net assets (liabilities)	(9,347)	9,057	16,237	15,947
Intangible assets	126,120	116,053	133,804	375,977
Net Assets	\$ 116,773	\$ 125,110	\$ 150,041	\$ 391,924

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9. ACQUISITIONS (Continued)

(b) 2021 Business Combinations (Continued)

The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the third quarter for the year ended December 31, 2021:

	<u>Mad River Remedies</u>	<u>Agronomed Biologics</u>	<u>Agri Kind & Agronomed Holdings Inc</u>	<u>Total</u>
Cash and cash equivalents	\$ 755	\$ 2,300	\$ 2,024	\$ 5,079
Accounts receivable, net	262	-	560	822
Inventory	396	623	4,188	5,207
Prepaid & other current assets	85	273	653	1,011
Deposits & other non-current assets	-	40	-	40
Property, plant and equipment, net	589	5,844	35,965	42,398
Right-of-use asset, net	125	2,715	-	2,840
Accounts payable and accrued liabilities	(478)	(1,126)	(1,852)	(3,456)
Other liabilities	-	(2,788)	(14,730)	(17,518)
Deferred income tax	-	(29,913)	-	(29,913)
Lease liabilities	(125)	(2,715)	-	(2,840)
Total identifiable net assets (liabilities)	1,609	(24,747)	26,808	3,670
Total Intangible assets	19,218	129,222	137,678	286,118
Net Assets	\$ 20,827	\$ 104,475	\$ 164,486	\$ 289,788

The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the fourth quarter for the year ended December 31, 2021:

	<u>Willow Brook</u>	<u>Caring Nature</u>	<u>CT Pharma</u>	<u>Total</u>
Cash and cash equivalents	\$ 443	\$ 251	\$ 2,793	\$ 3,487
Accounts receivable, net	-	-	1,314	1,314
Inventory	243	155	10,582	10,980
Prepaid & other current Assets	92	41	1,036	1,169
Deposits and Other non-current assets	3	-	-	3
Property, plant and equipment, net	282	91	24,638	25,011
Right-of-use asset, Net	54	133	-	187
Accounts payable and accrued liabilities	(99)	(11)	(2,213)	(2,323)
Other liabilities	-	-	(2,800)	(2,800)
Deferred income tax	-	(7,123)	(40,062)	(47,185)
Lease liabilities	(54)	(133)	-	(187)
Total identifiable net assets (liabilities)	964	(6,596)	(4,712)	(10,344)
Total Intangible assets	21,705	32,878	168,464	223,047
Net Assets	\$ 22,669	\$ 26,282	\$ 163,752	\$ 212,703

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9. ACQUISITIONS (Continued)

(b) 2021 Business Combinations (Continued)

The following table summarizes the revenue and net income (loss) since the acquisition date included in the Consolidated Statement of Operations for the year ended December 31, 2021:

	<u>Verano Holdings</u>	<u>AME Merger</u>	<u>Other Acquisitions</u>	<u>Total</u>
Revenues, net	\$ 375,225	\$ 203,895	\$ 158,730	\$ 737,850
Net income (loss)	(16,928)	7,398	(5,146)	(14,676)

The following table summarizes the unaudited pro forma information of the combined results of operations of these acquisition transactions as if they occurred as of January 1, 2021. These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the transaction been consummated as of that time nor does it purport to be indicative of future financial operation results.

	<u>Verano Holdings</u>	<u>AME Merger</u>	<u>Other Acquisitions</u>	<u>Total</u>
Pro forma revenues, net	\$ 375,225	\$ 226,297	\$ 309,315	\$ 910,837
Pro forma net income (loss)	(16,928)	18,330	31,553	32,955
Pro forma adjustments				
(a) Intangible amortization	-	32,798	30,171	62,969
(b) Inventory step up	-	71,538	9,450	80,988
Total pro forma adjustments	-	104,336	39,621	143,957
Total pro forma net income (loss)	\$ (16,928)	\$ 122,666	\$ 71,174	\$ 176,912

(a) Includes removal of post combination amortization expense recognized on intangible assets acquired. These costs were recorded in the cost of goods sold and the depreciation and amortization line of operating expenses section within the Consolidated Statements of Operations.

(b) Includes removal of post combination inventory step up that was recognized as an increase to cost of goods sold within the Consolidated Statements of Operations.

The following table summarizes the unaudited pro forma information of the combined results of operations as of these acquisition transactions as if they occurred as of January 1, 2020. These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the transaction been consummated as of that time nor does it purport to be indicative of future financial operation results.

	<u>Verano Holdings</u>	<u>AME Merger</u>	<u>Other Acquisitions</u>	<u>Total</u>
Pro forma revenues, net	\$ 228,530	\$ 126,309	\$ 238,218	\$ 593,057
Pro forma net income (loss)	38,401	64,809	53,500	156,710

Supplemental pro forma financial information has not been presented for 2019 as it was impracticable due to a lack of complete and reliable financial statements.

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(c) 2020 Business Combinations

ChiVegas

In July 2020, the Company acquired an additional 50% ownership interest in a Las Vegas real estate entity which provided the Company with a controlling interest and was accounted for as a step-acquisition in accordance with ASC 805, *Business Combinations*. The purchase price was allocated to the building and land, which totaled \$1,160. Consideration included cash of \$230 and a note payable of \$350 (Note 9). A gain on the previously held equity interest was recognized for \$458.

MME IL Holdings, LLC

On July 1, 2020, the Company entered into a membership interest purchase agreement (and amended and restated such membership interest purchase agreement on October 30, 2020) to acquire all of the issued and outstanding equity interests in MME IL Holdings, LLC, which operates two dispensaries in Illinois. The total purchase price was \$20,000 plus a \$31 working capital adjustment. The Company paid \$10,000 in July 2020 and an additional \$8,000 was paid in November 2020. The remaining purchase price will be paid pursuant to a \$2,000 promissory note, of which \$1,000 has been repaid. The Company also entered into a management and administrative services agreement with MME IL Holdings, LLC's subsidiaries. Based on the funding and providing of services, the Company determined that control was transferred at the closing and accounted for the transaction as a business acquisition in accordance with ASC 805, *Business Combination*. Acquisition costs, which are expensed as incurred, were not significant and were excluded from the consideration transferred.

Elevele, LLC

On December 8, 2020, the Company entered into a membership interest purchase agreement to acquire all of the issued and outstanding equity interests in Elevele, LLC, which operates two dispensaries in Illinois. The total purchase price was \$22,847 plus a \$315 working capital adjustment. The Company paid \$5,347 in December 2020. The remaining \$10,000 of purchase price will be paid by June 8, 2022. Based on the funding and providing of services, the Company determined that control was transferred at the closing and accounted for the transaction as a business acquisition in accordance with ASC 805, *Business Combinations*. The acquisition was deemed business combinations, as the acquired set contained inputs, outputs and a substantive process. The screen test was not deemed conclusive due to the subjectivity associated with level 3 inputs used in the license valuation. Acquisition costs, which are expensed as incurred, were not significant and were excluded from the consideration transferred.

FGM Processing, LLC

In December 2020, a Company affiliate entered into a membership purchase agreement with a licensee in Maryland which would allow the Company to process medical marijuana in Maryland. The Company analyzed the transactions and recorded the transaction as a business combination. The total purchase price was \$6,900, of which \$1,050 was paid in December 2020. The Company recognized a license in the amount of \$6,640 and tools and equipment in the amount of \$260, which are included in the intangible assets and property, plant and equipment, respectively, on the Company's consolidated balance sheets. The acquisition was deemed a business combination, as the acquired set contained inputs, outputs and a substantive process. The screen test was not deemed conclusive due to the subjectivity associated with level 3 inputs used in the license valuation.

Supplemental pro forma financial information has not been presented as it was impracticable to do so for the 2020 business combinations due to a lack of complete and reliable financial statements.

The following table summarizes the accounting estimates of the acquisition that occurred during the year ended December 31, 2020:

	<u>MME IL</u>	<u>Elevele</u>	<u>Other</u>	<u>Total</u>
Cash and cash equivalents	\$ 329	\$ 1,035	\$ -	\$ 1,364
Inventory	553	431	-	984
Prepaid & other current assets	3	366	-	369
Property, plant and equipment, net	1,053	38	1,420	2,511
Right-of-use asset, net	-	44	-	44
Accounts payable and accrued liabilities	(941)	(1,109)	(350)	(2,400)
Deferred income tax	(5,767)	(6,548)	-	(12,315)
Lease liabilities	(123)	(68)	-	(191)
Investments in associates	-	-	(580)	(580)
Total identifiable net assets (liabilities)	(4,893)	(5,811)	490	(10,214)
Total Intangible assets	24,923	28,113	6,640	59,676
Net Assets	\$ 20,030	\$ 22,302	\$ 7,130	\$ 49,462

9. ACQUISITIONS (Continued)

(d) Asset Acquisitions

2021 Asset Acquisitions

NSE Holdings, LLC

On February 24, 2021, a subsidiary of the Company entered into an agreement pursuant to which it acquired all the equity interests of NSE Holdings, LLC (“NSE”), which holds one dispensary permit in Pennsylvania that gives NSE the ability to open three dispensaries. The transaction closed on March 9, 2021. The Company paid cash consideration of \$7,350 upon closing and issued 666,587 Subordinate Voting Shares and 6,665 Proportionate Voting Shares valued at approximately \$25,160. Consideration also includes contingent consideration of \$22,514, which may fluctuate based upon financial performance metrics of NSE Holdings. The Company analyzed the transaction and accounted for the transaction as an asset acquisition in accordance with ASC 805, *Business Combinations*. The Company capitalized licenses in the amount of \$55,016. As of December 31, 2021, the present value of unpaid deferred consideration is \$14,280 and is included in the acquisition price payable balance on the Company’s consolidated balance sheets. The unpaid consideration relates to earnouts that are expected to be settled in share issuances of Subordinate Voting Shares.

Ohio Grown Therapies, LLC

On June 30, 2021, the Company exercised and closed on its option to acquire an Ohio dispensary license from Ohio Grown Therapies, LLC, which was granted pursuant to an option purchase agreement entered into on January 14, 2019. The exercise and closing had no impact on operations as the Company already exerted control over the dispensary through a consulting agreement entered into in 2019. The Company capitalized the license in the amount of \$760 to the intangible license value included on the Company’s consolidated balance sheets. As of December 31, 2021, the total consideration had been paid in full.

Real Estate

During the fourth quarter of the year ending December 31, 2021, Verano entered into real estate acquisitions in Maryland, Pennsylvania, Nevada and, New Jersey for a total of \$22,795. Verano funded two of the acquisition through two promissory notes for \$10,225 (refer to Note 10 for further details). The acquisitions were accounted for as an asset acquisition with the application of the ASC 805, *Business Combinations*. As of December 31, 2021, the total consideration for these acquisitions had been paid in full.

2020 Asset Acquisition

Local Dispensaries, LLC

During 2020, the Company entered into consulting, licensing, or other contractual arrangements with licensees in Pennsylvania which would allow the Company to operate medical and/or recreational marijuana dispensaries in Pennsylvania. The Company analyzed the transactions and recorded the transactions as asset acquisitions. The Company capitalized the licenses in the amount of \$7,000, which are included in the intangible assets on the Company’s consolidated balance sheets. The Company entered into a secured promissory note of \$3,163 in July and the remaining liability of seller financing was fully repaid ahead of the scheduled pay-off date. Such payment was the final financial obligation remaining under the transaction documents.

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10. DEBT

As of December 31, 2021, and December 31, 2020 notes payable consisted of the following:

	As of	
	December 31, 2021	December 31, 2020
Credit Facility	\$ 250,000	\$ 30,000
Secured Promissory Notes	6,663	7,410
Convertible Note	-	3,709
Mortgage Loans	38,856	-
Vehicle and Equipment Loans	1,951	-
Unamortized debt issuance costs	(7,545)	(825)
Total notes payable	\$ 289,925	\$ 40,294
Less: current portion of notes payable	13,771	7,814
Total long-term debt, net	\$ 276,154	\$ 32,480

Credit Facility

On July 2, 2020, the Company and certain subsidiaries and affiliates (collectively, the “Credit Parties”) entered into a Credit Agreement with Chicago Atlantic GIC Advisers, LLC (“Chicago Atlantic”) as administrative and collateral agent for an initial term loan commitment of \$20,000 funded by various investors and an incremental loan not to exceed \$10,000. Such loan bears interest at 15.25% per annum and had an original maturity date of June 30, 2022, which was extended to May 30, 2023 by amendment. The Company incurred \$1,068 of debt issuance costs, which were paid net of loan proceeds and are amortized over the life of the debt instrument.

On May 10, 2021, the Credit Agreement was amended and restated (the “Amended and Restated Credit Agreement”), which granted the Company an additional \$100,000 of credit at an annual interest rate of 9.75%, which increased the Company’s term loan commitments with Chicago Atlantic to \$130,000. The \$100,000 senior secured term loan matures on May 30, 2023, and in accordance with ASC 470, *Debt*, is accounted for as a new credit facility. In addition, the amendment extended the maturity date of the \$30,000 existing initial term loan from June 30, 2022 to May 30, 2023, which qualified as a debt modification pursuant to ASC 470, *Debt*. The existing credit facility had \$644 of unamortized debt issuance costs at the time of the debt modification and is now amortized through May 30, 2023. The Company incurred \$5,132 in issuance costs and debt discounts on the Amended and Restated Credit Agreement, which were paid net of proceeds in May 2021 and are amortized over the life of the debt instrument.

On October 20, 2021, the Credit Parties entered into an agreement to further amend the Amended and Restated Credit Agreement with the agents and the lenders named therein, pursuant to which an additional \$120,000 was funded to the Company resulting in \$250,000 of total term loan commitments funded and outstanding. The \$120,000 term loan bears interest of 8.50% per annum and matures on April 28, 2023. In addition, the amendment includes an option for the Company to request an incremental \$100,000 loan in the future with 8.50% interest per annum, subject to certain restrictions and limitations as defined in the agreement. The amendment also redefined the covenant definition for liquidity to average less than \$20,000 during any fiscal quarter or to be less than \$25,000 as of the last day of each fiscal quarter. In accordance with ASC 470, *Debt*, the \$120,000 loan is accounted for as a new credit facility. The Company incurred debt issuance costs of \$3,679, which were paid net of proceeds in October 2021 and are amortized over the life of the debt instrument.

10. DEBT *(Continued)*

As of December 31, 2021, the existing credit facilities with Chicago Atlantic provide (i) the term loans thereunder secured by liens on assets of the Credit Parties, which include: (A) the \$30,000 initial term loan bearing interest at a rate of 15.25% per annum; (B) the incremental \$100,000 loan bearing interest at a rate of 9.75% per annum; (C) the incremental \$120,000 loan; and (D) the optional \$100,000 additional loan request bearing interest at a rate of 8.50% per annum; (ii) no principal amortization with the tranches having 18 month maturity dates; (iii) prepayment fees generally of 1% of any principal amount being prepaid; (iv) restrictive covenants which apply to the operations of the Company, including limitations on the ability to incur additional debt, limitations on the granting of liens and the terms of permitted acquisitions; and (v) financial covenants requiring the Company to maintain on a consolidated basis specified levels of liquidity, a minimum quarterly amount of earnings before interest, taxes, depreciation and amortization and a minimum fixed charge coverage ratio as defined below:

- minimum liquidity to average less than \$20,000 during any fiscal quarter or to be less than \$25,000 as of the last day of each fiscal quarter;
- minimum consolidated EBITDA for any fiscal quarter of \$20,000; and
- fixed charge coverage ratio of 1.5 to 1.0 measured at the end of each fiscal quarter.

Secured Promissory Notes

On February 13, 2019, a secured promissory note for \$3,413 was issued to accredited investors requiring the Company to pay interest of 2.57% compounded annually. The note originally matured in February 2020 but was amended in June 2020 and extended for six months to August 2020, subject to four extension dates. The interest rate was also amended to bear interest at 6% from February to June 2020, 11% compounded annually until August 2020, 14% compounded annually until the second extension date of February 2021, and 15.5% compounded annually for additional extension dates. The note has been paid in full and is not outstanding as of December 31, 2021.

On May 15, 2020, a promissory note secured by deed of trust for \$1,474 was issued by Eastern and Pebble, LLC. The note bears interest at 4.00% per annum and matures on September 15, 2021. The note has been paid in full and is not outstanding as of December 31, 2021.

On July 31, 2017, a promissory note for \$2,900 to accredited investors was issued requiring the Company to make monthly payments of \$19 with a balloon payment of \$2,493 due on August 1, 2027, including interest of 7.00% per annum.

On July 2, 2020, a promissory note in the original amount of \$350 was issued by BB Marketing, LLC with a maturity of June 2021 and interest due at 5% in the event of a default. The note has been paid in full and is not outstanding as of December 31, 2021.

In connection with the Agronomed Biologics acquisition, the Company assumed a promissory note with Jonestown Bank and Trust Company for the original principal of \$1,688 issued on March 12, 2021. Interest of 4.00% per annum is due for the first 72 months. The then-current applicable prime rate plus 1.00% per annum will be accrued on the remaining outstanding principal until the note matures in March 2042. This note is subject to certain restrictive covenants as defined in the agreement. As of December 31, 2021, the Company is in compliance with such covenants.

The Company issued promissory notes to accredited investors in the original principal amount of \$3,670 with simple annual interest of 10% per annum. The notes mature in March 2022 and are an accumulation of seven notes to finance construction of cultivation facilities in Florida and Arizona. There is one related party that accounts for \$150 of the outstanding principal amount as of December 31, 2021.

10. DEBT (Continued)

Convertible Note

On November 25, 2019, a convertible note for \$5,000 was issued to an accredited investor with interest at 1.5% per month, which matured in August 2020 subject to an extension of six months or the completion of a transaction, if earlier. The note had an origination fee of 2%, which was due in full on the maturity date and recorded as a reduction to the carrying value of the note payable. The reduction was recognized on a straight-line basis which approximated the effective interest rate method as interest expense. Principal and interest were due on the maturity date, and a debt discount is reflected as a reduction of the carrying value of the note payable on the Company's consolidated statements of financial position, which is amortized over the term of the note. At the sole option of the lender or upon completion of a transaction, the note was convertible to equity. In connection with the note, the Company issued warrants to purchase 330,000 membership units with an exercise price of \$7.575. The warrants have a three-year term from the date of closing. The Company determined the fair value of the warrants to be \$1,687 using the Black-Scholes valuation model with a volatility of 85%, dividend yield of 0% and risk-free rate of 1.60%. The warrants were exercised for an exercise value of \$2,500 in 2020, and the exercise proceeds were used to relieve accrued interest and principal outstanding at December 31, 2020 of \$6,209. Since the exercise proceeds did not exceed the outstanding note balance, the note payable as of December 31, 2020 was \$3,709. The note was extended for six month and was repaid in full in February 2021.

Mortgage Loans

The Company entered into a mortgage loan with Pioneer Title Agency. The loan bears interest of 6% per annum and matures in March 2023.

On May 14, 2021, the Company acquired The Healing Center, which consisted of three dispensaries in the greater Pittsburgh area. The Healing Center operates the dispensaries on three separate real estate parcels and on September 3, 2021, Verano acquired the THC Real Estate. The Company funded the real estate acquisition through a credit facility with Chicago Atlantic for \$12,650 and interest of 9.75% per annum that matures in September 2023. Total consideration was paid directly to the sellers in the amount of \$12,225. The Company received \$20 in cash proceeds and incurred \$405 in issuance costs and debt discounts on the credit facility, which was paid net of proceeds upon closing. Debt issuance costs were reflected as a reduction of the carrying value of the long-term debt on the Company's consolidated statements of financial position and is amortized to interest expense over the term of the note using the effective interest method. The credit facility is subject to certain restrictive financial covenants requiring the Company to maintain on a consolidated basis a specified level of liquidity, a minimum quarterly amount of earnings before interest, taxes, depreciation and amortization, and a minimum fixed charge coverage ratio that is less restrictive than the Amended and Restated Credit Agreement. As of December 31, 2021, the Company is in compliance with such covenants.

In connection with the 1728 & 52 Old York Road, LLC real estate acquisition, the Company entered into mortgage loan with Abington North Associates, LLC on November 1, 2021 for \$5,500. The loan requires monthly payments of \$138 until maturity on November 1, 2025 and bears interest of 9.5% per annum.

In connection with the 7221 Jessup, LLC real estate acquisition, the Company entered into a commercial mortgage loan on November 16, 2021 with Shore United Bank for \$4,725. The loan accrues interest of 6.0% per annum with a balloon payment of \$3,761 due at maturity on December 1, 2031.

On July 17, 2021, the Company assumed a loan with 100 Mile Fund, LLC for a principal amount of \$13,000 in connection to the acquisition of Agronomed Holdings, Inc. The loan bears interest only payments of 13% per annum due monthly and matures July 11, 2022. The note is secured by first-priority blanket liens on the property, assets, and ownership interests of Agri-Kind and Agronomed Holdings Inc.

In connection to the acquisition of Agronomed Biologics Holdings Inc, the Company assumed a mortgage loan payable to Citadel Federal Credit Union for the original principal amount of 1,100 and interest of 4.15% per annum. The note matures in June 2024.

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10. DEBT (Continued)

In connection to the acquisition of AltMed, the Company assumed a mortgage loan payable to Fidelity National Title with interest of 10% per annum that matures in July 2022.

Vehicle and Equipment Loans

The Company has an equipment loan with Sweet Leaf Capital that is paid in monthly installments with an implicit interest rate and matures in January 2022.

The Company has an equipment loan with Constellation NewEnergy, Inc. that is paid in monthly installments with an implicit interest rate and matures in May 2025.

The Company has purchase money loans with Ford Motor Credit and Toyota Commercial Financing that mature in 2022 through 2026 and interest rates ranging from 5.5% to 10% per annum and are secured by the acquired vehicles.

Stated maturities of debt obligations are as follows:

	Principal Payments	Unamortized Debt Issuance Costs	Total Notes Payable
2022	\$ 19,222	\$ 5,451	\$ 13,771
2023	264,841	2,094	262,747
2024	3,120	-	3,120
2025	1,848	-	1,848
2026	260	-	260
Thereafter	8,179	-	8,179
Total	<u>\$ 297,470</u>	<u>\$ 7,545</u>	<u>\$ 289,925</u>

11. SHARE CAPITAL

Subordinate Voting Shares and Proportionate Voting Shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with ASC 740, *Income Taxes*.

(a) Issued and Outstanding

As of December 31, 2021, the Company had 293,209,166 Subordinate Voting Shares and 311,034 Proportionate Voting Shares for a total of 324,312,566 Subordinate Voting Shares on a converted basis, issued and outstanding. The Company has the following classes of share capital, with each class having no par value:

(i) Subordinate Voting Shares

The holders of the Subordinate Voting Shares are entitled to receive dividends issued by the Company and one vote per share at shareholder meetings of the Company. All Subordinate Voting Shares are ranked equally regarding the Company's residual assets. The Company is authorized to issue an unlimited number of Subordinate Voting Shares.

11. SHARE CAPITAL *(Continued)*

(ii) Proportionate Voting Shares

Each Proportionate Voting Share is entitled to one hundred votes per share at shareholder meetings of the Company and is exchangeable for one hundred Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Proportionate Voting Shares.

During the year ended December 31, 2021, the shareholders of the Company converted both Proportionate Voting Shares and Subordinate Voting Shares for a net impact of conversion of 1,423,942 Proportionate Voting Shares into 142,394,246 Subordinate Voting Shares.

(b) Stock-Based Compensation

The Company operates equity settled stock-based remuneration plans for its eligible directors, officers, and employees. All goods and services received in exchange for the grant of any stock-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company measures their value indirectly by reference to the fair value of the equity instruments granted. The Company measures the fair value of the services by reference to the fair value of the equity instruments granted. Equity settled stock-based payments under stock-based payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to equity.

In February 2021, the Company established the 2021 Equity Incentive Plan of Verano Holdings Corp. (the "Plan"). The maximum number of RSUs and options that may be issued under the Plan shall not exceed 10% of the Company's then issued and outstanding shares on an as-converted basis.

The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. Estimates are subsequently revised if there is any indication that the number of shares expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period with no adjustment to prior periods for expense previously recognized.

Option and RSU grants generally vest over three years, and options typically have a life of ten years.

Options

Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of grant.

On February 18, 2021, the Company granted non-qualified incentive Proportionate Voting Share stock options to employees, exercisable at CAD\$3,060⁽¹⁾ on the grant date. The options vest over thirty months to purchase up to an aggregate of 516 Proportionate Voting Shares of the Company.

On May 25, 2021, the Company issued additional non-qualified incentive Proportionate Voting Share stock options to employees, exercisable at CAD\$2,400⁽¹⁾ on the grant date. The options vest over thirty months to purchase up to an aggregate of 54 Proportionate Voting Shares of the Company.

⁽¹⁾ *Such amounts not in Thousands*

11. SHARE CAPITAL *(Continued)*

No options vested, expired, or were forfeited during 2021.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date. This options pricing model requires the application of estimates and assumptions. As the Company became publicly traded in 2021, sufficient historical trading information was not available to determine an expected volatility rate. The volatility rate was based on comparable companies within the Company's industry.

The aggregate intrinsic value of the stock option units granted was \$795. The Company used the Black-Scholes Option Pricing model to estimate the fair value of the options granted during the year ended December 31, 2021 using the following ranges of assumptions:

	December 31, 2021
Risk free interest rate	0.04% - 0.95%
Expected dividend yield	0%
Expected volatility	124.59%
Expected option life	2.5 years

As permitted in accordance with ASC 718, the Company has made an accounting policy election to account for forfeitures when they occur.

Restricted Stock Units ("RSUs")

During the year ended December 31, 2021, the Company granted RSUs for 37,936 Proportionate Voting Shares to employees and directors, vesting over six to thirty-six months. The Company recognized 10,485 RSUs vested and 959 RSUs as forfeitures during the year ended December 31, 2021. The weighted average grant date fair value was C\$11.33 with an aggregate intrinsic value of \$794.

The Company recorded expense of \$742 for the year ended December 31, 2021, as share-based compensation related to the Plan.

(c) Warrants

On February 24, 2021, the Company entered into an agreement with Beacon Securities Limited ("Beacon") and Canaccord Genuity Corp. on behalf of a syndicate of underwriters, pursuant to which the underwriters agreed to purchase, on a bought deal private placement basis, 3,510,000 warrants of the Company (the "Special Warrants") at a price per Special Warrant of C\$28.50 (USD\$ 22.71) (the "Issue Price") for aggregate gross proceeds to the Company of \$79,719 (the "Offering"). In accordance with ASC 815 – *Derivative and Hedging*, it was determined that the warrants do not contain an embedded conversion option as the instrument will be exercised, without required action by the holders, into Subordinate Voting Shares at a fixed price. As such, the warrants were treated entirely as equity. The Company granted such underwriters an option, exercisable by Beacon on behalf of the underwriters, in whole or in part at any time up to 48 hours prior to the closing date of the Offering, to purchase up to an additional 526,500 Special Warrants at the Issue Price for additional gross proceeds of up to \$11,958. Closing of the Offering occurred on March 11, 2021. The net proceeds of the Offering were used for acquisitions, working capital and general corporate purposes. Each Special Warrant entitles its holder to receive one Subordinate Voting Share. All Special Warrants were exercised on June 24, 2021 and are no longer outstanding.

In connection with convertible notes issued on November 25, 2019, Verano Holdings Corp. issued warrants to purchase 990,000 common shares with an exercise price of \$7.575 per share. The warrants have a three year term from the date of the issuance. The Company determined the fair value of the warrants to be \$5,062 using the Black-Scholes valuation model with a volatility of 85%, dividend yield of 0% and risk-free rate of 1.60%. A debt discount is reflected as a reduction of the carrying value of the note payable on the Company's consolidated statements of financial position and is being amortized over the term of the notes. Amortization of the debt issuance cost for warrants was \$4,572 and \$656 for the years ended December 31, 2020 and December 31, 2019, respectively.

11. SHARE CAPITAL *(Continued)*

(c) Warrants *(Continued)*

In August 2018, Verano Holdings, LLC issued a warrant for 424,242 Class B units at an exercise price of \$7.14, with a term of 5 years in connection with a credit facility (Note 10). The Company determined the fair value of the warrant to be \$2,662 using the Black-Scholes valuation model with a volatility of 85%, dividend yield of 0%, and risk-free rate of 2.87%. As there were no proceeds received in connection with the credit facility, the fair value was recorded as debt issuance costs on the consolidated balance sheet. These costs were amortized over the period of expected availability through December 31, 2018. The balance of the debt issuance costs associated with such warrant was fully amortized in 2018. The Company determined the fair value of the incremental units to be \$2,290. Verano Holdings, LLC amended the warrant agreement in 2019 that resulted in the warrants being exercisable for 751,973 Class B units at an exercise price of \$4.03 per unit. Such amended agreement preserves the presentation as equity and was presented as such as of December 31, 2019.

In connection with a subscription agreement offering in October of 2018, Verano Holdings, LLC entered into an agency agreement with Clarus Securities, Inc., (“Clarus”) pursuant to which Clarus would broker the subscription of up to \$12,000 of Class B units of Verano Holdings, LLC. On or about February 7, 2019, Verano Holdings, LLC and Clarus mutually agreed to terminate the agency agreement and any rights which may have arisen thereunder, in consideration for which Verano Holdings, LLC granted Clarus’s affiliate warrants for 100,000 Class B units at a price of \$21.73 per Class B unit. Clarus’s affiliate, Clarus Securities SIV, Inc., exercised the warrants in full on February 11, 2019 for aggregate proceeds to Verano Holdings, LLC of \$2,173.

The Company computes basic earnings per share by dividing net income available to its shareholders by the weighted-average number of shares of its stock outstanding, on an as converted basis. The Company weighs shares issued for the portion of the period that they were outstanding. The Company’s diluted earnings per share reflect the impacts of the Company’s potentially dilutive securities, which include the Company’s equity compensation awards.

(d) VIE Transactions

On July 1, 2021, VHGRX Holdings, LLC, a Delaware limited liability company (“VHGRX”) and an indirect subsidiary of the Company, acquired 100% of the membership interests of Green RX, LLC, (“GreenRx”), which holds a dispensary license in Ohio. The aggregate purchase price for such acquisition totaled approximately \$12,770 that was comprised of a prepaid deposit of \$1,644, 310 Proportionate Voting Shares valued at approximately \$506, and \$10,620 of cash payable in three installments. As of December 31, 2021, the present value of unpaid deferred consideration of \$2,780 is included in the acquisition price payable balance on the Company’s consolidated balance sheets and is payable in January and July 2022.

On March 8, 2021, the Company acquired individually insignificant non-controlling interests in Maryland Natural Treatment Solutions, LLC for an approximate aggregate purchase price of \$10.

During 2020, the Company entered into various agreements to acquire non-controlling interests in certain entities. As a result of the transactions, a Company affiliate now owns 100% of the membership interests in each entity. The aggregate purchase price for the membership interests totaled approximately \$6,900. The Company recorded these transactions as distributions to members and all non-controlling interests in these entities were transferred to members’ equity.

As of January 1, 2020, the Company had a 50% non-controlling interest in NatureX, LLC. The Company acquired 40% of the non-controlling interest on July 31, 2020 and acquired the remaining 10% on August 12, 2020 for an aggregate purchase price of \$1,300 of which \$200 is included in the acquisition price payable balance as of December 31, 2020.

On July 29, 2020, the Company acquired the remaining 25% non-controlling interest in Four Daughters Compassionate Care, Inc. for \$1.1 million.

In 2020, the Company acquired the remaining non-controlling interest in Healthway Services of West Illinois, LLC, for an aggregate purchase price of \$3,900 which is included in the acquisition price payable balance as of December 31, 2020.

In 2020, the Company acquired individually insignificant non-controlling interests for an approximate aggregate purchase price of \$531 in Class B units.

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12. INCOME TAXES

The Company accounts for income taxes in accordance with ASC 740 – *Income Taxes*, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases.

Verano is incorporated in British Columbia, Canada but maintains all of its operations in the United States. Due to this inverted entity structure, the Company is subject to both US and Canadian taxation.

For the years ended December 31, 2021, 2020 and 2019, income taxes expense consisted of:

	Years Ended December 31,		
	2021	2020	2019
Current:			
Federal	\$ 103,515	\$ 29,627	\$ 7,935
State	32,922	11,130	2,721
Foreign	-	-	-
Total Current:	136,437	40,757	10,656
Deferred:			
Federal	\$ (24,937)	\$ 1,073	\$ (253)
State	(7,373)	466	(70)
Foreign	-	-	-
Total Deferred	(32,310)	1,539	(323)
Total	\$ 104,127	\$ 42,296	\$ 10,333

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12. INCOME TAXES (Continued)

The difference between the income tax expense for the years ended December 31, 2021, 2020 and 2019 and the expected income taxes based on the statutory rate applied to earnings (loss) arises as follows:

	Years Ended December 31,		
	2021	2020	2019
Income/(Loss) before Income Taxes	\$ 91,869	\$ 82,452	\$ (8,491)
Statutory Tax rates	21%	21%	21%
Expense/(Recovery) based on Statutory Rates	19,292	17,315	(1,784)
Other Permanent Difference	48	(1,309)	-
Nondeductible 280E	50,520	10,663	7,018
Penalties	5,319	-	-
Noncontrolling interests	938	3,506	1,795
State	24,942	11,277	3,304
Book/Tax Basis Acquired Intangibles	-	2,445	-
Prior Year True Up	3,068	(1,601)	-
Other Differences	-	-	-
Income Tax Expense	\$ 104,127	\$ 42,296	\$ 10,333

Income taxes paid for the years ended December 31, 2021, 2020, and 2019 were \$27,962, \$10,237, and \$569 respectively.

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

Deferred taxes are provided using an asset and liability method whereby deferred tax assets are recognized based on the rates at which they are expected to reverse in the future. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that enactment occurs.

At December 31, 2021 and December 31, 2020, the components of deferred tax assets and (liabilities) were as follows:

	Years Ended December 31,	
	2021	2020
Deferred Tax Assets		
Lease Liabilities	\$ 515	\$ 549
Loyalty Point	730	752
Total Deferred Tax Assets	1,245	1,301
Deferred Tax Liabilities		
Operating Right of Use Assets	\$ (513)	\$ (484)
Intangibles	(263,716)	(15,641)
Total Deferred Tax Liabilities	(264,229)	(16,125)
Net Deferred Tax Liabilities	\$ (262,984)	\$ (14,824)

The Company operates in a number of tax jurisdictions and are subject to examination of its income tax returns by tax authorities in those jurisdictions who may challenge any item on these returns. Because the tax matters challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain.

12. INCOME TAXES (Continued)

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2021 and 2020, the Company had no unrecognized tax benefits. There are no positions for which it is reasonably possible that the uncertain tax benefit will significantly increase or decrease within twelve months. During the period ending December 31, 2021, the Company recorded \$5,319 in penalties and interest related to outstanding income tax liabilities, \$2,415 relating to the 2021 tax year and \$2,904 relating to the 2020 tax year. The Company files income tax returns in the US, various state jurisdictions, and Canada, which jurisdictions have varying statutes of limitations. The US federal statute of limitation remains open for the 2018 tax year to the present. The state income tax returns generally remain open for the 2018 tax year through the present. Net operating loss arising prior to these years are also open to examination if and when utilized.

13. LEASES

In February 2016, The FASB issued Accounting Standards Update No. 2016-02, “Leases (Topic 842)” (“ASC 842”), which requires lessees to put most leases on the balance sheet but recognize expense on the income statement in a manner similar to current accounting. On January 1, 2019, the Company adopted the standard and all related amendments, and practical expedients, excluding hindsight, using the optional transition method (modified retrospective approach) applied to leases at the adoption date. Under the

modified retrospective approach, comparative periods have not been restated and continue to be reported under the accounting standards in effect for those periods.

Operating lease right of use (“ROU”) assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. Upon adoption of ASC 842, ROU assets were adjusted for deferent rent and prepaids as of January 1, 2019. Lease expense is recognized on a straight-line basis over the expected lease term for operating leases. The Company’s incremental borrowing rate is used in determining the present value of future payments at the commencement date of the lease, or for the adoption of ASC 842 at January 1, 2019. Balances related to operating leases are included in ROU assets and lease liabilities on the consolidated balance sheet.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. Certain leases require payments for taxes, insurance, and maintenance, are considered non-lease components. The Company accounts for non-lease components separately.

The Company determines if an arrangement is a lease at inception. The Company must consider whether the contract conveys the right to control the use of an identified asset.

The Company leases certain business facilities from third parties under non-cancellable operating lease agreements that contain minimum rental provision that expire through 2037. Certain leases also contain renewal provision and provide for rent abatement and escalating payments.

During the years ended December 31, 2021, 2020, and 2019, the Company recorded approximately \$9,140, \$2,246, and \$1,889 in operating lease expense, of which \$804, \$695 and \$635 was included in cost of goods sold for the years ended December 31, 2021, 2020 and 2019, respectively.

Other information related to operating leases as of and for the years ended December 31, 2021, 2020, and 2019 were as follows:

	2021	2020	2019
Weighted average remaining lease term	8.52	6.66	6.08
Weighted average discount rate	8.11%	8.81%	8.0%

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13. LEASES (Continued)

Maturities of lease liabilities for operating leases as of December 31, 2021 were as follows:

	Year Ending December 31:	
	2022	11,457
	2023	11,024
	2024	10,348
	2025	9,717
	2026	8,818
	Thereafter	38,177
Total Lease Payments		89,541
Less: Interest		(26,166)
Present Value of Lease Liability		63,375

14. CONTINGENCIES

(a) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2021 there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated operations, except as disclosed in these consolidated financial statements. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(b) COVID-19 Uncertainty

The novel coronavirus (and various strains thereof) commonly referred to as "COVID-19" was initially identified in December 2019 in Wuhan, China. On March 11, 2020, the spread of COVID-19 was declared a pandemic by the World Health Organization. The outbreak spread throughout Europe, the Middle East and North America, causing companies and various international jurisdictions to impose vaccine mandates and restrictions such as quarantines, business closures, social distancing and travel restrictions, which resulted in material disruption to businesses in the US and globally and an economic slowdown.

The duration and severity of the business disruptions and related financial impact, as well as rising inflation and the impact of political unrest in Ukraine cannot reasonably be estimated at this time. As a result, it is possible that estimates in the Company's financial statements will change in the near term as a result of recent economics and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. For the time being and until economies stabilize, the Company has shifted its strategic approach and the manner in which it operates its business to continue providing high-quality products to its patients and customers and has put forth initiatives to ensure supply chains and compliance with governmental mandates regrading COVID-19.

These initiatives have allowed the Company to date to operate mostly uninterrupted and to implement its business continuity plan. Going forward, the extent of the impact of COVID-19 and economic uncertainty on the Company's operational and financial performance will depend on various developments, including the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted.

(c) Illegality of Cannabis at the U.S. Federal Level

Verano operates within states where cannabis use, medical or adult-use or both, has been approved by state and local regulatory bodies. Notwithstanding the permissive regulatory environment of medical, and in some cases also recreational marijuana at the state level, under U.S. federal law cannabis (other than hemp) is a Schedule I controlled substance under the Controlled Substances Act (21 U.S.C. § 811) (the "Controlled Substances Act") which means it is viewed by the U.S. federal government as a drug that has a high potential for abuse and no therapeutic value. Therefore, even in states or territories that have legalized cannabis to some extent, the cultivation, processing, distribution, possession and sale of cannabis violates the Controlled Substances Act. Moreover, individuals and entities may violate U.S. federal law if they aid and abet another in violating the Controlled Substances Act or conspire with another to violate the law. Violating the Controlled Substances Act is also a predicate for other crimes, including money laundering laws and the Racketeer Influenced and Corrupt Organizations Act. Violations of any U.S. 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, civil forfeiture or divestiture.

Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any of its subsidiaries. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its cannabis licenses in the U.S., the listing and trading of its securities on stock exchanges and platforms, its financial position, operating results, profitability, liquidity and 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 and resources could be substantial.

There can be no assurance that the comprehensive U.S. federal legislation that would de-schedule and de-criminalize cannabis will be passed in the near future or at all. If such legislation is passed, there is no guarantee that it will include provisions that preserve the current state-based

cannabis programs under which the Company's subsidiaries operate or that such legislation will otherwise be favorable to the Company and its business.

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15. SEGMENTS

The Company conducts and manages its business through two reportable segments, representing the major lines of the cannabis business: Cultivation (Wholesale) and Retail. The Cultivation (Wholesale) segment consists of the cultivation, production and sale of cannabis products to retail stores. The Retail segment consists of the retailing of cannabis to patients and consumers. Summarized financial information for these segments is as follows:

	Year Ended December 31,		
	2021	2020	2019
<i>Revenue, net of discounts</i>			
Cultivation (Wholesale)	\$ 217,739	\$ 156,223	\$ 46,068
Retail	591,591	88,470	22,925
Intersegment Eliminations	(71,480)	(16,163)	(3,025)
Total revenue, net of discounts	<u>\$ 737,850</u>	<u>\$ 228,530</u>	<u>\$ 65,968</u>
<i>Depreciation and amortization</i>			
Cultivation (Wholesale)	\$ 54,460	\$ 8,256	\$ 3,394
Retail	41,784	2,278	2,288
Total depreciation and amortization	<u>\$ 96,244</u>	<u>\$ 10,534</u>	<u>\$ 5,682</u>
<i>Capital expenditures</i>			
Cultivation (Wholesale)	\$ 91,549	\$ 45,699	\$ 46,930
Retail	56,961	14,454	12,111
Total capital expenditures	<u>\$ 148,510</u>	<u>\$ 60,153</u>	<u>\$ 59,041</u>
<i>Income taxes</i>			
Cultivation (Wholesale)	\$ 53,725	\$ 21,989	\$ 4,011
Retail	50,402	20,307	6,322
Total income taxes	<u>\$ 104,127</u>	<u>\$ 42,296</u>	<u>\$ 10,333</u>
<i>Net income (loss)</i>			
Cultivation (Wholesale)	\$ 58,182	\$ 69,706	\$ 12,707
Retail	(72,858)	(31,305)	(30,980)
Total net income (loss)	<u>\$ (14,676)</u>	<u>\$ 38,401</u>	<u>\$ (18,273)</u>

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	As of December 31,		
	2021	2020	2019
<i>Assets</i>			
Cultivation (Wholesale)	\$ 1,241,508	\$ 173,058	\$ 72,455
Retail	1,304,215	156,593	108,388
Total assets	<u>\$ 2,545,723</u>	<u>\$ 329,651</u>	<u>\$ 180,843</u>
<i>Liabilities</i>			
Cultivation (Wholesale)	\$ 217,180	\$ 28,760	\$ 29,502
Retail	849,808	147,493	39,313
Total liabilities	<u>\$ 1,066,988</u>	<u>\$ 176,253</u>	<u>\$ 68,815</u>

For the purposes of testing goodwill, the Company has identified 12 reporting units. The Company determined its reporting units by first reviewing the operating segments based on the geographic areas in which the Company conducts business (or each market). The markets were then further divided into reporting units based on the market operations (retail and cultivation) which were primarily determined based on the licenses each market holds. All revenues are derived from customers domiciled in the United States and all assets are located in the United States.

16. RELATED PARTY TRANSACTIONS

(a) Due from Related Parties

As of December 31, 2020, amounts due from related parties were comprised of balances due from investors of \$108. These amounts are due on demand and did not have formal contractual agreements governing payment terms or interest. As of December 31, 2021, such amounts have been repaid and the Company did not have any amounts due from related parties. Other related party transactions are described through these consolidated financial statements. Refer to Notes 8 and 10 for additional details of related party transactions.

(b) Due to Related Parties

As of December 31, 2020 amounts due to related parties were comprised of advances to investors payable totaling \$45. Advances did not have formal contractual agreements governing payment terms or interest. As of December 31, 2021, the Company did not have any amounts due to related parties. Refer to Notes 8 and 10 for additional details of related party transactions.

(c) Other

The Company issued promissory notes to accredited investors in the original principal amount of \$3,670 with simple annual interest of 10% per annum. The notes mature in March 2022 and are an accumulation of seven notes to finance construction of cultivation facilities in Florida and Arizona. There is one related party that accounts for \$150 of the outstanding principal amount as of December 31, 2021.

17. LOYALTY OBLIGATIONS

The Company has customer loyalty programs where retail customers accumulate points for each dollar of spending, net of tax. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis and vape products as part of an in-store sales transaction. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated probability of point obligation incurred, which is calculated based on a standalone selling price that ranges between \$0.05 and \$0.08 per loyalty point.

Upon redemption, the loyalty program obligation is relieved and the offset is recorded as revenue. The Company estimates that 25% of points will not be redeemed (breakage) and expects the remaining outstanding loyalty points will be redeemed within one year.

As of December 30, 2021, there were 111,475,459⁽¹⁾ points outstanding, with an approximate value of \$2,620 which is included in accrued liabilities. The Company is restructuring the loyal program in 2022. In states where the known points expired, the actual redemption value was applied.

As of December 31, 2020, there were 42,273,800⁽¹⁾ points outstanding, with an approximate value of \$2,061.

⁽¹⁾ Such amounts not in thousands.

18. CONSOLIDATION

In accordance with ASC 810, the Company consolidates through the variable interest model and the voting interest model. The following table presents the summarized financial information about the Company’s consolidated variable interest entities (“VIEs”) and, voting interest entities (“VOEs”), which are included in the consolidated balance sheets as of December 31, 2021 and 2020.

	<u>Consolidated VIE</u>		<u>Consolidated VOE</u>		<u>Consolidated VIE</u>	
	<u>December 31, 2021</u>				<u>December 31, 2020</u>	
Current Assets	\$	40,015	\$	20,464	\$	23,141
Due To/(From)		(25,275)		14,228		(66,353)
Non-Current Assets		204,421		226,108		145,618
Current Liabilities		31,599		22,659		18,319
Non-Current Liabilities		45,120		45,603		7,733
Equity attributable to Verano Holdings, Corp.		142,442		192,538		76,354

Consolidated Variable Interest Entities

As noted previously, a VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE (i.e., a controlling financial interest). Verano applies ASC 810-10-25-38A to determine whether it has a controlling financial interest in an entity determined to be a variable interest entity.

It is generally the Company’s practice to obtain a controlling financial interest in an entity through the purchase of a majority of the entity’s stock. In certain instances, it can take an extended period of time for a state to process the transfer of a cannabis license. When this is the case, the Company uses a combination of agreements, a closing agreement and a management services agreement (MSA) (collectively “the agreements”), to obtain control of the entity until the point in time when the license transfer is processed. At that point in time, the Company purchases the stock of the entity.

The agreements limit the sellers’ involvement in future operations of the entity, their risks of loss and their ability to receive distributions. The agreements grant the Company strategic decision-making ability over the daily business operations of the entity. This includes the ability to make decisions over staffing and payroll, the determination of product mix, advertising and the use and allocation of cash. Certain entities may require financing to build-out a dispensary. These financing requirements are typically funded by the Company within three months of closing and were less than \$3 million in all periods presented. Certain states may limit the distribution or transfer of cash until license transfer.

The Company controls the daily operation of the entity, absorbs all risk of loss and receives the expected future returns based on the rights granted it by the terms of the closing agreement and MSA, resulting in Verano being deemed the primary beneficiary.

Non-controlling interests (“NCI”) represent equity interests owned by outside parties. NCI may be initially measured at the NCI’s proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

Variable Interest Entities Consolidated under Voting Interest Entities Model

Pursuant to the 2012 Arizona Medical Marijuana Act, cannabis companies in Arizona are required to operate under a non-profit structure. This structure typically involves the execution of an MSA between a for-profit entity and a non-profit entity, which holds the cannabis license.

Upon closing on the acquisition of the for-profit entity, the closing agreement grants the Company the right to appoint the non-profit’s board of directors. Verano appoints the Company’s named officers to the board of the non-profit. The Company also establishes an MSA with the non-profit entity, which grants Verano the ability to manage the daily operations of the non-profit.

The Company’s power to control the daily operations of the non-profit is determined to represent a controlling financial interest in the non-profit. The Company consolidates the non-profit entity as a result.

19. FAIR VALUE MEASUREMENTS

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, credit-risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- 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.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, notes payable, acquisition consideration payable.

For the Company's long-term notes payable (which consist of credit facility and mortgage loans), for which there were no quoted market prices of active trading markets, it was not practicable to estimate the fair value of these financial instruments. The carrying amount of notes payable at December 31, 2021 and December 31, 2020 was \$289,925 and \$40,294, which includes \$13,771 and \$7,814, respectively, of short-term debt due within one year.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements.

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The following tables summarize the Company's financial instruments which are measured at fair value as of December 31, 2021 and 2020:

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 99,118	\$ -	\$ -	\$ 99,118
Acquisition Consideration Payable	-	-	(208,349)	(208,349)
Total	\$ 99,118	\$ -	\$ (208,349)	\$ (109,231)

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 16,402	\$ -	\$ -	\$ 16,402
Acquisition Consideration Payable	-	-	(33,290)	(33,290)
Total	\$ 16,402	\$ -	\$ (33,290)	\$ (16,888)

As of December 31, 2021, the Company remeasured its acquisition consideration arrangements associated with its 2021 acquisitions using 2021 actual and projected financial results. Certain acquisitions, including Agri-Kind, LLC and Agronomed Biologics, LLC, were remeasured using Monte Carlo simulation models and the Company's stock price as of December 31, 2021.

The remeasurement resulted in a net gain of \$13,676 which was driven by a change in Management's estimates and projections of the acquired entity's ability to achieve the performance targets as agreed to in the 2021 acquisition agreements along with the change in fair value of the shares to be issued. The amount was recorded, net, within other income/(expense) on the consolidated statement of operations.

20. SUBSEQUENT EVENTS

(a) Acquisitions

Goodness Growth Holdings

On February 1, 2022, the Company announced that it had entered into a definitive agreement to acquire all of the issued and outstanding equity interests in Goodness Growth Holdings, Inc. ("Goodness"), a vertically integrated company with licenses in New York, Minnesota, New Mexico, Arizona and Maryland. The transaction includes 18 active dispensaries; five cultivation and processing facilities; a research and development facility; and the Vireo, 1937, LiteBud, Kings & Queens, Hi-Color, and Amplifi product brand. Under the terms of the arrangement, the number of Subordinate Voting Shares to be issued in the transaction is based on a fixed exchange ratio with each outstanding Goodness share (on an as converted to Goodness subordinate voting shares basis) will receive 0.22652 of a Subordinate Voting Share. The terms of Goodness's outstanding stock options and restricted stock units will be adjusted to substitute Subordinate Voting Shares therein based on the fixed exchange ratio.

420 Capital Management, LLC (Greengate)

On March 11, 2022, the Company consummated the acquisition of 420 Capital Management, LLC, which operates two active dispensaries in Lombard and Rogers Park, Illinois. Total consideration included \$7,448 payable in cash and \$13,813 payable in Subordinate Voting Shares.

(b) Dispositions

Canna Cuzzos

In 2015, Verano entered a MSA and an option to purchase a 40% ownership interest in V Waldorf, LLC, the parent holding company of Canna Cuzzos, LLC ("Canna Cuzzos"), a Zen Leaf branded dispensary located in Waldorf, Maryland. On January 31, 2022, the ownership of the parent holding company was sold to a third party and the MSA with Canna Cuzzos was terminated.

20. SUBSEQUENT EVENTS *(Continued)*

ILDISP

On February 28, 2022, the Company consummated the disposition of its 50% ownership interest in ILDISP, LLC to the other 50% member in exchange for a combination of cash and stock of the other member.

(c) Financing

On March 1, 2022, the Credit Parties entered into an agreement to further amend the Amended and Restated Credit Agreement with the agents and lenders named therein, pursuant to which an additional \$100,000 was funded to the Company resulting in \$350,000 of total term loan commitments funded and outstanding. The \$100,000 term loan bears interest at a rate of 8.50%.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2020 and 2019

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March 26, 2021

To the Board of Managers
Plants of Ruskin GPS, LLC
dba AltMed Florida and Affiliate
Apollo Beach, Florida

Independent Auditor's Report

We have audited the accompanying combined financial statements of Plants of Ruskin GPS, LLC dba AltMed Florida and Affiliate (the Company), which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of combined the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial positions of Plants of Ruskin GPS, LLC dba AltMed Florida and Affiliate as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Cannabis Laws

As discussed in Note M to the combined financial statements, the Company operates in the cannabis industry which is legal in the State of Florida but illegal under United States federal law. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 17 to 20 is presented for the purpose of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the combined financial statements as a whole.

/s/ Hill, Barth & King LLC

Certified Public Accountants
3838 Tamiami Trail North, Suite 200
Naples, Florida 34103
March 26, 2021

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINED BALANCE SHEETS

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 13,577,455	\$ 4,985,739
Accounts receivable	80,145	452,828
Inventory	13,639,351	5,252,829
Other current assets	1,285,983	744,969
TOTAL CURRENT ASSETS	<u>28,582,934</u>	<u>11,436,365</u>
PROPERTY AND EQUIPMENT, NET	74,418,774	38,711,368
DEPOSITS	891,614	530,883
	<u>\$ 103,893,322</u>	<u>\$ 50,678,616</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 15,982,661	\$ 5,625,092
Current portion of lease liabilities	963,050	452,597
Current portion of long-term debt	209,889	75,931
TOTAL CURRENT LIABILITIES	<u>17,155,600</u>	<u>6,153,620</u>
<u>LONG-TERM LIABILITIES</u>		
Lease liabilities	15,233,450	8,414,741
Notes payable - related parties	3,670,000	2,500,000
Long-term debt	732,414	307,565
TOTAL LIABILITIES	<u>36,791,464</u>	<u>17,375,926</u>
MEMBERS' EQUITY	<u>67,101,858</u>	<u>33,302,690</u>
	<u>\$ 103,893,322</u>	<u>\$ 50,678,616</u>

See accompanying notes to combined financial statements

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINED STATEMENTS OF OPERATIONS

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>OPERATING INCOME</u>		
Sales	\$ 105,660,570	\$ 39,371,011
Cost of sales	<u>23,360,353</u>	<u>11,982,151</u>
GROSS PROFIT	<u>82,300,217</u>	<u>27,388,860</u>
<u>OPERATING EXPENSES</u>		
Advertising	981,872	607,327
Amortization	0	343,393
Contract labor and consulting	633,799	456,152
Depreciation	4,475,627	2,557,265
Insurance	2,173,843	958,231
Payroll - officers	340,000	321,875
Payroll - other	20,587,619	7,736,222
Other operating expenses	11,791,410	5,907,236
Less direct costs allocated to inventory and cost of sales	<u>(19,737,803)</u>	<u>(9,788,609)</u>
TOTAL OPERATING EXPENSES	<u>21,246,367</u>	<u>9,099,092</u>
INCOME FROM OPERATIONS	<u>61,053,850</u>	<u>18,289,768</u>
<u>OTHER INCOME (EXPENSES)</u>		
ATM commissions	109,017	35,869
Interest expense	(1,423,038)	(334,064)
Other expense	59,339	(7,178)
	<u>(1,254,682)</u>	<u>(305,373)</u>
NET INCOME	<u>\$ 59,799,168</u>	<u>\$ 17,984,395</u>

See accompanying notes to combined financial statements

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2020 and 2019

	<u>MEMBERSHIP UNITS</u>	<u>MEMBERS' EQUITY</u>	<u>TOTAL</u>
Balance at January 1, 2019	\$ 23,286,337	\$ (7,224,354)	\$ 16,061,983
Adoption of ASC 842, <i>Leases</i>	0	(43,688)	(43,688)
Distributions paid to members	0	(700,000)	(700,000)
Net income	0	17,984,395	17,984,395
Balance at December 31, 2019	<u>23,286,337</u>	<u>10,016,353</u>	<u>33,302,690</u>
Distributions paid to members	0	(26,000,000)	(26,000,000)
Net income	0	59,799,168	59,799,168
Balance at December 31, 2020	<u><u>\$ 23,286,337</u></u>	<u><u>\$ 43,815,521</u></u>	<u><u>\$ 67,101,858</u></u>

See accompanying notes to combined financial statements

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net income	\$ 59,799,168	\$ 17,984,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,475,627	2,900,658
Changes in assets and liabilities:		
Decrease in accounts receivable	372,683	39,532
Increase in inventory	(8,386,522)	(2,647,202)
Increase in other current assets	(541,014)	(486,346)
Increase in deposits	(360,731)	(262,375)
Increase in accounts payable and accrued expenses	10,944,342	2,778,348
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>66,303,553</u>	<u>20,307,010</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(32,045,814)	(18,052,535)
NET CASH USED IN INVESTING ACTIVITIES	<u>(32,045,814)</u>	<u>(18,052,535)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Member distributions	(26,000,000)	(700,000)
Payments on notes payable - related parties	(2,500,000)	(935,340)
Issuance of notes payable - related parties	3,670,000	0
Payments on long-term debt	(145,005)	0
Payments on lease liabilities	(691,018)	0
Borrowings on long-term debt	0	283,700
NET CASH USED IN FINANCING ACTIVITIES	<u>(25,666,023)</u>	<u>(1,351,640)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,591,716	902,835
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	4,985,739	4,082,904
End of year	<u>\$ 13,577,455</u>	<u>\$ 4,985,739</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 1,423,038</u>	<u>\$ 47,100</u>
Acquisition of vehicles in exchange for long-term debt	<u>\$ 703,812</u>	<u>\$ 85,340</u>
Construction costs paid for on account	<u>\$ 586,773</u>	<u>\$ 2,331,072</u>
Additions of right-of-use assets	<u>\$ 8,020,181</u>	<u>\$ 7,060,833</u>

See accompanying notes to combined financial statements

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - NATURE OF OPERATIONS

Organization and Nature of Business:

Plants of Ruskin GPS LLC (“GPS”) and RVC 360 LLC (“RVC”), (collectively, the Company) are limited liability companies organized in the United States (“U.S.”) in 2017 and 2015, respectively. GPS owns in whole its subsidiary Plants of Ruskin LLC (“POR”), a limited liability company, located in the State of Florida, that grows, cultivates, extracts, manufactures, and sells medical cannabis products. RVC engages in real estate activities that provide the facilities where Plants of Ruskin LLC operates. The Company does business as AltMed Florida and operates multiple dispensaries throughout the state of Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue and expenses are accounted for using the accrual basis.

Basis of Combination:

The accompanying combined financial statements include entities, which are controlled through common control. Control exists when the Company has the power, directly or indirectly, to govern financial and operating policies of an entity and be exposed to variable returns from its activities.

The combined financial statements include the accounts of GPS, its wholly-owned subsidiary POR, and RVC. All significant intercompany balances and transactions were eliminated in combination.

Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable:

The Company’s revenue consists primarily of retail sales to medical cannabis patients throughout the state of Florida. The Company received a waiver from the state of Florida to also sell extracted oil and flower to other medical cannabis licensees. The potential risk is limited to the amounts recorded in the combined financial statements. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Uncollectible amounts are charged to operations when determined uncollectible. The Company did not charge any uncollectible amounts to operations in 2020 and 2019.

Inventory:

Inventory consists primarily of raw materials, work-in-process, and finished goods and is stated at the lower of cost or net realizable value. Due to state and federal regulations, the Company tracks its cannabis products including raw materials from seed to finished goods. Work-in-process consists of raw materials, direct labor, and related production overhead.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased Assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased Assets (Continued):

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Property and Equipment:

Property and equipment are recorded at cost, net of depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method over the assets' estimated useful life. Asset classes and their respective useful lives are as follows:

	<u>YEARS</u>
Buildings	39
Leasehold improvements	5-39
Machinery and equipment	5-15
Furniture and fixtures	5-7
Lab equipment	5
Computer equipment	5
Vehicles	5

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

Revenue Recognition:

Revenue is recognized by the Company in accordance with ASC 606, Revenue from Contracts with Customers. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued):

In order to recognize revenue under ASC 606, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under ASC 606, revenues from the sale of cannabis are generally recognized at the point in time when control over the goods has been transferred to the customer. Payment is typically due upon transferring goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Advertising:

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 were \$981,872 and \$607,327, respectively.

Income Taxes:

The Company has elected to be taxed as a partnership for U.S. federal and state income tax. Members are taxed on a proportionate share of the Company's taxable income. Therefore, no provision or liability for U.S. federal or state income taxes has been included in the combined financial statements. Any trade or business which is trafficking in a controlled substance under Schedule I or Schedule II of the Controlled Substances Act is prohibited from claiming any deductions or credits against such business's income for the year. Pursuant to Section 280E of the U.S. Internal Revenue Code of 1986 as amended, the only available tax deduction for businesses engaged in the cultivation and production of medical cannabis is a deduction for cost of goods sold.

Pursuant to the Bipartisan Act of 2015, if selected for an audit, the streamlined audit rules for partnerships allows the U.S. IRS to assess and collect taxes at the partnership level. Additional tax assessed would be paid by the partnership at the highest individual or corporate tax rate. As of December 31, 2020 and 2019, the Company maintained no uncertain tax positions nor were interest or penalties recognized during the period under audit.

Use of Estimates:

The preparation of combined financial statements in accordance with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements:

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASC 842”), which will replace ASC 840, “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. For private companies, the standard will be effective for annual periods beginning on or after December 15, 2021, with earlier application permitted. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company has effectively applied the modified retrospective approach and noted the impact of the new standard on the combined statements of changes in members’ equity.

Subsequent Events:

Management evaluated all activity of the Company through March 26, 2021, the date the combined financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the combined financial statements or notes, except as described below.

Subsequent to the year end, the Company has continued construction on the expansion of its cultivation and manufacturing facilities. Total capital expenditures for the expansion of such facilities through year end 2021 is expected to be approximately \$22,000,000. As of the date of this report, the Company has completed construction on the facility and the contract balance has been substantially paid in full.

Subsequent to the year end, the Company opened two more dispensaries in Florida at a total cost of approximately \$1,200,000.

On November 11, 2020, the Company entered into an agreement with Verano Holdings to sell its membership units for total consideration net of fees totaling \$370,881,750 consisting of 8,534,521.2139 Class A shares and 256,035.6344 Class B shares. This transaction was finalized subsequent to the year end.

NOTE C - CONCENTRATIONS

Financial instruments which potentially subject the Company to concentration of credit risks include cash and cash equivalents in financial institutions, which under U.S. federal law, money obtained from activities related to the marijuana industry cannot be federally insured. At December 31, 2020 and 2019, the Company had balances of \$13,577,455 and \$4,985,739, respectively, in uninsured cash and cash equivalents in financial instruments.

The Company had two major suppliers with significant outstanding accounts payable balances of approximately 54% at December 31, 2020. The Company had three major suppliers with significant outstanding accounts payable balances of approximately 53% at December 31, 2019.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE D - INVENTORY

Inventory at December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Raw materials	\$ 1,717,832	\$ 1,631,427
Work-in-process	8,217,661	2,056,167
Finished goods	3,703,858	1,565,235
TOTALS	<u>\$ 13,639,351</u>	<u>\$ 5,252,829</u>

NOTE E - OTHER CURRENT ASSETS

Other current assets at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Prepaid expenses	\$ 1,245,237	\$ 585,644
Related party receivables	40,246	156,225
Other receivables	500	3,100
TOTALS	<u>\$ 1,285,983</u>	<u>\$ 744,969</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Leasehold improvements	\$ 28,725,581	\$ 21,311,063
Machinery and equipment	12,366,444	3,948,076
Buildings	19,166,872	1,989,547
Lab equipment	2,054,112	1,927,148
Computer equipment	3,422,752	1,429,165
Land	467,661	391,661
Furniture and fixtures	3,247,224	1,274,095
Construction in process	11,877,957	9,217,850
Vehicles	1,246,781	474,380
	<u>82,575,384</u>	<u>41,962,985</u>
Less accumulated depreciation	<u>8,156,610</u>	<u>3,251,617</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 74,418,774</u>	<u>\$ 38,711,368</u>

Depreciation expense was \$4,475,627 and \$2,557,265 for the years ended December 31, 2020 and 2019, respectively.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE G - INTANGIBLE ASSETS

Intangible assets consist of legal fees and other costs incurred to obtain the medical marijuana license required to operate in the State of Florida. Intangible assets are amortized over the license period of two years. Intangible assets totaled \$1,177,348 and are fully amortized for the years ended December 31, 2020 and 2019.

NOTE H - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Accounts payable - trade	\$ 2,403,997	\$ 2,707,203
Accrued expenses	11,419,349	2,534,935
Payroll liabilities	2,015,500	328,440
Accrued paid time-off	137,030	52,662
Other accrued expenses	6,785	1,852
TOTALS	<u>\$ 15,982,661</u>	<u>\$ 5,625,092</u>

NOTE I - LONG-TERM DEBT

Long-term debt at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Notes payable to Ford Motor Credit, monthly payments totaling \$8,952 including interest ranging from 7.7%-10.9%, maturing through November 2024, secured by vehicles.	\$ 942,303	\$ 383,496
Notes payable to related parties, totaling \$3,670,000, not including simple annual interest of 10%, maturing through March 2022.	3,670,000	0
TOTAL DEBT	<u>4,612,303</u>	383,496
Less current portion	<u>209,889</u>	75,931
	<u>\$ 4,402,414</u>	<u>\$ 307,565</u>

Maturities related to this debt are as follows:

2021	\$ 209,889
2022	3,896,936
2023	233,621
2024	203,743
2025	68,114
TOTAL	<u>\$ 4,612,303</u>

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE J - MEMBERS' EQUITY

Both GPS and RVC are limited liability companies organized in the State of Florida. Members' liability is limited to their investment in each company. GPS and RVC each have 10,000,000 shares of membership units authorized and 9,999,998 issued and outstanding, totaling 20,000,000 membership units authorized and 19,999,996 issued and outstanding. GPS and RVC each have a single class of membership units. However, as described in Note K, the Company's founders are entitled to a payment and/or debt repayment in the aggregate of \$7,500,000 from the contributed capital before any distributions are payable by the Company to other members.

NOTE K - RELATED PARTY TRANSACTIONS

The Company shares administrative offices and administrative personnel with an entity controlled by a related party. The Company pays a month-to-month rent expense of \$5,000. As of December 31, 2020 and 2019, the related party did not expect repayment of any additional costs incurred.

The operating agreement and subscription agreements of both GPS and RVC state the Company's founders are entitled to a payment and/or debt repayment in the aggregate of \$7,500,000 from the contributed capital before any distributions are payable by the Company to other members. The notes are payable on demand, bear no stated interest rate, and are unsecured. One founder agreed to forego payment in exchange for interest totaling \$21,000 and \$25,500 for the years ended December 31, 2020 and 2019 **and 2019**, respectively. As of December 31, 2020 and 2019, the founder notes payable totaled \$0 and \$2,500,000, respectively. The \$7,500,000 founder note payable was paid in full as of December 31, 2020.

The Company received funding in the aggregate of \$3,670,000 from eight related parties for the build out of the cultivation facility in Apollo Beach. The two-year notes are payable on demand at month 18, bear 10% simple annual interest, interest paid annually.

NOTE L - LEASES

As of December 31, the Company's lease liabilities consisted of the following:

	2020	2019
Balance, beginning of year	\$ 8,867,338	\$ 1,816,496
Additions	8,020,181	7,298,121
Lease and interest payments, accretion, and accrued interest, net	691,019	247,279
Balance, end of year	16,196,500	8,867,338
Lease liability - current portion	963,050	452,597
Lease liability - noncurrent portion	\$ 15,233,450	\$ 8,414,741

The Company has lease liabilities for leases related to real estate used for dispensaries. The weighted average discount rate for the year ended December 31, 2020 was 8%. Interest expense charged to operations for right-of-use lease liabilities totaled \$990,787 and \$288,021 for the years ended December 31, 2020 and 2019, respectively.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE L - LEASES (CONTINUED)

Minimum future non-cancelable lease commitments are as follows:

2021	\$	2,224,879
2022		2,321,635
2023		2,399,379
2024		2,475,549
2025		2,527,179
Thereafter		11,725,546
Total undiscounted lease liabilities		23,674,167
Interest on lease liabilities		(7,477,667)
Total present value of minimum lease payments		16,196,500
Lease liability - current portion		963,050
Lease liability - noncurrent	\$	<u>15,233,450</u>

NOTE M - RISKS AND UNCERTAINTIES

Marijuana Remains Illegal under Federal Law:

The Company engages in the medical marijuana business. Marijuana is currently illegal under U.S. federal law. It is a Schedule I controlled substance. Accordingly, in those jurisdictions in which the use of medical marijuana has been legalized at the U.S. state level, its prescription is a violation of federal law. The U.S. Supreme Court has ruled that the U.S. federal government has the right to regulate and criminalize marijuana, even for medical purposes. Therefore, U.S. federal law criminalizing the use of marijuana supersedes U.S. state laws that legalize its use for medicinal purposes. The Obama administration made a policy decision to allow U.S. states to implement these laws and not prosecute anyone operating in accordance with applicable U.S. state law. A change in the U.S. federal position towards enforcement could cripple the industry, rendering the Company unable to operate. Moreover, a change in the U.S. federal position towards enforcement could result in U.S. federal law enforcement seizing the assets of the Company, which would result in a complete loss for the Company. Additionally, the U.S. federal government could extend enforcement of the antidrug laws against people who are assisting the medical marijuana industry, including investors and finance sources.

Banking Difficulties:

As discussed above, the cultivation, sale, and use of marijuana is illegal under U.S. federal law. Therefore, there is a compelling argument that banks cannot accept deposit funds from the medical marijuana business and therefore would not be able to do business with the Company. As such, the Company may have trouble finding a bank willing to accept its business. There can be no assurance that banks in U.S. states currently or in the future will decide to do business with medical marijuana growers or retailers, or that in the absence of U.S. legislation, U.S. state and federal banking regulators will not strictly enforce current prohibitions on banks handling funds generated from an activity that is illegal under U.S. federal law. This may make it difficult for the Company to open accounts, use the service of banks, and otherwise transact business, which in turn may negatively affect the Company.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

NOTE M - RISKS AND UNCERTAINTIES (CONTINUED)

COVID-19 Pandemic:

On January 30, 2020 the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINING BALANCE SHEET

December 31, 2020

	<u>POR</u>	<u>RVC</u>	<u>GPS</u>	<u>Total Uncombined</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 13,571,860	\$ 3,015	\$ 2,580	\$ 13,577,455	\$ 0	\$ 13,577,455
Accounts receivable	80,145	0	0	80,145	0	80,145
Inventory	13,639,351	0	0	13,639,351	0	13,639,351
Other current assets	1,285,983	0	0	1,285,983	0	1,285,983
TOTAL CURRENT ASSETS	28,577,339	3,015	2,580	28,582,934	0	28,582,934
PROPERTY AND EQUIPMENT, NET	55,333,851	19,084,923	0	74,418,774	0	74,418,774
OTHER ASSETS						
Deposits	852,341	39,273	0	891,614	0	891,614
Due from related parties	10,797,556	0	0	10,797,556	(10,797,556)	0
TOTAL OTHER ASSETS	11,649,897	39,273	0	11,689,170	(10,797,556)	891,614
	<u>\$ 95,561,087</u>	<u>\$ 19,127,211</u>	<u>\$ 2,580</u>	<u>\$ 114,690,878</u>	<u>\$ (10,797,556)</u>	<u>\$ 103,893,322</u>
LIABILITIES AND MEMBERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 5,982,661	\$ 0	\$ 10,000,000	\$ 15,982,661	\$ 0	\$ 15,982,661
Current portion of lease liabilities	963,050	0	0	963,050	0	963,050
Current portion of long-term debt	209,889	0	0	209,889	0	209,889
TOTAL CURRENT LIABILITIES	7,155,600	0	10,000,000	17,155,600	0	17,155,600
LONG-TERM LIABILITIES						
Due to related parties	0	0	4,763,929	4,763,929	(4,763,929)	0
Lease liabilities	15,233,450	0	0	15,233,450	0	15,233,450
Notes payable - related parties	3,670,000	0	0	3,670,000	0	3,670,000
Long-term debt	732,414	13,322,059	0	14,054,473	(13,322,059)	732,414
TOTAL LIABILITIES	26,791,464	13,322,059	14,763,929	54,877,452	(18,085,988)	36,791,464
MEMBERS' EQUITY						
	68,769,623	5,805,152	(14,761,349)	59,813,426	7,288,432	67,101,858
	<u>\$ 95,561,087</u>	<u>\$ 19,127,211</u>	<u>\$ 2,580</u>	<u>\$ 114,690,878</u>	<u>\$ (10,797,556)</u>	<u>\$ 103,893,322</u>

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINING STATEMENT OF OPERATIONS

Year ended December 31, 2020

	<u>POR</u>	<u>RVC</u>	<u>GPS</u>	<u>Total Uncombined</u>	<u>Eliminations</u>	<u>Combined</u>
<u>OPERATING INCOME</u>						
Sales	\$ 105,660,570	\$ 0	\$ 0	\$ 105,660,570	\$ 0	\$ 105,660,570
Cost of sales	<u>25,886,039</u>	<u>0</u>	<u>0</u>	<u>25,886,039</u>	<u>(2,525,686)</u>	<u>23,360,353</u>
GROSS PROFIT	<u>79,774,531</u>	<u>0</u>	<u>0</u>	<u>79,774,531</u>	<u>2,525,686</u>	<u>82,300,217</u>
<u>OPERATING EXPENSES</u>						
Advertising	981,872	0	0	981,872	0	981,872
Amortization	0	0	0	0	0	0
Contract labor and consulting	423,799	210,000	0	633,799	0	633,799
Depreciation	2,112,705	2,362,922	0	4,475,627	0	4,475,627
Insurance	2,173,843	0	0	2,173,843	0	2,173,843
Payroll - officers	340,000	0	0	340,000	0	340,000
Payroll - other	20,587,619	0	0	20,587,619	0	20,587,619
Other operating expenses	15,861,878	128,769	763	15,991,410	(4,200,000)	11,791,410
Less direct costs allocated to inventory and cost of sales	<u>(21,772,018)</u>	<u>0</u>	<u>0</u>	<u>(21,772,018)</u>	<u>2,034,215</u>	<u>(19,737,803)</u>
TOTAL OPERATING EXPENSES	<u>20,709,698</u>	<u>2,701,691</u>	<u>763</u>	<u>23,412,152</u>	<u>(2,165,785)</u>	<u>21,246,367</u>
INCOME (LOSS) FROM OPERATIONS	<u>59,064,833</u>	<u>(2,701,691)</u>	<u>(763)</u>	<u>56,362,379</u>	<u>4,691,471</u>	<u>61,053,850</u>
<u>OTHER INCOME (EXPENSES)</u>						
Rental income	0	4,200,000	0	4,200,000	(4,200,000)	0
ATM commissions	109,017	0	0	109,017	0	109,017
Interest expense	(1,402,038)	(21,000)	0	(1,423,038)	0	(1,423,038)
Other expense	59,339	0	0	59,339	0	59,339
	<u>(1,233,682)</u>	<u>4,179,000</u>	<u>0</u>	<u>2,945,318</u>	<u>(4,200,000)</u>	<u>(1,254,682)</u>
NET INCOME (LOSS)	<u>\$ 57,831,151</u>	<u>\$ 1,477,309</u>	<u>\$ (763)</u>	<u>\$ 59,307,697</u>	<u>\$ 491,471</u>	<u>\$ 59,799,168</u>

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINING BALANCE SHEET

December 31, 2019

	<u>POR</u>	<u>RVC</u>	<u>GPS</u>	<u>Total Uncombined</u>	<u>Eliminations</u>	<u>Combined</u>
<u>ASSETS</u>						
<u>CURRENT ASSETS</u>						
Cash and cash equivalents	\$ 4,621,570	\$ 178,826	\$ 185,343	\$ 4,985,739	\$ 0	\$ 4,985,739
Accounts receivable	452,828	1,920,000	0	2,372,828	(1,920,000)	452,828
Inventory	5,744,300	0	0	5,744,300	(491,471)	5,252,829
Other current assets	744,969	0	0	744,969	0	744,969
TOTAL CURRENT ASSETS	11,563,667	2,098,826	185,343	13,847,836	(2,411,471)	11,436,365
<u>PROPERTY AND EQUIPMENT, NET</u>	28,025,090	10,686,278	0	38,711,368	0	38,711,368
<u>OTHER ASSETS</u>						
Deposits	491,610	39,273	0	530,883	0	530,883
Due from related parties	7,764,555	4,292,524	11,054,071	23,111,150	(23,111,150)	0
TOTAL OTHER ASSETS	8,256,165	4,331,797	11,054,071	23,642,033	(23,111,150)	530,883
	<u>\$47,844,922</u>	<u>\$17,116,901</u>	<u>\$11,239,414</u>	<u>\$76,201,237</u>	<u>\$(25,522,621)</u>	<u>\$50,678,616</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>						
<u>CURRENT LIABILITIES</u>						
Accounts payable and accrued expenses	\$ 7,065,092	\$ 0	\$ 0	\$ 7,065,092	\$ (1,440,000)	\$ 5,625,092
Current portion of lease liabilities	452,597	0	0	452,597	0	452,597
Current portion of long-term debt	75,931	0	0	75,931	0	75,931
TOTAL CURRENT LIABILITIES	7,593,620	0	0	7,593,620	(1,440,000)	6,153,620
<u>LONG-TERM LIABILITIES</u>						
Lease liabilities	8,414,741	0	0	8,414,741	0	8,414,741
Notes payable - related parties	480,000	2,500,000	0	2,980,000	(480,000)	2,500,000
Long-term debt	4,600,089	10,289,058	0	14,889,147	(14,581,582)	307,565
TOTAL LIABILITIES	21,088,450	12,789,058	0	33,877,508	(16,501,582)	17,375,926
<u>MEMBERS' EQUITY</u>	26,756,472	4,327,843	11,239,414	42,323,729	(9,021,039)	33,302,690
	<u>\$47,844,922</u>	<u>\$17,116,901</u>	<u>\$11,239,414</u>	<u>\$76,201,237</u>	<u>\$(25,522,621)</u>	<u>\$50,678,616</u>

PLANTS OF RUSKIN GPS, LLC DBA ALTMED FLORIDA AND AFFILIATE

COMBINING STATEMENT OF OPERATIONS

Year ended December 31, 2019

	<u>POR</u>	<u>RVC</u>	<u>GPS</u>	<u>Total Uncombined</u>	<u>Eliminations</u>	<u>Combined</u>
<u>OPERATING INCOME</u>						
Sales	\$ 39,371,011	\$ 0	\$ 0	\$ 39,371,011	\$ 0	\$ 39,371,011
Cost of sales	<u>13,771,446</u>	<u>0</u>	<u>0</u>	<u>13,771,446</u>	<u>(1,789,295)</u>	<u>11,982,151</u>
GROSS PROFIT	<u>25,599,565</u>	<u>0</u>	<u>0</u>	<u>25,599,565</u>	<u>1,789,295</u>	<u>27,388,860</u>
<u>OPERATING EXPENSES</u>						
Advertising	607,327	0	0	607,327	0	607,327
Amortization	343,393	0	0	343,393	0	343,393
Contract labor and consulting	246,152	210,000	0	456,152	0	456,152
Depreciation	1,372,337	1,184,928	0	2,557,265	0	2,557,265
Insurance	922,990	35,241	0	958,231	0	958,231
Payroll	8,058,097	0	0	8,058,097	0	8,058,097
Other operating expenses	7,813,729	127,507	6,000	7,947,236	(2,040,000)	5,907,236
Less direct costs allocated to inventory and cost of sales	<u>(11,828,609)</u>	<u>0</u>	<u>0</u>	<u>(11,828,609)</u>	<u>2,040,000</u>	<u>(9,788,609)</u>
TOTAL OPERATING EXPENSES	<u>7,535,416</u>	<u>1,557,676</u>	<u>6,000</u>	<u>9,099,092</u>	<u>0</u>	<u>9,099,092</u>
INCOME (LOSS) FROM OPERATIONS	<u>18,064,149</u>	<u>(1,557,676)</u>	<u>(6,000)</u>	<u>16,500,473</u>	<u>1,789,295</u>	<u>18,289,768</u>
<u>OTHER INCOME (EXPENSES)</u>						
Rental income	0	2,040,000	0	2,040,000	(2,040,000)	0
ATM commissions	35,869	0	0	35,869	0	35,869
Interest expense	(308,564)	(25,500)	0	(334,064)	0	(334,064)
Other expense	(9,338)	2,160	0	(7,178)	0	(7,178)
	<u>(282,033)</u>	<u>2,016,660</u>	<u>0</u>	<u>1,734,627</u>	<u>(2,040,000)</u>	<u>(305,373)</u>
NET INCOME (LOSS)	<u>\$ 17,782,116</u>	<u>\$ 458,984</u>	<u>\$ (6,000)</u>	<u>\$ 18,235,100</u>	<u>\$ (250,705)</u>	<u>\$ 17,984,395</u>

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

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March 31, 2021

To the Board of Directors and Members
Alternative Medical Enterprises, LLC and
Affiliates
Phoenix, Arizona

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Alternative Medical Enterprises, LLC and Affiliates (collectively 'the Company'), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statement of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We will also obtain sufficient appropriate audit evidence regarding the financial information of the entities or business. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alternative Medical Enterprises, LLC and Affiliates as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Cannabis Laws

As discussed in Note P to the consolidated financial statements, the Company operates in the cannabis industry which is legal in the State of Arizona but illegal under United States federal law. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 consolidating information on pages 23 and 24 is presented for the purpose of additional analysis and of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

/s/ Hill, Barth & King LLC

Certified Public Accountants
3838 Tamiami Trail North, Suite 200
Naples, Florida 34103
March 31, 2021

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATED BALANCE SHEET

Year ended December 31, 2020

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	\$ 957,389
Accounts receivable, net	285,062
Notes receivable	263,896
Inventories	3,549,557
Other current assets	221,109
TOTAL CURRENT ASSETS	<u>5,277,013</u>
PROPERTY AND EQUIPMENT, NET	12,480,460
<u>OTHER ASSETS</u>	
Intangible assets, net	4,564,588
Investments in related companies, net	41,862,377
Security deposits	41,353
TOTAL OTHER ASSETS	<u>46,468,318</u>
	<u>\$ 64,225,791</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable	\$ 458,001
Accrued expenses and other liabilities	822,502
Current portion of lease liabilities	133,458
Current portion of long-term debt	1,468,063
Income tax payable	210,000
TOTAL CURRENT LIABILITIES	<u>3,092,024</u>
<u>LONG-TERM LIABILITIES</u>	
Lease liabilities, net of current portion	54,536
Long-term debt, net of current portion	1,083,741
TOTAL LIABILITIES	<u>4,230,301</u>
MEMBERS' EQUITY	59,995,490
	<u>\$ 64,225,791</u>

See accompanying notes to consolidated financial statements

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2020

<u>OPERATING INCOME</u>	
Sales	\$ 20,648,304
Cost of sales	<u>9,803,515</u>
GROSS PROFIT	<u>10,844,789</u>
<u>OPERATING EXPENSES</u>	
General and administrative expenses	4,543,847
Amortization	627,897
Depreciation	751,150
TOTAL OPERATING EXPENSES	<u>5,922,894</u>
INCOME FROM OPERATIONS	<u>4,921,895</u>
<u>OTHER INCOME (EXPENSES)</u>	
Income from investments in related companies	24,517,659
Income from sale of investment	885,678
Interest expense	(175,445)
Loss on sale of property and equipment	(415,575)
Other income	3,674
	<u>24,815,991</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>29,737,886</u>
<u>PROVISION FOR INCOME TAXES</u>	<u>210,000</u>
NET INCOME	<u>\$ 29,527,886</u>

See accompanying notes to consolidated financial statements

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

Year ended December 31, 2020

Balance at December 31, 2019	\$	37,959,108
Contribution from members		1,000,000
Distributions to members		(8,491,504)
Net income		29,527,886
Balance at December 31, 2020	\$	<u>59,995,490</u>

See accompanying notes to consolidated financial statements

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2020

<u>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Net income	\$ 29,527,886
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	751,150
Amortization	627,897
Income from investment in related companies	(24,517,659)
Loss on sale of property and equipment	415,575
Changes in assets and liabilities:	
Decrease in accounts and notes receivable	932,802
Increase in inventories	(1,164,131)
Decrease in prepaid expenses	81,128
Increase in security deposits	(1,199)
Decrease in accounts payable	(122,193)
Increase in accrued expenses and other liabilities	446,791
Increase in income taxes payable	210,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,188,047</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Distributions received from investments in related companies	6,559,997
Purchase of property and equipment	(5,180,287)
Proceeds from sale of property and equipment	125,323
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,505,033</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Payments on lease liabilities	(601,401)
Payments on long-term debt	(1,578,196)
Contributions from members	1,000,000
Distributions to members	(8,491,504)
NET CASH USED IN FINANCING ACTIVITIES	<u>(9,671,101)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(978,021)</u>
<u>CASH AND CASH EQUIVALENTS</u>	
Beginning of year	1,935,410
End of year	<u>\$ 957,389</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</u>	
Cash paid during the year for:	
Interest	\$ 175,445
Acquisitions of property and equipment through debt	<u>\$ 3,130,000</u>

See accompanying notes to consolidated financial statements

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

NOTE A - NATURE OF OPERATIONS

Organization and Nature of Business:

Alternative Medical Enterprises, LLC and Affiliates (collectively, the Company) consists of the following entities:

Alternative Medical Enterprises, LLC (“AME”) (aka WP&RS Enterprises, LLC), was organized in 2014 as a limited liability company under the laws of the State of Florida. Alternative Medical Enterprises, LLC, through its subsidiaries, grows, cultivates, extracts, manufactures, and sells medical and recreational cannabis products. (MMJ).

Alternative Medical Enterprises, LLC owns 100% of the following companies:

AltMed, LLC, a Florida limited liability company, was formed in 2014, and it owns 41% of a license in Florida to grow, cultivate, extract, manufacture, and sell medical cannabis products. NuTrae, LLC, a Florida limited liability company, was formed in 2014, and develops products for cannabis delivery systems and licenses intellectual property to other parties. Agronomy Holdings, LLC (aka AltMed North America, LLC), a Florida limited liability company, was formed in 2015, and is a holding company for ventures entered outside the state of Florida. MuV Health, LLC, an Arizona limited liability company, was organized in 2019 to produce and sell CBD only products. Cave Creek RE, LLC was formed in 2020 in the state of Arizona as a real estate holding company.

Agronomy Holdings, LLC owns 100% of Agronomy Innovations, LLC, an Arizona limited liability company, was acquired during 2015, and is a cannabis cultivation facility located in Arizona.

Fort Consulting, LLC (the Dispensary) operates as a Medical Marijuana Dispensary and under the rules and regulations of the Arizona Department of Health Services - Medical Marijuana Program. The Dispensary is an Arizona nonprofit organization, incorporated under the laws of the state of Arizona in July 2016. The Dispensary’s primary mission is to run a patient-centric wellness which processes the highest-grade medical marijuana in Arizona. The Dispensary has a goal of infusing horticultural innovations and sympathetic treatments into the Arizona medical marijuana industry and is committed to combining mental and physical health in a format previously inaccessible to terminally ill and other patients. The Dispensary has a one-year license with the Arizona Department of Health Services to operate a Medical Marijuana Dispensary in the state of Arizona. The contract is renewed annually.

Alternative Medical Enterprises, LLC, AltMed, LLC, NuTrae, LLC, Agronomy Holdings, LLC, Agronomy Innovations, LLC, Fort Consulting, LLC, Cave Creek RE, LLC and MuV Health, LLC will be referred to herein as “the Company”.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance:

The significant policies that have been applied in the preparation of these consolidated financial statements are summarized below. These accounting policies have been used throughout all periods presented in the consolidated financial statements.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company which are affiliated by virtue of common ownership and control. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of Presentation:

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as issued by the Financial Accounting Standards Board ("FASB").

Basis of Measurement:

The consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments, which are measured at fair value.

Functional Currency:

The functional currency of the Company, as determined by management, is the United States ("U.S.") dollar. These consolidated financial statements are presented in U.S. dollars.

Revenue Recognition:

Revenue is recognized by the Company in accordance with ASC 606, Revenue from Contracts with Customers. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under ASC 606, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract;
- Recognize revenue when or as the Company satisfies the performance obligation(s).

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued):

Under ASC 606, revenues from the sale of cannabis are generally recognized at the point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Use of Estimates:

The preparation of consolidated financial statements in accordance with U.S generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Credit Risk:

The Company maintains cash balances at financial institutions in excess of federally insured limits from time to time. The Company has experienced no losses due to this concentration.

Accounts Receivable:

The Company's revenue consists primarily of retail sales to medical cannabis patients throughout the state of Arizona and to other medical cannabis licensees. The potential risk is limited to the amounts recorded in the consolidated financial statements. The Company provides for potentially uncollectable accounts receivable by use of the allowance method. The allowance is provided based upon a review of the individual accounts outstanding, prior history of uncollectable accounts receivable and existing economic conditions. Normal accounts receivable are due 15 days after the issuance of the invoice. Receivables past due more than 60 days are considered delinquent. The allowance for doubtful accounts was \$9,625 as of December 31, 2020. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories:

Inventory of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost or net realizable value. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at lower of cost or net realizable value. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable:

The Company sold interests to related parties in exchange for notes receivable in the amount of the interest sold. The expectation was that these notes would be paid within three years. Any distributions the related parties receive as their share of income will first go towards the payment of the note receivable, and only after that note has been paid will they receive future distributions. The balance of notes receivable as of December 31, 2020 is \$163,895.

The Company's share in one of its related parties was repurchased for \$1,800,000 in exchange for cash and a promissory note with a maturity date of December 31, 2021 and a face amount of \$1,400,000. There was no outstanding balance as of December 31, 2020.

Prepaid Expenses:

The Company pays for certain expenses in advance of receipt of goods or services. The amount is expensed over the term of contract or period for which the expenses are paid, using the straight-line method.

Advertising:

The Company expenses advertising as incurred. Advertising expenses were \$232,785 for the year ended December 31, 2020.

Leased Assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased Assets (Continued):

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Property and Equipment:

Property and equipment are recorded at cost, net of depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are depreciated over the lesser of the useful life or the lease term. Depreciation is computed using the straight-line method over the assets' estimated useful life. Asset classes and their respective useful lives are as follows:

	<u>YEARS</u>
Buildings	39
Leasehold improvements	5-39
Machinery and equipment	5-15
Furniture and fixtures	5-7
Lab equipment	3-5
Computer equipment	5
Vehicles	5

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued):

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

Income Taxes:

As limited liability companies, the Company's taxable income or loss is allocated to members in accordance with their respective percentage of ownership. Therefore, no provision for income taxes has been included in the consolidated financial statements.

Deferred Income Taxes - Fort Consulting, LLC - Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consists of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and tax purposes). The deferred tax liability represents future tax return consequences for those differences, which will be deductible when the assets and liabilities are recovered or settled.

With limited exceptions, the Company is no longer subject to income tax examination for returns filed more than three years ago. The Company believes the only years open for potential IRS audits are the year ending December 31, 2018, 2019 and 2020. Management has performed an evaluation of income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain tax positions in the accompanying consolidated financial statements.

Fair Value Measurements:

ASC 820, "Fair Value Measurement", establishes the minimum disclosure requirements for fair value measurements (and those based on fair value) that are recognized in the consolidated balance sheet after initial recognition. The requirements vary depending on whether the fair value measurements are recurring or non-recurring and their categorization within the fair value hierarchy (i.e. Level 1, 2, or 3).

In order to determine the appropriate categorization of a fair value measurement (as a whole) within the hierarchy, the Company determines the categorization of the inputs used to measure fair value and categorization of the fair value measurement (as a whole). ASC 820's fair value hierarchy categorizes inputs to valuation techniques into the following levels, based on their observability:

Level 1 - Quoted prices (that are unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued):

A fair value measurement (as a whole) is categorized within the fair value hierarchy, based on the lowest level of input that is significant to the entire measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The Company has a number of financial instruments, none of which are held for trading purposes and are measured using Level 3 measurements. The Company estimates that the fair value of all financial instruments at December 31, 2020 does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated balance sheets. The Company, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is necessary in interpreting market data to develop estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Recent Accounting Pronouncements:

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

The Company adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. The adoption of the new guidance did not have a material impact on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASC 842”), which will replace ASC 840, “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. For private companies, the standard will be effective for annual periods beginning on or after December 15, 2021, with earlier application permitted. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements.

The Company adopted the requirements of the new guidance as of January 1, 2020, utilizing the modified retrospective method of transition.

Subsequent Events:

Management evaluated all activity of the Company through March 31, 2021, the date the consolidated financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements or notes, except as described below.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued):

Subsequent to the year end, the Company has continued construction on the expansion of its cultivation and manufacturing facilities. Total capital expenditures for the expansion of such facilities through year end 2021 is expected to be approximately \$1,161,182.

In November of 2020, Arizona residents pass proposition 207, the Smart and Safe Act of Arizona, effectively legalizing the recreational adult use of marijuana for people 21 years of age or older. An "adult use" license is required for medical dispensaries to sell cannabis products to "adult use" customers. In addition, a 16% excise tax is placed on recreational use products. As of Q1 of 2021, over 80 dispensaries, including the MuV dispensary, have received the additional license. Recreational use sales in Arizona began in January of 2021.

On November 11, 2020, the Company entered into an agreement with Verano Holdings to sell 100% its membership units including 4,099,098 Class A shares in the Company's investment in Plants of Ruskin GPS, LLC and RVC 360, LLC, for total consideration net of fees totaling \$35,000,000. This transaction was finalized subsequent to the year end.

NOTE C - CONCENTRATIONS

Financial instruments which potentially subject the Company to concentration of credit risks include cash and cash equivalents in financial institutions, which under U.S. federal law, money obtained from activities related to the marijuana industry cannot be federally insured. At December 31, 2020, the Company had balances of \$957,389 in uninsured cash and cash equivalents in financial instruments.

The Company had two major suppliers with significant outstanding accounts payable balances of approximately 10% at December 31, 2020.

NOTE D - INVENTORY

Inventory at December 31, 2020 is summarized as follows:

	2020
Raw materials	\$ 276,813
Work-in-process	1,689,701
Finished goods	1,583,043
TOTALS	\$ 3,549,557

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE E - OTHER CURRENT ASSETS

Other current assets at December 31, 2020 are summarized as follows:

	<u>2020</u>
Prepaid expenses	\$ 221,049
Other current assets	60
TOTALS	<u>\$ 221,109</u>

NOTE F - INCOME TAX STATUS- FORT CONSULTING, LLC

Fort Consulting, LLC is a non-profit entity for Arizona income tax purposes and elected to be taxed as a C-corporation for Federal tax purposes. Therefore, income taxes are provided for the tax effects of transactions in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting. The Company recorded \$210,000 in current income tax expense for the year ended December 31, 2020.

Deferred taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740, Income Taxes ("ASC 740"). ASC 740 provides a comprehensive model for the recognition, measurement and disclosure in the consolidated financial statements of uncertain tax positions that the Company has taken or expects to take on a tax return. Under this standard, the Company can recognize the benefit of an income tax position only if it is probable that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position.

Otherwise, no benefit can be recognized. The tax benefits recognized are measured based on either the most likely amount approach or the expected value method.

The Company has not recorded a deferred tax asset for the period from inception to December 31, 2020 due to the uncertainty of any benefit of the loss being realized. Under ASC 740 any deferred tax asset or liability is recorded under the net approach.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 are summarized as follows:

	2020
Buildings and improvements	\$ 8,203,253
Furniture and equipment	2,242,582
Vehicles	218,827
Construction in progress	2,292,432
Land and improvements	1,020,000
	14,774,043
Accumulated depreciation	(2,293,583)
Net property and equipment	\$ 12,480,460

Depreciation expense for the years ended December 31, 2020 totaled \$751,150. The value of property and equipment held under capital leases for the year ended December 31, 2020 totaled \$1,015,776.

NOTE H - INVESTMENTS

Investment in Related Company:

In 2016, the Company invested \$1,201,000 in a minority interest (10%) of a farm in Colorado. The investment is recorded using the equity method. The Company does not have significant influence or control. In 2019, the Company sold the investment and received the final payment in 2020.

The Company has invested \$16,206,150 for a minority interest (41%) in a Company in Florida. The investment has been recorded at equity method as the Company has significant influence or control.

Below is a reconciliation of this investment:

	2020
Balance, beginning of year	\$ 23,904,715
Distributions during the year	(6,559,997)
Share in current year net income	24,517,659
Balance, end of year	\$ 41,862,377

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE H - INVESTMENTS (CONTINUED)

Below is a summary of the balance sheet and income statement of the entity that the Company has invested in:

	2020
Total Assets	\$ 103,893,322
Total Liabilities	\$ 53,947,064
Total Equity	49,946,258
	<u>\$ 103,893,322</u>
Total Income	\$ 105,769,587
Total Expenses	45,970,419
Net Income	<u>\$ 59,799,168</u>

NOTE I - INTANGIBLES

Goodwill, Net of Impairment:

Goodwill is from the 2015 purchase of Agronomy Innovations, LLC. The purchase of Agronomy Innovations, LLC for \$775,000 was to establish a foothold in Arizona by obtaining a grow facility that was already established and provide the Company the opportunity to do business in Arizona. The entire purchase price went towards goodwill as there were almost no assets purchased. The Company assesses goodwill for impairment on an annual basis in accordance with ASC 350 *Intangibles – Goodwill and Other* and has fully impaired the asset as of December 31, 2020. The recorded value of the asset was \$0 as of December 31, 2020.

Right-to-Use Agreement:

The Company contracted with a nursery in Florida for the use of their farm land. In exchange for \$310,000 worth of Class A Units, the Company obtained the right to grow Medical Marijuana on their land for a 7-year period. Management has elected to amortize this intangible asset over 7 years, which is the term of the lease. Accumulated amortization expense for the year ended December 31, 2020 was \$310,000. Net book value of the asset was \$0 as of December 31, 2020.

Cultivation and Management Agreement:

During 2017, the Company entered into a cultivation and management agreement for a marijuana grow and dispensary operation in Arizona with a related party and requires the Company to provide cultivation and management services to a related party (under common control). The Company receives a fee for these services on a monthly basis. The Company has experience and expertise in managing the medical marijuana program and its associated retail operation. The Company oversees the day to day operations of the dispensary and cultivation site and provides services related to the purchase and sales of the product. The Company is also involved in ensuring compliance with all Federal, State and local laws applicable to the Company. The total fee for cultivation services for the year ended December 31, 2020 was \$12,882,867. The total management fees related to this management agreement for the year ended December 31, 2020 was \$2,350,234.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE J - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at December 31, 2020 are summarized as follows:

	<u>2020</u>
Accounts payable	\$ 458,001
Related party payable	24,673
Sales tax payable	100,395
Accrued expenses	697,434
TOTALS	<u>\$ 1,280,503</u>

NOTE K - LONG-TERM DEBT

Long-term debt at December 31, 2020 is as follows:

	<u>2020</u>
Mortgage to Pioneer Title Agency, monthly payments totaling \$31,661 including interest rate of 6%, maturing through March 2023.	\$ 770,554
Note payable to Fidelity National Title, monthly payments totaling \$112,318 including interest rate of 10%, maturing through July 2022.	<u>1,781,250</u>
	2,551,804
Less current portion	<u>1,468,063</u>
TOTAL LONG TERM-DEBT	<u>\$ 1,083,741</u>

Maturities related to this debt are as follows:

2021	\$	1,468,063
2022		1,018,659
2023		65,082
TOTAL	\$	<u>2,551,804</u>

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE L - MEMBERS' EQUITY

The Company has sold ownership interests to related and non-related parties (Subscriber), in the form of Class A Units ("Units"). These Units are restricted securities under applicable U.S. Federal and state securities laws, and the Units cannot be offered for sale, sold, delivered after sale, pledged, hypothecated, transferred, or otherwise disposed of by Subscriber, and must be held indefinitely unless Subscriber's offer and sale of the Units are subsequently registered under the Securities Act, and any applicable state securities laws, or an exemption from such registration is available. Subscriber understands and agrees that the Company has no obligation or intent (i) to register any of the Units under the Securities Act or any applicable state securities laws; (ii) to take any action so as to permit sales pursuant to Rule 144 under the Securities Act; and (iii) the Company has not covenanted to assure that such Rule 144 is, or will be, available for resale of the Units.

Subscriber understands and agrees that (i) there will be no public market for the Units; (ii) the investment in the Units is not liquid; and (iii) Subscriber must bear the economic risk of the Subscriber's investment in the Units for an indefinite period of time. The total value, net of redemptions, (and total number) of Class A Units outstanding as of December 31, 2020 was \$58,802,887.

NOTE M - LEASES

The Company leased office space in Sarasota, Florida under an initial non-cancelable agreement which was expiring in June 2019, with monthly rent of \$6,400. The agreement was amended effective July 2018 expiring on July 2020 with a monthly payment of \$6,790 from July 2019 to July 2020. The lease was renewed to June 2021 with monthly payments escalating to \$9,761.

The Company leases a dispensary facility in Arizona with a term of five years starting July 2017 with a monthly payment of \$7,000.

The Company recognized right-of-use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

As of December 31, 2020, the Company's lease liabilities consisted of the following:

The Company has lease liabilities related to real estate used for dispensaries. The weighted average discount rate for the year ended December 31, 2020 was 8%.

The maturity of the contractual undiscounted lease liabilities at December 31, 2020 is as follows:

Interest rates on capitalized leases vary from 6.6% to 10.2% and are imputed based on the lower of the Company's incremental borrowing rate at the time of inception of each lease or the lessor's implicit rate of return.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE N – LEASES WHERE COMPANY IS LESSEE

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise primarily of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value or guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonable certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The maturity of the contractual undiscounted lease liabilities at December 31, 2020 is as follows:

2021	\$	151,069
2022		56,000
Total undiscounted lease liabilities		<u>207,069</u>
Interest on lease liabilities		(19,073)
Total present value of minimum lease payments		<u>187,996</u>
Lease liabilities - current portion		133,458
Lease liabilities - noncurrent	\$	<u><u>54,536</u></u>

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE N – LEASES WHERE COMPANY IS LESSEE (CONTINUED)

The Company's right-of-use assets consist of real property and office equipment. As of December 31, 2020, the Company's lease schedule consisted of the following:

	2020
Balance, beginning of year	\$ 789,395
Additions (Deletions)	(241,580)
Lease and interest payments, accretion, and accrued interest, net	(359,821)
Balance, end of year	187,994
Lease liability - current portion	133,458
Lease liability - noncurrent portion	\$ 54,536

Interest expense charged to operations for right-of-use lease liabilities for the year ended December 31, 2020 totaled \$35,772.

NOTE O - RELATED PARTY TRANSACTIONS

The LLCs entered into management agreement with a company (the management company) that is owned by a related party that provides management services for all the LLCs. There is no formal written agreement. The terms of the verbal agreement state that the LLCs must pay the management company's service fees and reimburse any out-of-pocket expenses. The total amount of related party management fees for the year ended December 31, 2020 was \$2,350,234.

There was a total of \$360,969 paid to members of the LLCs in the form of guaranteed payments for the year ended December 31, 2020.

NOTE P - CONTINGENCIES

Compliance:

The Company's compliance with certain laws and regulations is subject to review by the various states in which they operate. Although such reviews could result in adverse decisions, it is the opinion of management that any matters could be resolved without significant impact to the operations of the Company.

Litigation

The Company is contingently liable for claims and judgments resulting from lawsuits incidental to the normal operation of a company. In the opinion of the Company's management, the Company's insurance coverage is adequate to cover claims relating to normal operations and any lawsuit that might adversely impact the Company would not have a material effect on the consolidated financial statements. Accordingly, no provision for possible losses is reflected in the consolidated financial statements.

December 31, 2020

NOTE P – CONTINGENCIES (CONTINUED)

Marijuana Remains Illegal under Federal Law:

The Company engages in the medical marijuana business. Marijuana is currently illegal under U.S. federal law. It is a Schedule I controlled substance. Accordingly, in those jurisdictions in which the use of medical marijuana has been legalized at the U.S. state level, its prescription is a violation of federal law. The U.S. Supreme Court has ruled that the U.S. federal government has the right to regulate and criminalize marijuana, even for medical purposes. Therefore, U.S. federal law criminalizing the use of marijuana supersedes U.S. state laws that legalize its use for medicinal purposes. The Obama administration made a policy decision to allow U.S. states to implement these laws and not prosecute anyone operating in accordance with applicable U.S. state law. A change in the U.S. federal position towards enforcement could cripple the industry, rendering the Company unable to operate.

Moreover, a change in the U.S. federal position towards enforcement could result in U.S. federal law enforcement seizing the assets of the Company, which would result in a complete loss for the Company. Additionally, the U.S. federal government could extend enforcement of the antidrug laws against people who are assisting the medical marijuana industry, including investors and finance sources.

As discussed above, the cultivation, sale, and use of marijuana is illegal under U.S. federal law. Therefore, there is a compelling argument that banks cannot accept deposit funds from the medical marijuana business and therefore would not be able to do business with the Company. As such, the Company may have trouble finding a bank willing to accept its business.

There can be no assurance that banks in U.S. states currently or in the future will decide to do business with medical marijuana growers or retailers, or that in the absence of U.S. legislation, U.S. state and federal banking regulators will not strictly enforce current prohibitions on banks handling funds generated from an activity that is illegal under U.S. federal law. This may make it difficult for the Company to open accounts, use the service of banks, and otherwise transact business, which in turn may negatively affect the Company.

COVID-19 Pandemic:

On January 30, 2020 the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATING BALANCE SHEET

December 31, 2020

ASSETS

	Alternative Medical Enterprises, LLC	Agronomy Holdings, LLC	Agronomy Innovations, LLC	AltMed, LLC	Cave Creek RE, LLC	Fort Consulting, LLC	MuV Health LLC	NuTrae, LLC	Elimination	Total
<u>CURRENT ASSETS</u>										
Cash and cash equivalents	\$ 0	\$ 7,746	\$ 281,449	\$ 0	\$ 9,867	\$ 646,213	\$ 6,310	\$ 5,804	\$ 0	\$ 957,389
Accounts receivable, net	0	0	60,000	0	0	225,143	(21)	(60)	0	285,062
Notes receivable	163,896	100,000	16,745,052	0	(2,684,088)	0	0	(3,370)	(14,057,594)	263,896
Inventories	0	0	276,812	0	0	3,040,265	232,480	0	0	3,549,557
Other current assets	122,384	0	195,353	0	0	0	60	0	(96,688)	221,109
TOTAL CURRENT ASSETS	286,280	107,746	17,558,666	0	(2,674,221)	3,911,621	238,829	2,374	(14,154,282)	5,277,013
<u>PROPERTY AND EQUIPMENT, NET</u>										
	67,708	0	7,302,149	46,067	5,064,536	0	0	0	0	12,480,460
<u>OTHER ASSETS</u>										
Intangible and investments in related companies, net	39,686,508	21,540,258	4,564,588	41,862,377	0	0	0	0	(61,226,766)	46,426,965
Security deposits	0	0	34,753	6,400	0	0	0	200	0	41,353
TOTAL OTHER ASSETS	39,686,508	21,540,258	4,599,341	41,868,777	0	0	0	200	(61,226,766)	46,468,318
	<u>\$40,040,496</u>	<u>\$21,648,004</u>	<u>\$29,460,156</u>	<u>\$41,914,844</u>	<u>\$ 2,390,315</u>	<u>\$ 3,911,621</u>	<u>\$238,829</u>	<u>\$ 2,574</u>	<u>\$(75,381,048)</u>	<u>\$64,225,791</u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	Alternative Medical Enterprises, LLC	Agronomy Holdings, LLC	Agronomy Innovations, LLC	AltMed, LLC	Cave Creek RE, LLC	Fort Consulting, LLC	MuV Health LLC	NuTrae, LLC	Elimination	Total
<u>CURRENT LIABILITIES</u>										
Accounts payable	\$ 0	\$ 0	\$ 231,724	\$ 0	\$ 0	\$ 225,197	\$ 1,080	\$ 0	\$ 0	\$ 458,001
Accrued expenses	9,883,741	0	9,829,788	(6,760,886)	0	5,548,835	933,643	(2,758,547)	(15,854,073)	822,501
Current portion of capital lease liabilities	0	0	84,378	49,080	0	0	0	0	0	133,458
Current portion of long-term debt	0	0	0	0	1,468,063	0	0	0	0	1,468,063
Income tax payable	0	0	0	0	0	210,000	0	0	0	210,000
TOTAL CURRENT LIABILITIES	9,883,741	0	10,145,890	(6,711,806)	1,468,063	5,984,032	934,723	(2,758,547)	(15,854,073)	3,092,023
<u>LONG-TERM LIABILITIES</u>										
Lease liabilities, net of current portion	0	0	54,536	0	0	0	0	0	0	54,536
Long-term debt, net of current portion	0	0	0	0	1,083,741	0	0	0	0	1,083,741
TOTAL LONG-TERM LIABILITIES	0	0	54,536	0	1,083,741	0	0	0	0	1,138,277
TOTAL LIABILITIES	9,883,741	0	10,200,426	(6,711,806)	2,551,804	5,984,032	934,723	(2,758,547)	(15,854,073)	4,230,300
<u>MEMBERS' EQUITY (DEFICIT)</u>										
	30,156,755	21,648,004	19,259,730	48,626,650	(161,489)	(2,072,411)	(695,894)	2,761,121	(59,526,975)	59,995,491
	<u>\$40,040,496</u>	<u>\$21,648,004</u>	<u>\$29,460,156</u>	<u>\$41,914,844</u>	<u>\$2,390,315</u>	<u>\$ 3,911,621</u>	<u>\$ 238,829</u>	<u>\$ 2,574</u>	<u>\$(75,381,048)</u>	<u>\$64,225,791</u>

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended December 31, 2020

	Alternative Medical Enterprises, LLC	Agronomy Holdings, LLC	Agronomy Innovations, LLC	AltMed, LLC	Cave Creek RE, LLC	Fort Consulting, LLC	MuV Health LLC	NuTrae, LLC	Elimination	Total
OPERATING INCOME										
Sales	\$ 0	\$ 3,566	\$15,552,777	\$ 0	\$ 0	\$20,591,054	\$ 41,184	\$732,004	\$(16,272,281)	\$20,648,304
Cost of sales	0	0	6,060,393	0	0	17,347,340	17,401	(44)	(13,621,575)	9,803,515
GROSS PROFIT	0	3,566	9,492,384	0	0	3,243,714	23,783	732,048	(2,650,706)	10,844,789
OPERATING EXPENSES										
General and administrative expenses	1,231,457	5,834	2,800,805	(350)	(41,112)	2,662,660	498,174	44,990	(2,658,611)	4,543,847
Amortization	0	0	542,252	85,645	0	0	0	0	0	627,897
Depreciation	5,855	0	560,351	125,527	59,417	0	0	0	0	751,150
TOTAL OPERATING EXPENSES	1,237,312	5,834	3,903,408	210,822	18,305	2,662,660	498,174	44,990	(2,658,611)	5,922,894
INCOME (LOSS) FROM OPERATIONS	(1,237,312)	(2,268)	5,588,976	(210,822)	(18,305)	581,054	(474,391)	687,058	7,905	4,921,895
OTHER INCOME (EXPENSE)										
Income from investments in related companies	0	0	0	24,517,659	0	0	0	0	0	24,517,659
Income from the sale of investment	0	885,678	0	0	0	0	0	0	0	885,678
Interest income (expense)	3,871	15	(26,854)	(9,279)	(143,183)	0	(15)	0	0	(175,445)
Gain (loss) on sale of property and equipment	0	0	94,918	(510,493)	0	0	0	0	0	(415,575)
Other income (expense)	(109,425)	0	(127)	0	0	0	0	113,226	0	3,674
	(105,554)	885,693	67,937	23,997,887	(143,183)	0	(15)	113,226	0	24,815,991
INCOME BEFORE PROVISION FOR INCOME TAXES	(1,342,866)	883,425	5,656,913	23,787,065	(161,488)	581,054	(474,406)	800,284	7,905	29,737,886
PROVISION FOR INCOME TAXES	0	0	0	0	0	210,000	0	0	0	210,000
NET INCOME (LOSS)	\$(1,342,866)	\$ 883,425	\$ 5,656,913	\$23,787,065	\$(161,488)	\$ 371,054	\$(474,406)	\$800,284	\$ 7,905	\$29,527,886

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
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DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members Alternative Medical Enterprises, LLC and Affiliates

We have audited the accompanying consolidated financial statements of Alternative Medical Enterprises, LLC and Affiliates, which comprise the consolidated balance sheet as of December 31, 2019 and the related consolidated statement of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alternative Medical Enterprises, LLC and Affiliates as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Atlas CPAs & Advisors PLLC
ATLAS CPAs & Advisors PLLC
Phoenix, Arizona
July 6, 2020

O: 602.431.9288
F: 602.431.9299



ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,935,410
Accounts receivable	403,542
Notes receivable	1,078,217
Inventories	2,385,426
Prepaid expenses	302,237
TOTAL CURRENT ASSETS	6,104,832
LONG-TERM ASSETS	
Property and equipment, net	4,938,004
Intangible assets, net	5,195,408
Investments, net	23,904,715
Security deposits	40,154
TOTAL LONG-TERM ASSETS	34,078,281
TOTAL ASSETS	\$ 40,183,113
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	\$ 580,194
Accrued expenses and other liabilities	375,711
Notes payable	1,000,000
Current portion of capital leases	22,020
TOTAL CURRENT LIABILITIES	1,977,925
LONG-TERM PORTION OF CAPITAL LEASES	11,896
TOTAL LIABILITIES	1,989,821
MEMBERS' EQUITY	38,193,292
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 40,183,113

The accompanying notes are an integral part of the financial statements.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Amount	Percent
Net Revenues	\$ 14,482,050	100.0%
Cost of Revenues	8,620,878	59.5
Gross Profit	5,861,172	40.5
General and administrative expense	4,808,041	33.2
Amortization	1,300,447	9.0
Depreciation	445,177	3.1
	6,553,665	45.3
Loss from Operations	(692,493)	(4.8)
Other Income (Expense) Income from investee	8,036,184	55.5
Interest expense	(3,871)	(0.0)
Loss on sale of property and equipment	(25,077)	(0.2)
Interest income	1,218	0.0
Total Other Income	8,008,454	55.3
Net income	\$ 7,315,961	50.5%

The accompanying notes are an integral part of the financial statements.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

Balances at December 31, 2018	\$	32,127,331
Repurchase of member's interest		(1,250,000)
Net income		7,315,961
Balances at December 31, 2019	\$	<u>38,193,292</u>

The accompanying notes are an integral part of the financial statements.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 7,315,961
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	445,177
Amortization expense	1,300,447
Income from investee	(8,036,184)
Loss on sale of property and equipment	25,077
Effects of changes in operating assets and liabilities:	
(Increase) decrease in operating assets	
Accounts receivable	(259,788)
Prepaid expenses	62,574
Inventories	(317,509)
Increase (decrease) in operating liabilities	
Accounts payable	383,619
Accrued expenses and other liabilities	109,610
Deferred revenue	(490,278)
Net cash provided by operating activities	<u>538,706</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Distributions received from investments	287,000
Purchase of property and equipment	(513,031)
Proceeds from sale of property and equipment	17,500
Net cash used in investing activities	<u>(208,531)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on capital leases	(30,013)
Repurchase of member's interest	(250,000)
Net cash used in financing activities	<u>(280,013)</u>
Net change in cash	50,162
Cash and cash equivalents - beginning of period	1,885,248
Cash and cash equivalents - end of period	<u>\$ 1,935,410</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Issuance of debt to repurchase member's interest	<u>\$ 1,000,000</u>
Interest paid	<u>\$ 3,871</u>

The accompanying notes are an integral part of the financial statements.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: BUSINESS ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Organization and Operations

Alternative Medical Enterprises, LLC and Affiliates consists of the following entities:

Alternative Medical Enterprises, LLC (aka WP&RS Enterprises, LLC) was organized in 2014 under the laws of the State of Florida. Alternative Medical Enterprises, LLC, through its subsidiaries, provides alternative medicines in the form of cannabis and cannabis related products (MMJ).

As of December 31, 2019, Alternative Medical Enterprises, LLC owns 100% of the following companies:

AltMed, LLC, a Florida limited liability company, was formed in 2014, and it owns 41% of a license in Florida to grow, process, and dispense MMJ. NuTrae, LLC, a Florida limited liability company, was formed in 2014, and develops products for MMJ delivery systems and licenses intellectual property to other parties. Agronomy Holdings, LLC (aka AltMed North America, LLC), a Florida limited liability company, was formed in 2015, and is a holding company for ventures entered outside the state of Florida. MuV Health, LLC, an Arizona limited liability company, was organized in 2019 to produce and sell CBD only products.

As of December 31, 2019, Agronomy Holdings, LLC owns 100% of Agronomy Innovations, LLC, an Arizona limited liability company, was acquired during 2015, and is an MMJ grow facility located in Arizona.

Fort Consulting, LLC operates as a Medical Marijuana Dispensary and under the rules and regulations of the Arizona Department of Health Services - Medical Marijuana Program. The Dispensary's primary mission is to run a patient-centric wellness which processes the highest-grade medical marijuana in Arizona. The Dispensary has a goal of infusing horticultural innovations and sympathetic treatments into the Arizona Medical marijuana industry and is committed to combining mental and physical health in a format previously inaccessible to terminally ill and other patients. The Dispensary has a one year license with the Arizona Department of Health Services to operate a Medical Marijuana Dispensary in the state of Arizona. The contract is renewed annually. The Dispensary is an Arizona nonprofit Organization, incorporated under the laws of the state of Arizona in July, 2016.

Alternative Medical Enterprises, LLC, AltMed, LLC, NuTrae, LLC, Agronomy Holdings, LLC, Agronomy Innovations, LLC, Fort Consulting, LLC, Vida Pets, LLC and MUV Health, LLC will be referred to herein as "the LLCs".

While part of the Company's operation is considered legal under state and local law, the sale of marijuana for any purpose is still illegal under federal law. Management believes it is unlikely that the federal government will force the closing of the facilities. However, action by the federal government could result in significant losses to the Company as well as potential exposure to criminal charges for the trafficking of a substance deemed illegal under federal law.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: BUSINESS ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Alternative Medical Enterprises, LLC and its affiliates, the LLCs, collectively referred to as “the Company” which are affiliated by virtue of common ownership and control. All significant intercompany transactions and balances have been eliminated in the consolidation.

Nature of Activities

The Company’s operations are dependent on economic and legal conditions which affect the medicinal cannabis and health care industries, and changes in those conditions may affect the Company’s continuing operations. While the nature of the Company’s business is legalized and approved by the states of Florida and Arizona, it is considered to be an illegal activity under federal law. Accordingly, certain additional risks and uncertainties are prevalent as discussed in the following notes.

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred or prepaid on the accompanying balance sheet.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue as the products are sold and delivered to individual customers. No ongoing warranties are provided.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: BUSINESS ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Credit Risk

The Company maintains cash balances at financial institutions in excess of federally insured limits from time to time. The Company has experienced no losses due to this concentration.

Accounts Receivable

The Company provides for potentially uncollectable accounts receivable by use of the allowance method. The allowance is provided based upon a review of the individual accounts outstanding, prior history of uncollectable accounts receivable and existing economic conditions. Normal accounts receivable are due 15 days after the issuance of the invoice. Receivables past due more than 60 days are considered delinquent. The allowance for doubtful accounts was \$2,894 as of December 31, 2019. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Inventories are valued at the lower of cost (first in, first out basis) or market, and consist primarily of production supplies and materials.

Notes Receivable

The Company sold interests to related parties in exchange for notes receivable in the amount of the interest sold. The expectation was that these notes would be paid within three years. Any distributions the related parties receive as their share of income will first go towards the payment of the note receivable, and only after that note has been paid will they receive future distributions. The balance of notes receivable as of December 31, 2019 is \$163,895.

At December 31, 2019, the Company's share in one of its related parties was repurchased for \$1,800,000 in exchange for cash and a promissory note with a maturity date of December 31, 2020 and a face amount of \$1,400,000. The balance of the note as of December 31, 2019 is \$914,322.

Prepaid Expenses

The Company pays for certain expenses in advance of receipt of goods or services. The amount is expensed over the term of contract or period for which the expenses are paid, using the straight line method.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: BUSINESS ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost and are depreciated on the straight-line method over their estimated useful lives which range from 5 to 10 years. Leasehold improvements are depreciated over the lesser of the useful life or the lease term.

Income Taxes

As limited liability companies, the Company's taxable income or loss is allocated to members in accordance with their respective percentage of ownership. Therefore, no provision for income taxes has been included in the consolidated financial statements.

Deferred Income Taxes - Fort Consulting, LLC - Income taxes are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and tax purposes). The deferred tax liability represents future tax return consequences for those differences, which will be deductible when the assets and liabilities are recovered or settled.

U.S. GAAP requires management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for Federal and state purposes.

With limited exceptions, the Company is no longer subject to income tax examination for returns filed more than three year ago. The Company believes the only year open for potential IRS audits are the year ending December 31, 2017, 2018 and 2019. Management has performed an evaluation of income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain tax positions in the accompanying consolidated financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act (H.R. 1) (the "Tax Act") was signed into law by President Trump. The Tax Act contains significant changes to corporate taxation, including reduction of the corporate tax rate from 35% to 21%, limitation of the tax deduction for interest expense to 30% of earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. Since the Company elected to be taxed as a C-corporation, the Tax Act had no impact on the financial statements.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: BUSINESS ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

GAAP regarding fair value measurements clarifies the definition of fair value for financial reporting and establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements.

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs reflecting the reporting entities own assumptions

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The Company has a number of financial instruments, none of which are held for trading purposes and are measured using Level 3 measurements. The Company estimates that the fair value of all financial instruments at December 31, 2019 does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The Company, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. Considerable judgment is necessary in interpreting market data to develop estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Advertising

The Company expenses advertising as incurred. Advertising expenses were \$202,891 for the year ended December 31, 2019.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: BUSINESS ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and Development

The Company, from time to time, engages in research and development activities. Those costs are charged to operations as incurred. As of December 31, 2019, the Company had research and development expenses of \$455.

NOTE 2: INVENTORIES

The Company's inventories, primarily made up of cannabis related products, as of December 31, 2019, consist of the following:

Raw materials	\$	611,666
Work-in-progress		1,021,507
Finished goods		752,253
	\$	<u>2,385,426</u>

NOTE 3: INCOME TAX STATUS - FORT CONSULTING, LLC

Fort Consulting, LLC is a non-profit entity for Arizona income tax purposes and elected to be taxed as a C-corporation for Federal tax purposes. Therefore, income taxes are provided for the tax effects of transactions in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting.

Deferred taxes are provided on the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company accounts for uncertain tax positions in accordance with the provisions of FASB ASC Topic 740, Income Taxes ("ASC 740"). ASC 740 provides a comprehensive model for the recognition, measurement and disclosure in the financial statements of uncertain tax positions that the Company has taken or expects to take on a tax return. Under this standard, the Company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit can be recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3: INCOME TAX STATUS - FORT CONSULTING, LLC (CONTINUED)

The Company has not recorded a deferred tax asset for the net operating loss incurred for the period from inception to December 31, 2019 due to the uncertainty of the benefit of the loss being realized. Therefore, if recorded the Company would provide for a valuation allowance equal to the potential realized benefit. In the future if the Company receives benefit from this net operating loss the financial statements will reflect this benefit through a reduction of the valuation allowance. As of December 31, 2019, the net operating loss carryover is approximately \$1,070,000.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 are summarized as follows:

Buildings and improvements	\$ 4,268,411
Furniture and equipments	1,482,743
Vehicles	191,064
Construction in progress	180,131
Land and improvements	78,040
	<u>6,200,389</u>
Less: accumulated depreciation	(1,262,385)
Total property, plant and equipment	<u>\$ 4,938,004</u>

Depreciation expense for the year ended December 31, 2019 totaled \$445,177. The value of vehicles and equipment held under capital leases for the year ended December 31, 2019 totaled \$184,640.

NOTE 5: INVESTMENTS AND NOTES RECEIVABLES

The Company has two investments as listed below:

Investment in related company

In 2016, the Company invested \$1,201,000 in a minority interest (10%) of a farm in Colorado. The investment is recorded using the equity method. The Company does not have significant influence or control. Below is a reconciliation of this investment:

Balance, beginning of year	\$ 863,703
Current year income	50,619
Balance, end of year	<u>\$ 914,322</u>

Below is a summary of the balance sheet and income statement of the entity that the Company has invested in:

Total Assets	\$ 6,020,085
Total Liabilities	\$ 1,053,799
Total Equity	<u>4,966,286</u>
	<u>\$ 6,020,085</u>
Total Income	\$ 506,190
Total Expenses	2,313,987
Net Loss	<u>\$ (1,807,797)</u>

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5: INVESTMENTS AND NOTES RECEIVABLES (CONTINUED)

At December 31, 2019, the Company's share in one of its related parties was repurchased for \$1,800,000 in exchange for cash and a promissory note with a maturity date of December 31, 2020 with a face amount of \$1,400,000 (Note 1). As of December 31 2019, the balance of notes receivable is \$914,322 with an allowance for doubtful accounts totaling \$885,678.

The promissory note is payable in three monthly installments of \$32,000 starting March 1, 2020 and the balance payable in full on December 31, 2020. As of the report date, the amount collected is \$364,000.

Investment in related company

The Company has invested \$16,206,150 for a minority interest (41%) in a Company in Florida. The investment has been recorded at equity method as the Company has significant influence or control. Below is a reconciliation of this investment:

Balance, beginning of year	\$ 16,206,150
Distributions during the year	(287,000)
Share in current year net income	7,985,565
Balance, end of year	<u>\$ 23,904,715</u>

Below is a summary of the balance sheet and income statement of the entity that the Company has invested in:

Total Assets	\$ 42,483,242
Total Liabilities	\$ 8,508,588
Total Equity	<u>33,974,654</u>
	<u>\$ 42,483,242</u>
Total Income	\$ 28,113,124
Total Expenses	9,500,453
Net Income	<u>\$ 18,612,671</u>

In 2019, the Company recorded the investment using the equity method which resulted in an adjustment related to previous period shares in related company's income of \$354,370. The amount is not significant and was included as part of current year income from investment.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6: INTANGIBLES

Goodwill, net of impairment

Goodwill is from the 2015 purchase of Agronomy Innovations, LLC. The purchase of Agronomy Innovations, LLC for \$775,000 was to establish a foothold in Arizona by obtaining a grow facility that was already established and provide the Company the opportunity to do business in Arizona. The entire purchase price went towards goodwill as there were almost no assets purchased. The Company has elected to amortize this asset over 10 years for book purposes. The accumulated amortization at December 31, 2019 was \$342,292.

Right to use agreement

The Company contracted with a nursery in Florida for the use of their farm land. In exchange for \$310,000 worth of Class A Units, the Company obtained the right to grow Medical Marijuana on their land for a 7-year period. Management has elected to amortize this intangible asset over 7 years, which is the term of the lease. Accumulated amortization expense for the year ended December 31, 2019 was \$221,429. Net book value of the asset was \$88,571 as of December 31, 2019.

Cultivation and management agreement

During 2017 the Company entered into a cultivation and management agreement for a marijuana grow and dispensary operation in Arizona with a related party. The Company entered into a cultivation and management agreement and requires the Company to provide cultivation and management services to a related party (under common control). The Company receives a fee for these services on a monthly basis. The Company has experience and expertise in managing the medical marijuana program and its associated retail operation. The Company oversees the day to day operations of the dispensary and cultivation site and provides services related to the purchase and sales of the product. The Company is also involved in ensuring that the Company is compliant with all Federal, State and local laws applicable to the Company. The total fee for cultivation services for the year ended December 31, 2019 was \$13,249,504. The total management fees related to this management agreement for the year ended December 31, 2019 was \$2,037,290.

Royalty agreement

During 2017 the Company negotiated the buyout of a royalty agreement with an outside third party. The Company paid the outside third party a total of \$1,200,000. The Company is amortizing this asset over the term of the original agreement and recognizing expense as the payments would have been made based on the revenue earned. The total expense related to the agreement for the year ended December 31, 2019 was \$1,069,111.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7: CLASS A UNITS SOLD

The Company has sold ownership interests to related and non-related parties (Subscriber), in the form of Class A Units (“Units”). These Units are restricted securities under applicable U.S. Federal and state securities laws, and the Units cannot be offered for sale, sold, delivered after sale, pledged, hypothecated, transferred, or otherwise disposed of by Subscriber, and must be held indefinitely unless Subscriber’s offer and sale of the Units are subsequently registered under the Securities Act, and any applicable state securities laws, or an exemption from such registration is available. Subscriber understands and agrees that the Company has no obligation or intent (i) to register any of the Units under the Securities Act or any applicable state securities laws; (ii) to take any action so as to permit sales pursuant to Rule 144 under the Securities Act; and (iii) the Company has not covenanted to assure that such Rule 144 is, or will be, available for resale of the Units.

Subscriber understands and agrees that (i) there will be no public market for the Units; (ii) the investment in the Units is not liquid; and (iii) Subscriber must bear the economic risk of the Subscriber’s investment in the Units for an indefinite period of time.

The total value, net of redemptions, (and total number) of Class A Units outstanding as of December 31, 2019 was \$47,703,986.

NOTE 8: NOTE PAYABLE

In 2019, the Company issued a promissory note amounting to \$1,250,000 payable within one year from the date of the note. The promissory note is to be paid in two installments, and such amount shall accrue interest at a rate of 15%. As of December 31, 2019, notes payable is \$1,000,000.

NOTE 9: LEASE COMMITMENTS

Operating Leases

The Company leased office space in Sarasota, Florida under an initial non-cancelable agreement which was expiring in June 2019, with monthly rent of \$6,400. The agreement was amended effective July 2018 expiring on July 2020 with a monthly payment of \$6,592 from July 2018 till July 2019 and \$6,790 from July 2019 till July 2020.

The Company leases office space in Coolidge, Arizona from a related party under a non-cancelable agreement which expires in May 2021, with increasing monthly payments. As of December 31, 2019 the monthly payment was \$24,662. U.S. GAAP for non-level lease payments requires the rent expense to be reported on a straight-line method over the life of the lease. Accordingly, the Company has recorded a deferred rent liability, recognized in accrued expenses and other liabilities on the consolidated balance sheet. The total deferred rent associated with this lease was not material to the financial statements as of December 31, 2019.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9: LEASE COMMITMENTS (CONTINUED)

The Company leases a dispensary facility in Arizona with a term of five years starting July 2017 with a monthly payment of \$7,000.

Rent expense under the operating leases for the year ended December 31, 2019 was \$500,527. The total minimum future lease payments are as follows:

Years Ending December 31,	
2020	\$ 285,879
2021	70,360
	<u>356,239</u>
Less: Current portion	(285,879)
Total long-term obligations	<u>\$ 70,360</u>

Capital Leases

During 2016, the Company entered into non-cancelable capital leases for lab equipment and a vehicle expiring in various year through 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payment or the fair value of the assets. The assets are depreciated over the lower of their related lease terms. The cost of these assets are \$184,640 and accumulated depreciation is \$78,587 for the year ended December 31, 2019.

The future minimum lease payments are as follows:

Years Ending December 31,	
2020	\$ 22,020
2021	11,896
	<u>33,916</u>
Less: Current portion	(22,020)
Total Capital Lease Obligations	<u>\$ 11,896</u>

Interest rates on capitalized leases vary from 6.6% to 10.2% and are imputed based on the lower of the Company's incremental borrowing rate at the time of inception of each lease or the lessor's implicit rate of return.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10: RELATED PARTY TRANSACTIONS

The LLCs entered into management agreement with a company (the management company) that is owned by a related party that provides management services for all the LLCs. There is no formal written agreement. The terms of the verbal agreement state that the LLCs must pay the management company's service fees and reimburse any out-of-pocket expenses. The total amount of related party management fees for the year ended December 31, 2019 was \$2,037,290.

There was a total of \$336,135 paid to members of the LLCs in the form of guaranteed payments for the year ended December 31, 2019.

NOTE 11: CONTINGENCIES

Compliance

The Company's compliance with certain laws and regulations is subject to review by the various states in which they operate. Although such reviews could result in adverse decisions, it is the opinion of management that any matters could be resolved without significant impact to the operations of the Company.

Litigation

The Company is contingently liable for claims and judgments resulting from lawsuits incidental to the normal operation of a company. In the opinion of the Company's management, the Company's insurance coverage is adequate to cover claims relating to normal operations and any lawsuit that might adversely impact the Company would not have a material effect on the financial statements. Accordingly, no provision for possible losses is reflected in the financial statements.

Illegal Activity - Federal

Even though medical marijuana dispensaries are legal under Arizona law, they are still illegal under federal law and as such the Company could be subject to fines, penalties, lawsuits or a closure of the Company from the federal government. Management believes that this is minimal risk.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 6, 2020 which is the date the consolidated financial statements were available to be issued. In 2020, domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The Company may be adversely affected through lack of raw materials availability, interruptions in shipping and manufacturing process, idle or vacant facilities, and decrease in revenue. Management is currently evaluating the impact it will have on future operations.



South Phoenix
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It's about time.

**INDEPENDENT AUDITOR'S REPORT ON
THE CONSOLIDATED SUPPLEMENTARY INFORMATION**

To the Board of Directors and Members
Alternative Medical Enterprises, LLC and Affiliates

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information concerning equity is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements; or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In the Supplementary Information section of our Audit Report and Financial Statements package, dated July 10, 2018, the information relating to investments in subsidiaries was calculated by management using the cost method, rather than the equity method, which is the appropriate method, in accordance with accounting standards generally accepted in the United States ("US GAAP"). According to our analysis of the Consolidated Financial Statements of the entity, this departure from US GAAP does not have a material impact on the fair presentation of the consolidated financial position of the entity, as a whole.

In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

/s/ Atlas CPAs & Advisors PLLC
ATLAS CPAs & Advisors PLLC
Phoenix, Arizona
July 6, 2020

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ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATED SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Amount	Percent
REVENUE	\$ 14,482,050	100.0%
Payroll expense	1,303,647	9.0
Professional fees	1,344,261	9.3
Office expense	152,224	1.1
Rent expense	504,336	3.5
Utilities	439,816	3.0
Advertising	202,891	1.4
Repairs and maintenance	193,982	1.3
Insurance expense	169,426	1.2
Travel expense	132,928	0.9
Bank service charges	104,152	0.7
License and fees	81,537	0.6
Telecommunication and internet	66,713	0.5
Bad debt	37,858	0.3
Supplies	34,867	0.2
Meals and entertainment	14,417	0.1
Automobile expense	13,000	0.1
Dues and subscriptions	9,786	0.1
Cash donations	2,200	0.0
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 4,808,041	33.2%

See independent auditor's report on supplementary information.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019

ASSETS

	Alternative Medical Enterprises, LLC	Agronomy Holdings, LLC	Agronomy Innovations, LLC	AltMed, LLC	Fort Consulting LLC	MuV Health LLC	NuTrae, LLC	Elimination	Total
CURRENT ASSETS									
Cash and cash equivalents	\$ 5,495	\$ 9,792	\$ 921,491	\$ 10,577	\$ 943,628	\$ 26,203	\$ 18,224	\$ -	\$ 1,935,410
Accounts receivable	-	-	-	-	400,040	-	3,502	-	403,542
Notes receivable	163,895	914,322	-	-	-	-	-	-	1,078,217
Inventories	-	-	382,206	-	1,773,760	229,460	-	-	2,385,426
Due from, related party	84,593	-	6,609,549	287,000	33,110	10,000	2,050,270	(9,074,522)	-
Prepaid expenses	117,886	-	184,351	-	-	-	-	-	302,237
TOTAL CURRENT ASSETS	371,869	924,114	8,097,597	297,577	3,150,538	265,663	2,071,996	(9,074,522)	6,104,832
LONG-TERM ASSETS									
Property and equipment, net	82,390	-	4,312,942	542,672	-	-	-	-	4,938,004
Intangible assets, net	-	-	5,106,838	88,570	-	-	-	-	5,195,408
Investments, net	39,686,509	19,840,466	-	23,904,715	-	-	-	(59,526,975)	23,904,715
Security deposits	-	-	33,554	6,400	-	-	200	-	40,154
TOTAL LONG-TERM ASSETS	39,768,899	19,840,466	9,453,334	24,542,357	-	-	200	(59,526,975)	34,078,281
TOTAL ASSETS	\$ 40,140,768	\$ 20,764,580	\$ 17,550,931	\$ 24,839,934	\$ 3,150,538	\$ 265,663	\$ 2,072,196	\$ (68,601,497)	\$ 40,183,113

LIABILITIES AND MEMBERS' EQUITY

	Alternative Medical Enterprises, LLC	Agronomy Holdings, LLC	Agronomy Innovations, LLC	AltMed, LLC	Fort Consulting, LLC	MuV Health LLC	NuTrae, LLC	Elimination	Total
CURRENT LIABILITIES									
Accounts payable	\$ 19,159	\$ -	\$ 75,504	\$ 350	\$ 404,187	\$ 65,250	\$ 15,744	\$ -	\$ 580,194
Accrued expenses and other liabilities	6,817	-	287,229	-	80,645	-	1,020	-	375,711
Due to related parties	1,111,585	-	2,337,270	-	5,109,174	421,900	94,593	(9,074,522)	-
Notes payable	-	-	1,000,000	-	-	-	-	-	1,000,000
Current portion of capital leases	-	-	22,020	-	-	-	-	-	22,020
TOTAL CURRENT LIABILITIES	1,137,561	-	3,722,023	350	5,594,006	487,150	111,357	(9,074,522)	1,977,925
LONG-TERM PORTION OF CAPITAL LEASES									
TOTAL LIABILITIES	1,137,561	-	3,733,919	350	5,594,006	487,150	111,357	(9,074,522)	1,989,821
MEMBERS' EQUITY	39,003,207	20,764,580	13,817,012	24,839,584	(2,443,468)	(221,487)	1,960,839	(59,526,975)	38,193,292
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 40,140,768	\$ 20,764,580	\$ 17,550,931	\$ 24,839,934	\$ 3,150,538	265,663	\$ 2,072,196	\$ (68,601,497)	\$ 40,183,113

See independent auditor's report on supplementary information.

ALTERNATIVE MEDICAL ENTERPRISES, LLC AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATION
DECEMBER 31, 2019

	Alternative Medical Enterprises, LLC	Agronomy Holdings, LLC	Agronomy Innovations, LLC	AltMed, LLC	Fort Consulting, LLC	MuV Health LLC	NuTrae, LLC	Elimination	Total
Net Revenues	\$ -	\$ -	\$ 9,998,619	\$ -	\$ 13,981,195	\$ -	\$ 1,068,591	\$ (10,566,355)	\$ 14,482,050
Cost of Revenues	16,033	-	3,812,555	-	13,249,504	-	82,428	(8,539,642)	8,620,878
Gross Profit (Loss)	(16,033)	-	6,186,064	-	731,691	-	986,163	(2,026,713)	5,861,172
General and Administrative Expenses	887,710	-	3,628,089	-	2,075,148	221,487	22,320	(2,026,713)	4,808,041
Amortization	-	-	1,256,161	44,286	-	-	-	-	1,300,447
Depreciation	5,885	-	404,187	35,105	-	-	-	-	445,177
Income (Loss) from Operations	(909,628)	-	897,627	(79,391)	(1,343,457)	(221,487)	963,843	-	(692,493)
Other Income (Expense)									
Income from investee	-	50,619	-	7,985,565	-	-	-	-	8,036,184
Interest expense	(3,871)	-	-	-	-	-	-	-	(3,871)
Loss on sale of property and equipment	-	-	(25,077)	-	-	-	-	-	(25,077)
Interest income	53	178	779	192	-	-	16	-	1,218
Total Other Income (Expense)	(3,818)	50,797	(24,298)	7,985,757	-	-	16	-	8,008,454
Net Income (Loss)	<u>\$ (913,446)</u>	<u>\$ 50,797</u>	<u>\$ 873,329</u>	<u>\$ 7,906,366</u>	<u>\$ (1,343,457)</u>	<u>\$ (221,487)</u>	<u>\$ 963,859</u>	<u>\$ -</u>	<u>\$ 7,315,961</u>

See independent auditor's report on supplementary information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

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VERANO HOLDINGS CORP.
Unaudited Interim Condensed Consolidated Balance Sheets
As of March 31, 2022 & December 31, 2021
(\$ in Thousands except share and per share amounts)

	March 31, 2022	December 31, 2021 <i>(Audited)</i>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 139,637	\$ 99,118
Accounts Receivable, net	17,676	17,410
Notes Receivable	-	285
Inventory	159,883	137,634
Prepaid Expenses and Other Current Assets	22,583	19,528
Total Current Assets	339,779	273,975
Property, Plant and Equipment, net	479,747	452,232
Right Of Use Assets, net	66,522	61,346
Intangible Assets, net	1,368,358	1,379,913
Goodwill	375,725	368,130
Investment in Associates	7,396	7,628
Deposits and Other Assets	2,514	2,499
TOTAL ASSETS	\$ 2,640,041	\$ 2,545,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 61,050	\$ 45,172
Accrued Liabilities	25,332	42,150
Income Tax Payable	203,939	153,850
Current Portion of Lease Liabilities	7,427	6,563
Current Portion of Notes Payable	10,386	13,771
Acquisition Consideration Payable	142,543	208,349
Total Current Liabilities	450,677	469,855
Long-Term Liabilities:		
Deferred Revenue	1,068	1,183
Notes Payable, net of Current Portion	373,858	276,154
Lease Liabilities, net of Current Portion	61,458	56,812
Deferred Income Taxes	256,312	262,984
Total Long-Term Liabilities	692,696	597,133
TOTAL LIABILITIES	\$ 1,143,373	\$ 1,066,988
SHAREHOLDERS' EQUITY	1,496,668	1,475,784
NON-CONTROLLING INTEREST	-	2,951
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,640,041	\$ 2,545,723

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

VERANO HOLDINGS CORP.
Unaudited Interim Condensed Consolidated Statements of Operations
For the Three Months Ended March 31, 2022 & March 31, 2021
(\$ in Thousands except share and per share amounts)

	March 31, 2022	March 31, 2021
Revenues, net of discounts	\$ 202,235	\$ 120,895
Cost of Goods Sold, net	102,566	66,605
Gross Profit	99,669	54,290
Operating Expenses	79,988	36,973
Income from Investments in Associates	367	803
Income From Operations	20,048	18,120
Other Income (Expense):		
Loss on Disposal of Property, Plant and Equipment	(990)	-
Gain on Deconsolidation	9,558	-
Gain on Previously Held Equity Interest	17,275	-
Other Income (Expense), net	(2,226)	(867)
Interest Expense, net	(10,672)	(1,767)
Total Other Income (Expense)	12,945	(2,634)
Net Income Before Provision for Income Taxes and Non-Controlling Interest	32,993	15,486
Provision For Income Taxes	(42,833)	(16,414)
Net Loss Before Non-Controlling Interest	(9,840)	(928)
Net Income Attributable to Non-Controlling Interest	291	1,266
Net Loss Attributable to Verano Holdings Corp.	\$ (10,131)	\$ (2,194)
Net Loss per share – basic	(0.03)	(0.02)
Net Loss per share – diluted	(0.03)	(0.02)
Basic – weighted average shares outstanding	326,285,814	140,952,177
Diluted – weighted average shares outstanding	326,285,814	140,952,177

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

VERANO HOLDINGS CORP.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Three Months Ended March 31, 2022 & March 31, 2021

(in Thousands)

	LLC Membership Units	Pubco Shares (as converted)	Share Capital	Accumulated Earnings (Deficit)	Non- Controlling Interest	Total
Balance as of January 1, 2021	279,900	-	\$ 137,914	\$ 9,247	\$ 6,237	\$ 153,398
RTO-related issuances, net	-	-	652,217	-	-	652,217
Issuance of Pubco shares in redemption of membership units	(279,900)	279,900	-	-	-	-
Reverse takeover ("RTO Financing"), net	-	-	95,420	-	-	95,420
Share-based compensation	-	-	61	-	-	61
Issuance of shares in conjunction with acquisitions	-	-	62,898	-	-	62,898
Warrants issued and exercised	-	-	75,100	-	-	75,100
Net Income (Loss)	-	-	-	(2,194)	1,266	(928)
Balance as of March 31, 2021	<u>-</u>	<u>279,900</u>	<u>\$ 1,023,610</u>	<u>\$ 7,053</u>	<u>\$ 7,503</u>	<u>\$ 1,038,166</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

VERANO HOLDINGS CORP.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Continued)

For the Three Months Ended March 31, 2022 & March 31, 2021

(in Thousands)

	LLC Membership Units	Pubco Shares (as converted)	Share Capital	Accumulated Earnings (Deficit)	Non- Controlling Interest	Total
Balance as of January 1, 2022	-	279,900	\$ 1,488,188	\$ (12,404)	\$ 2,951	\$ 1,478,735
Share-based compensation	-	-	289	-	-	289
Issuance of shares in conjunction with acquisition	-	-	13,220	-	-	13,220
Noncontrolling interest adjustment for change in ownership	-	-	-	-	(3,242)	(3,242)
Contingent consideration & other adjustments to purchase accounting	-	-	17,506	-	-	17,506
Net Income (Loss)	-	-	-	(10,131)	291	(9,840)
Balance as of March 31, 2022	-	279,900	\$ 1,519,203	\$ (22,535)	\$ -	\$ 1,496,668

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

VERANO HOLDINGS CORP.
Unaudited Interim Condensed Consolidated Cash Flow Statements
For the Three Months Ended March 31, 2022 and March 31, 2021
(\$ in Thousands)

	March 31, 2022	March 31, 2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss attributable to Verano Holdings Corp. and Subsidiaries	\$ (10,131)	\$ (2,194)
Net income attributable to non-controlling interest	291	1,266
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,434	11,783
Non-cash interest expense	674	357
Non-cash interest income	-	(237)
Non-cash inventory step-up expense on acquisitions	4,612	17,844
Loss on disposal of property, plant and equipment	990	-
Gain on deconsolidation	(9,558)	-
Gain on Disposal of Investments in Associates	(17,275)	-
Bad debt expense	-	68
Amortization of debt issuance costs	1,514	136
Unrealized gain on marketable securities	(66)	-
Write-off of note receivable	(3)	-
Loss (Income) from underlying investees	1,183	(6,802)
Loss (Income) on share issuance	3,592	(125)
Decrease in fair value of contingent consideration	2,293	-
Stock based compensation	289	61
Changes in operating assets and liabilities:		
Accounts receivable	(269)	(6,131)
Inventories	(26,595)	(19,239)
Prepaid expenses and other current assets	1,117	(5,522)
Deposits and other assets	695	1,071
Accounts payable	19,873	10,942
Accrued liabilities	(12,233)	1,827
Lease Liabilities	(2,955)	(1,217)
Income tax payable	48,773	21,940
Deferred taxes	(6,672)	-
Deferred revenue	(116)	(997)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,457	24,831
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(48,300)	(36,402)
Proceeds from disposal of assets	1,818	733
Advances to related parties	-	20
Purchases of intangible assets	-	(7,460)
Acquisition of business, net of cash acquired	(60,082)	(38,573)
Proceeds from sale deconsolidation and investment in Associates	19,821	-
Purchase of interest in investment in associates	-	(3,350)
Dividend received from investments in associates	-	10,275
Issuance of note receivable	-	(147)
Proceeds from note receivable	-	2,931
Interest received on note receivable	-	4
NET CASH USED IN INVESTING ACTIVITIES	(86,743)	(71,969)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

VERANO HOLDINGS CORP.
Unaudited Interim Condensed Consolidated Cash Flow Statements (Continued)
For the Three Months Ended March 31, 2022 and March 31, 2021
(\$ in Thousands)

	March 31, 2022	March 31, 2021
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	102,660	-
Principal repayments of notes payable	(6,870)	(7,516)
Debt issuance costs paid	(2,985)	-
Proceeds received from RTO Financing	-	75,420
Cash received in warrant private placement	-	75,100
NET CASH PROVIDED BY FINANCING ACTIVITIES	92,805	143,004
NET INCREASE IN CASH	40,519	95,886
CASH, BEGINNING OF PERIOD	99,118	16,402
CASH, END OF PERIOD	\$ 139,637	\$ 112,268

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 9,999	\$ 1,648
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NONCASH INVESTING AND FINANCING ACTIVITIES

Accrued capital expenditures	\$ (541)	\$ (1,200)
Consideration received in stock for the disposal of assets	\$ 3,776	\$ -
Issuance of shares under business combinations	\$ 27,135	\$ 690,109
Acquisitions		
Tangible and Intangible assets acquired, net of cash	\$ 17,532	\$ 787,405
Liabilities assumed	(3,981)	(215,083)
Acquisition consideration payable	38,936	(731,059)
Goodwill	7,595	197,310
	\$ 60,082	\$ 38,573

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

1. OVERVIEW AND BASIS OF PRESENTATION

(a) Description of Business

References herein to “the Company,” or “Verano,” are intended to mean Verano Holdings Corp. and its subsidiaries, licensees, and managed entities.

Verano is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider, the Company owns, operates, manages, controls, and/or has licensing, consulting or other commercial agreements with cultivation, processing, and retail licensees across fifteen state markets (Arizona, Arkansas, California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, Ohio, Pennsylvania, and West Virginia).

In addition to the states listed above, the Company also conducts pre-licensing activities in several other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, processing, or retail licenses.

On February 11, 2021, the Company completed a reverse takeover transaction (“RTO”) as further described in Note 3. Thereafter, the Company’s Class A Subordinate Voting Shares (the “Subordinate Voting Shares”) were listed on the Canadian Securities Exchange (the “CSE”) under ticker symbol “VRNO” and subsequently began to be quoted in the United States on the OTCQX marketplace operated by the OTC Market Group, under the ticker symbol “VRNOF”.

The Company’s corporate headquarters is located at 415 North Dearborn St., Suite 400, Chicago, Illinois 60654.

(b) Basis of Presentation

The consolidated financial statements for the three months ended March 31, 2022 and March 31, 2021, have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). Unless otherwise indicated, all references to “\$” or “US\$” in this document refer to United States dollars, and all references to “C\$” refer to Canadian dollars. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021, included in the Company’s registration statement on Form 10 initially filed on April 26, 2022. The accompanying condensed consolidated financial statements include the accounts of Verano Holdings, Corp. and its wholly owned subsidiaries.

(c) Basis of Consolidation

The consolidated financial statements have been prepared in accordance with GAAP and include the accounts of the Company and its subsidiaries, as well as the accounts of any entities over which the Company has a controlling financial interest in accordance with Accounting Standards Codification (“ASC”) 810 *Consolidation*. All transactions and balances between these entities have been eliminated upon consolidation.

(d) Significant Accounting Policies

There have been no changes to the Company’s significant accounting policies as described in Note 2 to the audited consolidated financial statements and notes thereto for the year ended December 31, 2021, included in the Company’s registration statement on Form 10 initially filed on April 26, 2022.

1. OVERVIEW AND BASIS OF PRESENTATION *(Continued)*

(e) Earnings (Loss) per Share

Basic earnings (loss) per share is calculated using the treasury stock method, by dividing the net earnings (losses) attributable to members by the weighted average number of shares (on an as converted basis to Subordinate Voting Shares) outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding shares and consequently are not included in the earnings (loss) per share calculations. Diluted income per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

To determine diluted income per share, it is assumed that any proceeds from the exercise of dilutive share options would be used to repurchase shares at the average market price during the period. The diluted income per share calculation excludes any potential conversion of share options and convertible debt that would increase earnings per share or decrease loss per share. No potentially dilutive share equivalents were included in the computation of diluted loss per share for the three months ended March 31, 2022 and 2021 because their impact would have been anti-dilutive.

(f) Recently Issued Accounting Standards

The Company reviews recently issued accounting standards on a quarterly basis and has determined there are no standards yet to be adopted which are relevant to the Company's business for disclosure.

(g) Coronavirus Pandemic

In March 2020, the World Health Organization categorized coronavirus disease 2019 (together with its variants, "COVID-19") as a pandemic. COVID-19 continues to spread throughout the U.S. and other countries across the world, and the duration and severity of its effects are currently unknown. The Company continues to implement and evaluate actions to strengthen its financial position and support the continuity of its business and operations.

The Company's unaudited interim condensed consolidated financial statements presented herein reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and reported amounts of revenue and expenses during the periods presented. Such estimates and assumptions affect, among other things, the Company's goodwill; long-lived assets and intangible assets; operating lease right of use assets and operating lease liabilities; valuation of deferred income taxes; the allowance for doubtful accounts; assessment of the Company's lease and non-lease contract expenses; and measurement of compensation cost for bonus and other compensation plans. While the Company's revenue, gross profit and operating income were not impacted during the three months ended March 31, 2022, the uncertain nature of the spread of COVID-19 and the uncertainty of the impact of nationwide vaccine programs may impact the Company's business operations for reasons including the potential quarantine of the Company's employees or of its supply chain partners' employees.

2. REVERSE TAKEOVER TRANSACTION (“RTO”)

On December 14, 2020, Verano Holdings, LLC, a Delaware limited liability company, Majesta Minerals, Inc., an Alberta corporation (the “Public Corporation”), 1276268 B.C. Ltd., a British Columbia corporation (“Verano FinCo”), 1277233 B.C. Ltd, a British Columbia corporation, and 1278655 B.C. Ltd., a British Columbia corporation (“Majesta SubCo”), entered into an arrangement agreement (as amended January 26, 2021, the “Definitive Agreement”), pursuant to which the Company would result from the reverse takeover transaction contemplated thereby (the “RTO”).

In accordance with the plan of arrangement forming part of the Definitive Agreement (the “Plan of Arrangement”), the Public Corporation changed its name to “Verano Holdings Corp.” and completed a consolidation of its common shares on the basis of 100,000 issued and outstanding common shares on a post-consolidation basis.

In accordance with the terms of the Plan of Arrangement, 10,000,000 subscription receipts (the “Subscription Receipts”) were issued on January 21, 2021, at a price per Subscription Receipt of \$10², for aggregate gross proceeds of \$100,000 (the “RTO Financing”). In the RTO Financing, the Company issued a total of 10,000,000 Subordinate Voting Shares to the purchasers of the Subscription Receipts and 578,354 Subordinate Voting Shares and \$4,580 in transactions costs to the offering agents as a broker fee, for a net RTO Financing amount of \$95,420.

The Public Corporation reorganized capital by altering its notice of articles and articles to (i) attach special rights and restrictions to its common shares, (ii) change the identifying name of its common shares to “Class A Subordinate Voting Shares” and (iii) create a new class of Class B Proportionate Voting Shares (the “Proportionate Voting Shares”). Pursuant to the Plan of Arrangement, thereafter Verano FinCo amalgamated with Majesta SubCo. Majesta SubCo was then liquidated, and the net proceeds of the RTO Financing transferred to the Company, as the resulting corporation in the RTO.

The members of Verano Holdings, LLC, and owners of certain of its subsidiaries, through a series of transactions, exchanged their ownership interests in Verano Holdings LLC and such subsidiaries for 96,892,040 Subordinate Voting Shares and 1,172,382 Proportionate Voting Shares. In connection with the Company’s acquisitions (Note 9) of Alternative Medical Enterprises, LLC, Plants of Ruskin GPS, LLC, and RVC 360, LLC (collectively, the “AME Parties”), that occurred concurrently with the RTO, the members of the AME Parties, through a series of transactions, exchanged their membership interests in the AME Parties for 18,092,987 Subordinate Voting Shares and 470,984. Proportionate Voting Shares, plus cash consideration, as further described in Note 9(a). The members of the AME Parties received \$20,000 in proceeds from the RTO Financing.

In accordance with ASC 805, *Business Combinations*, the substance of the transaction is a reverse takeover of a nonoperating company. The transaction does not constitute a business combination as Majesta SubCo does not meet the definition of a business under the standard. As a result, the transaction is accounted for as a capital transaction with Verano Holdings, LLC being identified as the acquirer and the equity consideration being measured at fair value. The resulting consolidated statement of financial position is presented as a continuance of Verano Holdings, LLC and comparative figures presented in the consolidated financial statements prior to the reverse takeover are those of Verano Holdings, LLC.

ASC 505-50, *Equity-Based Payments to Non-Employees*, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because the Company issued shares with a value in excess of the assets received, the difference is recognized in RTO-related issuance cost through equity. The amount assigned to the transaction cost of \$198 is the difference between the fair value of the consideration and the net identifiable assets of Majesta SubCo acquired by the Company.

² Such amount not in thousands

VERANO HOLDINGS CORP.
Unaudited Interim Notes to the Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(\$ in Thousands except shares and per share amounts)

3. INVENTORIES

The Company's inventories consist of the following at March 31, 2022 and December 31, 2021:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Raw Materials	\$ 8,187	\$ 5,767
Work in Process	110,573	93,298
Finished Goods	41,123	38,569
Total Inventories	<u>\$ 159,883</u>	<u>\$ 137,634</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consists of the following as of March 31, 2022 and December 31, 2021:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 28,413	\$ 29,399
Buildings and Improvements	154,765	126,020
Furniture and Fixtures	13,886	13,259
Computer Equipment and Software	15,715	14,078
Leasehold Improvements	176,845	182,514
Tools and Equipment	71,189	65,774
Vehicles	4,091	3,229
Assets Under Construction ⁽¹⁾	70,231	64,107
Total Property, Plant and Equipment, Gross	535,135	498,380
Less: Accumulated Depreciation	(55,388)	(46,148)
Property, Plant and Equipment, Net	<u>\$ 479,747</u>	<u>\$ 452,232</u>

⁽¹⁾Assets under construction represent construction in progress related to facilities not yet completed or otherwise not placed in service.

For the three months ended March 31, 2022 and March 31, 2021, depreciation expense included in costs of goods sold totaled \$7,057 and \$2,882, respectively.

VERANO HOLDINGS CORP.
Unaudited Interim Notes to the Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(\$ in Thousands except shares and per share amounts)

5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

As of March 31, 2022, intangible assets consisted of the following:

	Licenses	Tradenames	Technology	Total
<u>Cost</u>				
Balance as of January 1, 2022	\$ 1,386,131	\$ 54,166	\$ 11,603	\$ 1,451,900
Purchases	-	-	-	-
Additions from business combination	13,281	-	-	13,281
Adjustments to purchase price allocation	-	-	-	-
Disposals	-	-	-	-
Balance as of March 31, 2022	<u>\$ 1,399,412</u>	<u>\$ 54,166</u>	<u>\$ 11,603</u>	<u>\$ 1,465,181</u>
<u>Accumulated Amortization</u>				
Balance as of January 1, 2022	66,703	4,158	1,126	71,987
Amortization	23,173	1,355	308	24,836
Balance as of March 31, 2022	<u>\$ 89,876</u>	<u>\$ 5,513</u>	<u>\$ 1,434</u>	<u>\$ 96,823</u>
<u>Net Book Value</u>				
Balance as of January 1, 2022	1,319,428	50,008	10,477	1,379,913
Balance as of March 31, 2022	<u>\$ 1,309,536</u>	<u>\$ 48,653</u>	<u>\$ 10,169</u>	<u>\$ 1,368,358</u>

Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition.

The following table outlines the estimated annual amortization expense related to intangible assets as of March 31, 2022:

Year Ending December 31:	Estimated Amortization
2022 (Remaining)	\$ 74,961
2023	99,948
2024	99,948
2025	99,948
2026	99,221
Thereafter	894,332
	<u>\$ 1,368,358</u>

VERANO HOLDINGS CORP.
Unaudited Interim Notes to the Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(\$ in Thousands except shares and per share amounts)

5. INTANGIBLE ASSETS AND GOODWILL (Continued)

The changes in the carrying amount of goodwill, by reportable segment, for the quarter ended March 31, 2022 were as follows:

	January 1, 2022	Impairment	Adjustments to purchase price allocation	Acquisitions	March 31, 2022
Cultivation	\$ 91,116	\$ -	\$ 1,050	\$ -	\$ 92,166
Retail	277,014	-	-	6,545	283,559
Total	<u>\$ 368,130</u>	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ 6,545</u>	<u>\$ 375,725</u>

During the quarter ended March 31, 2022, the Company recorded measurement period adjustments in connection to the December 2021 acquisition of Connecticut Pharmaceutical Solutions, Inc. The net impact led to an increase of \$1,050 to goodwill. The Company obtained additional information about the facts and circumstances that existed at the time of the acquisition date that lead to changes in provisional amounts recognized in the initial opening financials for inventory, income taxes and accrued payables.

6. EARNINGS PER SHARE

The Company presents basic earnings per share. Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of shares (on an as converted basis) outstanding during the periods presented.

The computations of net loss per share on a basic basis, including reconciliations of the numerators and denominators, were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Numerator		
Net Loss attributable to Verano Holdings Corp.	\$ (10,131)	\$ (2,194)
Denominator		
<u>Basic</u>		
Pre-RTO weighted-average shares outstanding		158,203,932
Post-RTO weighted-average shares outstanding		126,517,036
Weighted-average shares outstanding – basic	326,285,814	140,952,177
<u>Diluted</u>		
Pre-RTO weighted-average shares outstanding		158,203,932
Post-RTO weighted-average shares outstanding		126,517,036
Weighted-average shares outstanding – basic	326,285,814	140,952,177
Basic earnings per share	\$ (0.03)	\$ (0.02)
Diluted earnings per share	\$ (0.03)	\$ (0.02)

7. NOTES RECEIVABLE

As of December 31, 2021, notes receivable consisted of two secured promissory notes:

The first note is a secured promissory note dated August 13, 2020 with a third party for \$180. The note bears interest of 8% per annum and was originally due and payable on or before the earlier of February 13, 2021 or such other date the principal amount becomes due and payable by acceleration after an event of default. The promissory note can be extended at the discretion of the Company. As of December 31, 2021, the Company has received principal payments of \$56 and has outstanding principal of \$124 plus accrued interest of \$7. As of March 31, 2022, the Company settled the outstanding note receivable balance as part of the Greengate transaction. *Refer to FN 8 – Transactions.*

The second note is a secured promissory note, dated March 24, 2021, with a third party for \$147. The note bears interest of 8% per annum and was originally due and payable on September 24, 2021. The maturity date of the secured promissory note was extended to March 24, 2022. As of March 31, 2022, the Company settled the outstanding note receivable balance as part of the Greengate transaction. *Refer to FN 8 – Transactions.*

As of March 31, 2022, the Company had no outstanding notes receivable.

8. TRANSACTIONS

(a) Merger Agreement

On November 6, 2020, Verano Holdings LLC entered into an agreement and plan of merger with the AME Parties, pursuant to which the Company, as the assignee of all of Verano Holdings LLC's rights and obligations thereunder, would acquire the AME Parties and their subsidiaries and ownership and control interests (the "AME Group") via a series of merger transactions (the "AME Mergers"). The AME Mergers were contingent upon, and closed contemporaneously with the RTO, resulting in the creation of the Company as a Canadian publicly-traded parent company of Verano Holdings LLC, the AME Parties and their respective subsidiaries.

The RTO and AME Mergers closed on February 11, 2021 and resulted in the AME Group becoming wholly-owned subsidiaries of the Company. The members of the AME Parties, through the RTO and AME Mergers, exchanged their membership interests in the AME Parties for 18,092,988 Subordinate Voting Shares and 470,984 Proportionate Voting Shares valued at approximately \$651,914, plus cash consideration of \$35,000. The securities issued were assigned a value of \$10 per share on a converted basis. The share price is equivalent to the arm's-length Financing transaction of the Subscription Receipts of \$10 per share. The share consideration and cash consideration of \$20,000 was paid at the closing of the AME Mergers, \$10,000 of cash consideration was paid on August 11, 2021, and the remaining \$5,000 balance was paid in February and March 2022. As of March 31, 2022, the total consideration had been paid in full.

The Company accounted for the transaction as a business combination in accordance with ASC 805, *Business Combinations*. The following table summarizes the provisional accounting estimates of the merger transaction:

	AltMed Florida	AltMed Arizona	Total
Cash	\$ 5,446	\$ 507	\$ 5,953
Accounts receivable, net	60	498	558
Inventory	83,205	5,827	89,032
Prepays and other current assets	833	1,989	2,822
Property, plant and equipment, net	73,386	9,751	83,137
Right-of-use asset, net	9,651	-	9,651
Other assets	1,001	-	1,001
Accounts payable and accrued liabilities	(8,935)	(2,576)	(11,511)
Notes payable	(3,579)	(3,343)	(6,922)
Deferred taxes	(123,720)	(37,290)	(161,010)
Lease liabilities	(9,651)	-	(9,651)
Total identifiable net assets (liabilities)	27,697	(24,637)	3,060
Intangible assets	498,938	184,588	683,526
Net assets	\$ 526,635	\$ 159,951	\$ 686,586

8. TRANSACTIONS *(Continued)*

(b) Business Combinations

The Company has determined that the below acquisitions are business combinations under ASC 805, *Business Combinations*. Those acquisitions that are determined to be the acquisition of a business are accounted for by applying the acquisition method, whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these unaudited interim condensed consolidated financial statements from the date of the acquisition. Any goodwill recognized is attributed based on reporting units. Refer to the end of section b for the revenue and net income (loss) since the acquisition date included in the Statement of Operations and pro forma revenue and earnings.

The purchase price allocation for the acquisitions reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair value of certain tangible assets, the value of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period.

Measurement period adjustments that the Company determined to be material will be applied prospectively in the Company's consolidated financial statements, and depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected. The measurement period ends one year subsequent to the acquisition date.

2022 Business Combinations

420 Capital Management, LLC

On April 5, 2021, Verano entered into an agreement to purchase 100% of the equity interests of 420 Capital Management, LLC ("Greengate"). Greengate is the license holder and operator of the Lombard and Roger's Park dispensaries located in Illinois. The transaction received state regulatory approval in February 2022 and subsequently closed on March 11, 2022. Total consideration includes cash of \$7,448, forgiveness of other receivables of \$2,894, and stock consideration of 1,403,067 Subordinate Voting Shares valued at \$13,221 based on the fair value of the securities as traded on the CSE on the date of the transaction, all of which was paid at close. As of March 31, 2022, total consideration had been paid in full.

The following table summarizes the provisional accounting estimates of the acquisitions that occurred during the three months ended March 31, 2022:

	<u>Greengate</u>
Cash and cash equivalents	\$ 2,315
Inventory	1,021
Prepaid & other current Assets	324
Deposits and Other non-current assets	45
Property, plant and equipment, net	1,673
Right-of-use asset, Net	1,836
Accounts payable and accrued liabilities	(1,569)
Other liabilities	(72)
Lease liabilities	<u>(1,836)</u>
Total identifiable net assets (liabilities)	3,737
Total Intangible assets	<u>19,826</u>
Net Assets	<u>\$ 23,563</u>

8. TRANSACTIONS (Continued)

(b) Business Combinations (Continued)

The consolidated statements of operations includes net revenue of \$964 and net loss of \$(119) related to the acquired operations of Greengate for the three months ended March 31, 2022.

The unaudited pro forma information set forth below gives effect to the Greengate acquisition as if it had occurred on January 1, 2021. These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the transaction been consummated as of that time nor does it purport to be indicative of future financial operation results.

Pro forma net revenues for the three months ended March 31, 2022 and 2021 are \$205,047 and \$122,272, respectively. Pro forma net loss for the three months ended March 31, 2022 and 2021 are \$(9,644) and \$(1,973).

2021 Business Combinations

Glass City Alternatives, LLC

On September 20, 2020, the Company entered into an agreement to acquire, upon the satisfaction of certain conditions precedent, all of the ownership interest of Glass City Alternatives, LLC which operates a dispensary located in Ohio. The transaction closed on January 7, 2021. The total cash consideration was \$2,700 plus a \$329 purchase price adjustment. The Company issued \$500 in Subordinate Voting Shares based on the fair value of the securities as traded on the CSE on the date of issuance. As of March 31, 2022, the total consideration had been paid in full.

Perpetual Healthcare Inc.

On February 25, 2021, Verano entered into an agreement to purchase control of Perpetual Healthcare Inc. (“Emerald”). Emerald is a marijuana dispensary and is a non-profit entity in Arizona. The Company, through a management service agreement (“MSA”) and control of the board of directors, obtained control of Emerald’s dispensary operations and license. The transaction became effective on March 10, 2021, and the Company consolidated Emerald through the Voting Interest Model (“VOE”) in accordance with ASC 810, *Consolidations*. Total consideration included cash consideration of \$11,250 plus a \$326 purchase price adjustment and, 541,994 Subordinate Voting Shares valued at approximately \$10,002 based on the fair value of the securities as traded on the CSE on the date of the transaction. The remaining obligation was settled through the issuance of 350,644 Subordinate Voting Shares valued at approximately \$6,992 in May 2021. As of March 31, 2022, the total consideration had been paid in full.

The Herbal Care Center Inc.

On February 24, 2021, Verano entered into an equity purchase agreement to acquire all equity interest in EINJO, L.P. and SPSLE, Corp. to become the sole owner of The Herbal Care Center, Inc. (“The Herbal Care Center”), which holds licenses for two dispensaries in Illinois. The Company, through an MSA, obtained control of The Herbal Care Center’s operations and marijuana license. The transaction became effective on March 17, 2021, and the Company consolidated The Herbal Care Center through the Variable Interest Model (“VIE”) in accordance with ASC 810, *Consolidations*. Total consideration included cash consideration of \$18,750, plus a \$2,107 purchase price adjustment, of which \$10,000 was paid upon entering into the MSA.

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The total consideration also included 90,464 Subordinate Voting Shares and 9,625 Proportionate Voting Shares valued at approximately \$22,778 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. As of March 31, 2022, the present value of unpaid deferred consideration of \$10,852 is included in the acquisition price payable balance on the Company's consolidated balance sheets.

8. TRANSACTIONS *(Continued)*

(b) Business Combinations *(Continued)*

Patient Alternative Relief Center, Inc.

On March 22, 2021, the Company entered into an agreement with Flower Launch LLC, to acquire the rights to manage Patient Alternative Relief Center, Inc. ("Local Joint"). Local Joint is a retail dispensary that operates as a non-profit entity in Arizona. The Company, through a MSA and control of the board of directors, obtained control of Local Joint's operations and its license. The transaction became effective on March 30, 2021, and the Company consolidated Local Joint through the VOE in accordance with ASC 810, *Consolidations*. Total consideration included cash consideration of \$13,500, with \$10,000 paid on the closing date and \$3,500 paid in July 2021, plus 179,767 Subordinate Voting Shares valued at approximately \$3,031 based on the fair value of the securities as traded on the CSE on the date of the transaction. As of March 31, 2022, the total consideration had been paid in full.

BISHCO LLC

On February 23, 2021, the Company entered into a merger agreement to acquire BISHCO LLC, which holds the rights to manage three non-profit entities in Arizona through MSAs. The non-profit entities, AZGM3, Inc., Vending Logistics, LLC, and The Medicine Room, LLC, each hold an Arizona marijuana license. The agreement triggered the resignation of all non-profit board members and concurrently appointed the Company executives to the board of directors that govern each non-profit entity. Through the acquisition of BISHCO LLC and its MSAs, as well as the Company's appointment to the board of directors, the Company obtained control of the non-profit entities' operations and their respective licenses.

The transaction became effective on April 8, 2021, and the Company consolidated the non-profit entities through the VOE in accordance with ASC 810, *Consolidations*. Total consideration included \$18,699 of cash paid upon closing, plus a \$1,036 purchase price adjustment, 997,453 Subordinate Voting Shares and 29,924 Proportionate Voting Shares valued at approximately \$78,916 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. The remaining consideration is related to contingent consideration with \$12,750 payable in cash on April 1, 2022, and the remaining \$12,750 payable in shares or cash at the election of the recipient on March 31, 2023. As of March 31, 2022, the present value of unpaid deferred consideration of \$23,129 is included in the acquisition price payable balance on the Company's consolidated balance sheets.

TerraVida Holistic Center, LLC

On February 24, 2021, the Company entered into an agreement to acquire TerraVida Holistic Centers, LLC, which holds the rights to three active dispensaries in Pennsylvania. The transaction closed on May 11, 2021. Total consideration included cash consideration of \$64,316, plus a \$1,993 purchase price adjustment, of which \$18,809 was paid at closing and the remaining \$47,500 was paid over the first six months after closing. The transaction also included consideration of 1,506,750 Subordinate Voting Shares and 15,067 Proportionate Voting Shares valued at approximately \$59,732 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. As of March 31, 2022, the total consideration had been paid in full.

The Healing Center, LLC

On March 29, 2021, the Company entered into an agreement to acquire three active dispensaries in Pennsylvania by purchasing all the issued and outstanding equity interests of The Healing Center, LLC (“The Healing Center”). The transaction closed on May 14, 2021. At the time the transaction closed, The Healing Center leased the real estate where the dispensaries are located from three separate real estate entities (collectively referred to as “THC Real Estate”).

On September 3, 2021, the Company acquired the equity interests of THC Real Estate in cash transactions. The acquisitions were accounted for as a single business combination in accordance with ASC 805, *Business Combinations*.

8. TRANSACTIONS *(Continued)*

(b) Business Combinations *(Continued)*

Total consideration for The Healing Center included cash consideration of \$56,892, plus a \$2,355 purchase price adjustment, of which \$31,463 was paid upon closing and an additional \$27,784 was paid 60 days after the closing. In addition, the total consideration included 454,302 Subordinate Voting Shares and 25,744 Proportionate Voting Shares valued at approximately \$61,108 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction, and \$18,925 of contingent consideration evenly allocated between shares and cash. As of March 31, 2022, The Healing Center’s present value of unpaid deferred consideration of \$7,206 payable in cash and shares is included in the acquisition price payable balance on the Company’s consolidated balance sheets.

The Company funded the acquisition of the THC Real Estate through a credit facility with Chicago Atlantic Credit Company (together with its affiliated entities, “Chicago Atlantic”) for \$12,650. Total consideration was paid directly to the sellers in the amount of \$12,225. The Company received \$20 in cash proceeds and incurred \$405 in issuance costs and debt discounts on the Chicago Atlantic credit facility, which was paid net of proceeds upon closing. The Company amortizes debt issuance costs through interest expense over the life of the credit agreement. Refer to Note 10 for more information. As of December 31, 2021, the total consideration for THC Real Estate had been paid in full.

Mad River Remedies, LLC

On April 1, 2021, the Company entered into an agreement to acquire the outstanding equity interests in Mad River Remedies, LLC, which operates a dispensary in Ohio. The transaction closed on July 8, 2021. The consideration included cash consideration of \$12,984, subject to a purchase price adjustment of \$29, and 488,861 Subordinate Voting Shares value at approximately \$7,814 based on the fair value of the securities, on an as converted basis, as traded on the CSE on the date of the transaction. As of March 31, 2022, the total consideration had been paid in full.

Agri-Kind, LLC & Agronomed Holdings Inc

On April 21, 2021, the Company entered into an agreement to acquire all of the issued and outstanding equity interests in Agri-Kind, LLC (“Agri-Kind”), an operator of a cultivation and production facility of medical marijuana located in Pennsylvania, and Agronomed Holdings Inc., the owner of the cultivation and processing facility operated by Agri-Kind. The transaction closed on July 12, 2021. The total consideration included cash consideration of \$78,848, plus a \$678 purchase price adjustment, of which \$43,713 was paid at closing and the remaining \$35,813 was paid within three months of closing. In addition, the total consideration included the issuance of 3,208,035 Subordinate Voting Shares valued at approximately \$50,994 based on the fair value of the securities as traded on the CSE on the date of the transaction, and contingent consideration of \$33,971, which may fluctuate based upon financial performance metrics of Agri-Kind for 2021 and is payable in Subordinate Voting Shares, unless cash payment is elected by the recipient. As of March 31, 2022, the present value of unpaid deferred consideration of \$2,323 is included in the acquisition price payable balance on the Company’s consolidated balance sheets.

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Agronomed Biologics, LLC

On April 21, 2021, the Company entered into an agreement to acquire all the issued and outstanding equity interests in Agronomed Biologics, LLC (“Agronomed”), which holds a clinical registrant license that allows for cultivation, production, and operation of six dispensaries in Pennsylvania. As a clinical registrant, Agronomed has partnered with the Drexel University College of Medicine to conduct medical marijuana research. The transaction closed on July 12, 2021. Total consideration included cash consideration of \$10,473 paid upon closing and an additional \$42,493 of contingent consideration to be paid in cash or shares at the election of the seller. In addition, the consideration included 3,240,436 Subordinate Voting Shares valued at approximately \$51,509 based upon the fair value of the securities as traded on the CSE on the date of the transaction. As of March 31, 2022, the present value of unpaid deferred consideration of \$27,346 is included in the acquisition price payable balance on the Company’s consolidated balance sheets.

8. TRANSACTIONS *(Continued)*

(b) Business Combinations *(Continued)*

Willow Brook Wellness, LLC

On September 13, 2021, the Company entered into a definitive agreement to acquire all the issued and outstanding equity interests in Willow Brook Wellness, LLC, which operates a dispensary in Connecticut. The transaction closed on October 25, 2021. Total consideration included cash of \$14,913, subject to a purchase price adjustment of \$14, and 727,934 Subordinate Voting Shares valued at approximately \$8,163 based upon the fair value of the securities as traded on the CSE on the date of the transaction. As of March 31, 2022, the present value of unpaid deferred consideration of \$7,175 is included in the acquisition price payable balance on the Company’s consolidated balance sheets and will be settled through a cash payment due October 25, 2022.

Caring Nature, LLC

On November 10, 2021, the Company entered into an agreement to acquire all the issued and outstanding equity interests in Caring Nature LLC, which operates a dispensary in Connecticut. The transaction closed on December 20, 2021. The total consideration included cash of \$12,331, subject to a purchase price adjustment and, \$12,000 payable in Subordinate Voting Shares payable over twelve months. Additionally, the purchase agreement included \$2,000 of contingent consideration to be paid in Subordinate Voting Shares. As of March 31, 2022, the present value of unpaid deferred consideration of \$13,976 is included in the acquisition price payable balance on the Company’s consolidated balance sheets.

Connecticut Pharmaceutical Solutions, Inc.

On November 10, 2021, the Company entered into an agreement to acquire all the issued and outstanding equity interests in Connecticut Pharmaceutical Solutions, Inc., which holds a medical marijuana producer license in Connecticut. The transaction closed on December 28, 2021. Total consideration includes cash of \$6,402 and 8,145,142 Subordinate Voting Shares valued at approximately \$98,538 based upon the fair value of the securities as traded on the CSE on the date of the transaction.

Additionally, there are 73,130 deferred Subordinate Voting Shares subject to purchase price adjustments and 1,128,441 deferred Subordinate Voting Shares to be issued in December 2022, collectively valued at approximately \$14,483 based upon the fair value of the securities as traded on the CSE on the date of the transaction. The merger agreement also includes consideration of \$19,622 to be paid in 1,625,546 deferred Subordinate Voting Shares payable upon the first sale of adult-use cannabis in the state of Connecticut. Both payments meet equity classification in accordance with ASC 815.

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The remaining consideration is related to contingent consideration of \$24,706, which may fluctuate based on 2021 financial performance metrics. The contingent consideration will be paid in Subordinate Voting Shares and is expected to be settled in the second quarter of 2022. As of March 31, 2022, the present value of unpaid deferred consideration, in the form of contingent consideration, is \$24,706 and is included in the acquisition price payable balance on the Company's consolidated balance sheets.

The following table summarizes the revenue and net income (loss) since the acquisition date included in the Consolidated Statement of Operations for the period ending March 31, 2021, for the AME Merger and the other acquisitions that closed during the first quarter of 2021:

	<u>Verano Holdings</u>	<u>AME Merger</u>	<u>Other Acquisitions</u>	<u>Total</u>
Revenues, net	\$ 86,813	\$ 32,123	\$ 1,959	\$ 120,895
Net income (loss)	3,579	(5,391)	(382)	(2,194)

8. TRANSACTIONS *(Continued)*

The following table summarizes the unaudited pro forma information of the combined results of operations of the AME Merger and other acquisition transactions that closed during the first quarter of 2021 as if they occurred as of January 1, 2021. These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of the results of operations that would have been achieved had the transaction been consummated as of that time nor does it purport to be indicative of future financial operation results.

	<u>Verano Holdings</u>	<u>AME Merger</u>	<u>Other Acquisitions</u>	<u>Total</u>
Revenues, net	\$ 86,813	\$ 54,525	\$ 11,611	\$ 152,949
Net income (loss)	3,579	5,541	2,297	11,417

(c) Asset Acquisitions

2021 Asset Acquisitions

NSE Holdings, LLC

On February 24, 2021, a subsidiary of the Company entered into an agreement pursuant to which it acquired all the equity interests of NSE Holdings, LLC ("NSE"), which holds one dispensary permit in Pennsylvania that gives NSE the ability to open three dispensaries. The transaction closed on March 9, 2021. The Company paid cash consideration of \$7,350 upon closing and issued 666,587 Subordinate Voting Shares and 6,665 Proportionate Voting Shares valued at approximately \$25,160 based upon the fair value of the securities as traded on the CSE on the date of the transaction. Consideration also includes contingent consideration of \$22,514, which may fluctuate based upon financial performance metrics of NSE Holdings. The Company analyzed the transaction and accounted for the transaction as an asset acquisition in accordance with ASC 805, *Business Combinations*. The Company capitalized licenses in the amount of \$55,016. As of March 31, 2022, the present value of unpaid deferred consideration is \$14,313 and is included in the acquisition price payable balance on the Company's consolidated balance sheets. The unpaid consideration relates to earnouts that are expected to be settled in share issuances of Subordinate Voting Shares.

Ohio Grown Therapies, LLC

On June 30, 2021, the Company exercised and closed on its option to acquire an Ohio dispensary license from Ohio Grown Therapies, LLC, which was granted pursuant to an option purchase agreement entered into on January 14, 2019. The exercise and closing had no impact on operations as the Company already exerted control over the dispensary through a consulting agreement entered into in 2019. The Company capitalized the license in the amount of \$760 to the intangible license value included on the Company's consolidated balance sheets. As of March 31, 2022, the total consideration had been paid in full.

Real Estate

During the three months ended March 31, 2022, Verano entered into a real estate acquisition in Pennsylvania. The purchase price was allocated to building and land in the amounts of \$3,411 and \$853, respectively. The acquisition was accounted for as an asset acquisition in accordance with ASC 805, *Business Combinations*. Total consideration was paid in full at closing.

During the fourth quarter of the year ended December 31, 2021, Verano entered into real estate acquisitions in Maryland, Pennsylvania, Nevada and New Jersey for a total of \$22,795. Verano funded two of the acquisition through two promissory notes for \$10,225 (refer to Note 9 for further details). The acquisitions were accounted for as asset acquisitions in accordance with ASC 805, *Business Combinations*. As of March 31, 2022, the total consideration for these acquisitions had been paid in full.

8. TRANSACTIONS *(Continued)*

(d) Dispositions

Canna Cuzzos, LLC

In 2015, the Company entered into an investment with multiple parties to purchase Canna Cuzzos, LLC ("Canna Cuzzos"). Canna Cuzzos owns a marijuana license and operates a retail dispensary located in Waldorf, Maryland. The Company, through an MSA, obtained control of Canna Cuzzos's operations and marijuana license and consolidated the entity through the Variable Interest Model ("VIE") in accordance with ASC 810, *Consolidations*. On January 31, 2022, the Company sold its interest in Canna Cuzzos to Story of Maryland, LLC for approximately \$2,101 cash consideration after certain adjustments. The sale resulted in a gain of \$1,701 for the three months ended March 31, 2022 and is classified as a component of Other Income (Expense) in the Consolidated Statement of Operations.

ILDISP, LLC

On March 30, 2016, Verano entered into a joint venture agreement with GTI-Clinic Illinois Holdings, LLC ("GTI") to acquire 50% of ILDISP, LLC ("ILDISP"). NH Medicinal Dispensaries, LLC, a wholly owned subsidiary of ILDISP, is the holder of two marijuana licenses which allows it to operate two retail dispensaries in Illinois: The Clinic Effingham dispensary ("TCE") and the Charleston dispensary. The Company had an agreement in place with its joint venture partner to allocate the operational management of the Charleston dispensary to Verano and the TCE dispensary to the joint venture partner. As such, the Company had a controlling interest in Charleston and consolidated the entity through the Variable Interest Model ("VIE") in accordance with ASC 810, *Consolidations*. TCE was treated as an equity method investment in accordance with ASC 323, *Investments*.

On March 1, 2022, the Company sold its 50% ownership interest in ILDISP to the joint venture partner for \$22,393 subject to certain adjustments. The sale resulted in gains of \$7,857 attributable to Charleston and \$17,275 attributable to TCE for the three months ended March 31, 2022 which are classified as components of Other Income (Expense) in the Consolidated Statement of Operations.

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9. DEBT

As of March 31, 2022, and December 31, 2021 notes payable consisted of the following:

	As of	
	March 31, 2022	December 31, 2021
Credit Facility	\$ 350,000	\$ 250,000
Secured Promissory Notes	1,687	6,663
Mortgage Loans	39,084	38,856
Vehicle and Equipment Loans	2,489	1,951
Unamortized debt issuance costs	(9,016)	(7,545)
Total notes payable	\$ 384,244	\$ 289,925
Less: current portion of notes payable	10,386	13,771
Total long-term debt, net	\$ 373,858	\$ 276,154

9. DEBT (Continued)

Credit Facility

On March 1, 2022, the Company entered into a Fourth Amendment to the Amended and Restated Credit Agreement for a senior secured term loan with Chicago Atlantic Advisers, LLC (“Green Ivy”). The fourth amendment includes and amends the Company’s existing \$250,000 credit facility with Green Ivy by providing an additional \$100,000 of credit with a maturity date of August 28, 2023 and an annual interest rate of 8.50% to increase the Company’s credit with Green Ivy to \$350,000 in the aggregate. As of March 31, 2022, the existing credit facilities with Chicago Atlantic contain financial covenants requiring the Company to maintain on a consolidated basis specified levels of liquidity, a minimum quarterly amount of earnings before interest, taxes, depreciation and amortization (“EBITDA”) and a minimum fixed charge coverage ratio as defined as; (i) maintain a minimum average liquidity to average less than \$20,000 during the quarter and at least \$25,000 as of the last day of the quarter; (2) minimum consolidated EBITDA for any fiscal quarter of \$20,000; and; (3) fixed charge coverage ratio of 1.5 to 1.0 measured at the end of each fiscal quarter. As of March 31, 2022, the Company is in compliance with such covenants.

Other

As of December 31, 2021 the Company issued promissory notes to accredited investors in the original principal amount of \$3,670 with simple annual interest of 10% per annum. The notes matured in March 2022 and are an accumulation of seven notes to finance construction of cultivation facilities in Florida and Arizona. There is one related party that accounts for \$150 of the outstanding principal amount as of December 31, 2021. As of March 31, 2022, these promissory note were repaid in full.

10. SHARE CAPITAL

Subordinate Voting Shares and Proportionate Voting Shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with ASC 740, *Income Taxes*.

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(a) Issued and Outstanding

As of March 31, 2022, the Company had 305,034,095 Subordinate Voting Shares and 228,343 Proportionate Voting Shares for a total of 327,868,399 Subordinate Voting Shares on an as converted basis, issued and outstanding. The Company has the following classes of share capital, with each class having no par value:

(i) Subordinate Voting Shares

The holders of the Subordinate Voting Shares are entitled to receive dividends issued by the Company and one vote per share at shareholder meetings of the Company. All Subordinate Voting Shares are ranked equally regarding the Company's residual assets. The Company is authorized to issue an unlimited number of Subordinate Voting Shares.

(ii) Proportionate Voting Shares

Each Proportionate Voting Share is entitled to one hundred votes per share at shareholder meetings of the Company and is exchangeable for one hundred Subordinate Voting Shares. The Company is authorized to issue an unlimited number of Proportionate Voting Shares.

During the three months ended March 31, 2022, the shareholders of the Company converted both Proportionate Voting Shares and Subordinate Voting Shares for a net impact of conversion of 82,692 Proportionate Voting Shares into 8,269,192 Subordinate Voting Shares.

10. SHARE CAPITAL (Continued)

(b) Stock-Based Compensation

The Company operates equity settled stock-based remuneration plans for its eligible directors, officers, and employees. All goods and services received in exchange for the grant of any stock-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company measures their value indirectly by reference to the fair value of the equity instruments granted. The Company measures the fair value of the services by reference to the fair value of the equity instruments granted. Equity settled stock-based payments under stock-based payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to equity.

In February 2021, the Company established the 2021 Equity Incentive Plan of Verano Holdings Corp. (the "Plan"). The maximum number of RSUs and options that may be issued under the Plan shall not exceed 10% of the Company's then issued and outstanding shares on an as-converted basis.

The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award. Estimates are subsequently revised if there is any indication that the number of shares expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period with no adjustment to prior periods for expense previously recognized.

Option and RSU grants generally vest over three years, and options typically have a life of ten years.

Options

Stock option activity is summarized as follows:

	Number of Shares	Weighted Avg. Exercise Price C\$	Weighted Average Remaining Contractual Life
Balance as of December 31, 2021	56,078	29.97	9.16
Vested	18,798	29.97	
Exercisable at March 31, 2022	24,167	29.97	8.92

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As of March 31, 2022 and December 31, 2021, there were no in-the-money options.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted. No options were granted, expired, or forfeited during the three months ended March 31, 2022.

Restricted Stock Units ("RSUs")

The following table summarizes the number of unvested RSU awards as of March 31, 2022 and December 31, 2021 and the changes during the three months ended March 31, 2022:

	Number of Shares	Weighted Avg. Grant Date Fair Value C\$
Unvested Shares at December 31, 2021	2,393,835	30.82
Granted	253,177	16.30
Forfeited	975	23.30
Vested	1,169,806	31.15
Unvested Shares at March 31, 2022	1,476,231	28.07

10. SHARE CAPITAL (Continued)

The following table summarizes the weighted average grant date fair value of RSUs granted and total fair value of RSUs vested for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Weighted average grant date fair value (per share) of RSUs granted (C\$)	16.30	31.39
Intrinsic value of RSUs vested, using market price at vest date (C\$) <i>(in thousands)</i>	15.41	-

The stock-based compensation expense for the three months ended March 31, 2022 and 2021 was as follows:

<i>in thousands</i>	Three Months Ended March 31,	
	2022	2021
Stock Options Expense	\$ 155	\$ 33
Restricted Stock Units	134	28
Total Stock Based Compensation Expense	\$ 289	\$ 61

11. INCOME TAXES

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Income before Income Taxes	\$ 32,993	\$ 15,486
Income Tax Expense	42,833	16,414
Effective Tax Rate	117.2%	109.3%

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The effective tax rates for the three months ended March 31, 2022 and 2021 were based on the Company's forecasted annualized effective tax rates and were adjusted for discrete items that occurred within the periods presented.

Due to its cannabis operations, the Company is subject to the limitations of the U.S. Internal Revenue Code of 1986, as amended ("IRC") Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income and provides for effective tax rates that are well in excess of statutory tax rates.

No taxes were paid during the three months ended March 31, 2022 and 2021.

12. LEASES

The Company has operating leases for its retail dispensaries and processing and cultivation facilities located throughout the U.S, as well as for corporate office space located in Illinois. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. Certain leases require payments for taxes, insurance, and maintenance, are considered non-lease components. The Company accounts for non-lease components separately.

The Company determines if an arrangement is a lease at inception. The Company must consider whether the contract conveys the right to control the use of an identified asset.

The Company leases certain business facilities from third parties under non-cancellable operating lease agreements that contain minimum rental provision that expire through 2037. Certain leases also contain renewal provision and provide for rent abatement and escalating payments.

During the three months ended March 31, 2022 and 2021, the Company recorded approximately \$3,314 and \$1,029 in operating lease expense, of which \$147 and \$216 was included in cost of goods sold for the three months ended March 31, 2022 and 2021, respectively.

Other information related to operating leases as of March 31, 2022 and December 31, 2021 were as follows:

	March 31, 2022	December 31, 2021
Weighted average remaining lease term (years)	8.18	8.52
Weighted average discount rate	8.03%	8.11%

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Maturities of lease liabilities for operating leases as of March 31, 2022 were as follows:

Year Ending December 31,	
Remainder 2022	9,295
2023	11,873
2024	11,274
2025	10,318
2026	9,416
2027 and Thereafter	41,733
Total Lease Payments	93,909
Less: Interest	(25,024)
Present Value of Lease Liability	68,885

13. CONTINGENCIES

(a) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2022 there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's consolidated operations, except as disclosed in these consolidated financial statements. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(b) Illegality of Cannabis at the U.S. Federal Level

Verano operates within states where cannabis use, medical or adult-use or both, has been approved by state and local regulatory bodies. Notwithstanding the permissive regulatory environment of medical, and in some cases also recreational marijuana at the state level, under U.S. federal law cannabis (other than hemp) is a Schedule I controlled substance under the Controlled Substances Act (21 U.S.C. § 811) (the "Controlled Substances Act") which means it is viewed by the U.S. federal government as a drug that has a high potential for abuse and no therapeutic value. Therefore, even in states or territories that have legalized cannabis to some extent, the cultivation, processing, distribution, possession and sale of cannabis violates the Controlled Substances Act. Moreover, individuals and entities may violate U.S. federal law if they aid and abet another in violating the Controlled Substances Act or conspire with another to violate the law. Violating the Controlled Substances Act is also a predicate for other crimes, including money laundering laws and the Racketeer Influenced and Corrupt Organizations Act. Violations of any U.S. 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, civil forfeiture or divestiture.

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Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any of its subsidiaries. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its cannabis licenses in the U.S., the listing and trading of its securities on stock exchanges and platforms, its financial position, operating results, profitability, liquidity and 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 and resources could be substantial.

There can be no assurance that the comprehensive U.S. federal legislation that would de-schedule and de-criminalize cannabis will be passed in the near future or at all. If such legislation is passed, there is no guarantee that it will include provisions that preserve the current state-based cannabis programs under which the Company's subsidiaries operate or that such legislation will otherwise be favorable to the Company and its business.

14. SEGMENTS

The Company conducts and manages its business through two reportable segments, representing the major lines of its cannabis business: Cultivation (Wholesale) and Retail. The Cultivation (Wholesale) segment consists of the cultivation, production and sale of cannabis products to retail stores. The Retail segment consists of the retailing of cannabis to patients and consumers. Summarized financial information for these segments is as follows:

	Three Months Ended March 31,	
	2022	2021
<i>Revenue, net of discounts</i>		
Cultivation (Wholesale)	\$ 53,008	\$ 49,161
Retail	164,334	79,195
Intersegment Eliminations	(15,107)	(7,461)
Total Revenue, net of discounts	<u>202,235</u>	<u>120,895</u>
<i>Depreciation and Amortization</i>		
Cultivation (Wholesale)	19,725	8,320
Retail	14,709	3,463
Total Depreciation and Amortization	<u>34,434</u>	<u>11,783</u>
<i>Income taxes</i>		
Cultivation (Wholesale)	22,696	3,696
Retail	20,137	12,718
Total Income Taxes	<u>42,833</u>	<u>16,414</u>

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Goodwill assigned to the Cultivation (Wholesale) segment as of March 31, 2022 and December 31, 2021 was \$92,166 and \$91,116, respectively. Goodwill assigned to the Retail segment as of March 31, 2022 and December 31, 2021 was \$283,559 and \$277,014, respectively.

The Company's assets are aggregated into two reportable segments (Retail and Cultivation). For the purposes of testing goodwill, the Company has identified 12 reporting units. The Company determined its reporting units by first reviewing the operating segments based on the geographic areas in which the Company conducts business (or each market). The markets were then further divided into reporting units based on the market operations (retail and cultivation) which were primarily determined based on the licenses each market holds. All revenues are derived from customers domiciled in the United States and all assets are located in the United States.

15. LOYALTY OBLIGATIONS

The Company has customer loyalty programs where retail customers accumulate points for each dollar of spending, net of tax. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis and vape products as part of an in-store sales transaction. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated probability of point obligation incurred, which is calculated based on a standalone selling price that ranges between \$0.05 and \$0.08 per loyalty point.

Upon redemption, the loyalty program obligation is relieved, and the offset is recorded as revenue. The Company estimates that 25% of points will not be redeemed (breakage) and expects the remaining outstanding loyalty points will be redeemed within one year.

As of December 31, 2021, there were 111,475,459⁽¹⁾ points outstanding, with an approximate value of \$2,620 which is included in accrued liabilities. The Company restricted the loyal program in 2022. In states where the known points expired, the actual redemption value was applied.

As of March 31, 2022, there were 43,288,321⁽¹⁾ points outstanding with an approximate value of \$2,110 which is included in accrued liabilities.

⁽¹⁾ Such amounts not in thousands.

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16. CONSOLIDATION

In accordance with ASC 810, the Company consolidates through the variable interest model and the voting interest model. The following table presents the summarized financial information about the Company's consolidated variable interest entities ("VIEs") and, voting interest entities ("VOEs"), which are included in the consolidated balance sheets as of March 31, 2022 and December 31, 2021.

	Consolidated		Consolidated	
	VIE	VOE	VIE	VOE
	March 31, 2022		December 31, 2021	
Current Assets	\$ 47,572	\$ 18,244	\$ 43,045	\$ 20,464
Due To/(From)	(33,082)	(6,084)	(25,723)	14,228
Non-Current Assets	205,503	245,293	209,583	226,108
Current Liabilities	34,576	12,358	32,934	22,659
Non-Current Liabilities	42,552	45,438	45,873	45,603
Non-controlling Interest	-	-	2,951	-
Equity attributable to Verano Holdings, Corp.	142,865	199,657	145,147	192,538

	Consolidated		Consolidated	
	VIE	VOE	VIE	VOE
	March 31, 2022		December 31, 2021	
Current Assets	\$ 47,572	\$ 18,244	\$ 43,045	\$ 20,464
Due To/(From)	(33,082)	(6,084)	(25,723)	14,228
Non-Current Assets	205,503	245,293	209,583	226,108
Current Liabilities	34,576	12,358	32,934	22,659
Non-Current Liabilities	42,552	45,438	45,873	45,603
Non-controlling Interest	-	-	2,951	-
Equity attributable to Verano Holdings, Corp.	142,865	199,657	145,147	192,538

16. CONSOLIDATION (Continued)

Consolidated Variable Interest Entities

Consolidated VIEs occur when the Company closes an acquisition while the state is in-process of transferring the cannabis license.

Consolidation occurs on the effective date of the closing agreement and MSA. The closing agreement grants the Management Company, Verano, the ability to make business operating decisions, manage and staff employees, determine product mix, and the authority to direct allocation of cash. The MSA also allows the Management Company to limit distributions of the entity at Verano's discretion.

Certain VIE's may require financing to build-out a dispensary. These financing requirements are typically met within three months of closing and were less than \$3 million in all periods presented. Certain state may limit the distribution or transfer of cash until license transfer.

Verano applies ASC 810-10-15 to determine control of the legal entity. The closing agreement limits the sellers involvement in future operations, and their risks of loss. In addition, Verano enters into an MSA with the legal entity that grants the Company strategic decision-making ability of the business operations.

The Company is involved in all qualitative and quantitative aspects of the entity, such as but not limited to, software choices, procurement, staffing and payroll, advertising, and use of cash flow. The Company absorbs all risk of loss and receives expected future returns based on the closing agreement and MSA, resulting in Verano being the primary beneficiary.

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

Variable Interest Entries Consolidated under Voting Interest Entities Model

Consolidated Voting Interest Entities (“VOEs”) occur when the Company acquires a cannabis license held by a non-profit entity. Pursuant to the Arizona Medical Marijuana Act passed in 2012, cannabis companies in Arizona were initially required to operate under a non-profit structure. The Company’s VOEs are limited to the state of Arizona.

Upon closing, the Company establishes a MSA with the non-profit to grant Verano the ability to make business operating decisions, manage and staff employees, determine product mix, and the authority to direct allocation of cash. In addition, the closing agreement grants the Company to appoint the officers of the non-profit board and Verano has appointed the Company’s named officers to the board of the non-profit.

In accordance with ASC 810-10-15, the Company determines consolidation is appropriate when Verano has majority of control of the legal entity and the ability to make business operating decisions. The Company does not have required financing associated with VOEs and abides by state regulations regarding cash restrictions.

17. FAIR VALUE MEASUREMENTS

The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, credit-risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- 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.

Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, notes payable, acquisition consideration payable.

For the Company’s long-term notes payable (which consist of credit facility and mortgage loans), for which there were no quoted market prices of active trading markets, it was not practicable to estimate the fair value of these financial instruments. The carrying amount of notes payable at March 31, 2022 and December 31, 2021 was \$384,244 and \$289,925, which includes \$10,386 and \$13,771, respectively, of short-term debt due within one year.

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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 fair value of the Company's financial instruments associated with each of the three levels of the hierarchy are:

As of March 31, 2022				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 139,637	\$ -	\$ -	\$ 139,637
Investments	3,842	-	-	3,842
Acquisition Consideration Payable	-	-	(142,543)	(142,543)
Total	<u>\$ 143,479</u>	<u>\$ -</u>	<u>\$ (142,543)</u>	<u>\$ 936</u>

As of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 99,118	\$ -	\$ -	\$ 99,118
Acquisition Consideration Payable	-	-	(208,349)	(208,349)
Total	<u>\$ 99,118</u>	<u>\$ -</u>	<u>\$ (208,349)</u>	<u>\$ (109,231)</u>

17. FAIR VALUE MEASUREMENTS (Continued)

During the three months ended March 31, 2022, the Company remeasured its consideration arrangements associated with its 2021 acquisitions of Agri-Kind, LLC, and Agronomed Biologics, using Monte Carlo simulation models. The remeasurement resulted in a net loss of (\$2,329) which was driven by a change in Management's estimates and projections of the acquired entity's ability to achieve the performance targets as agreed to in the 2021 acquisition agreements along with the change in fair value of the shares to be issued.

The amount was recorded, net, within other income/(expense) on the unaudited interim condensed consolidated statement of operations. Significant assumptions used in the Company's March 31, 2022, remeasurement include the Company's stock price as of March 31, 2022.

Additionally, during the three months ended March 31, 2022, the Company Verano sold its 50% ownership interest in ILDISP, LLC and as part of the disposition, the Company received shares of a publicly traded entity. As of March 31, 2022, the fair value of the investment was \$3,842, which is included as a Level 1 financial instrument.

18. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing of this Quarterly Report and determined that there have been no events that have occurred that would require adjustments to our disclosures in the unaudited interim condensed consolidated financial statements.

**VERANO HOLDINGS CORP.,
ALTERNATIVE MEDICAL ENTERPRISES, LLC**

**INTRODUCTION TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial statements for the year ended December 31, 2021 are based on historical consolidated and combined financial statements of Verano Holdings Corp. (the “Company”) and of Alternative Medical Enterprises LLC, Plants of Ruskin GPS, LLC and RVC 360, LLC (collectively, with their respective subsidiaries and ownership and control interests, the “AME Group”). The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021 for the Company gives effect to the acquisition of the AME Group as if it had occurred on January 1, 2021, instead of the actual date of February 11, 2021.

The unaudited pro forma condensed combined financial statements do not necessarily reflect what the combined Company’s financial condition or results of operations would have been had the acquisition occurred on January 1, 2021. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

**VERANO HOLDINGS CORP.,
ALTERNATIVE MEDICAL ENTERPRISES, LLC**

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(\$ in Thousands)

	For the Year Ended December 31, 2021		
	Verano Holdings Corp.	AME Group Pre-Acquisition	Pro Forma Combined
Revenues, net of discounts	737,850	22,402	760,252
Cost of Goods Sold	403,287	8,087	411,374
Gross Profit	334,563	14,315	348,878
Total Operating Expenses	229,965	3,299	233,264
Other Income (Expense)	(119,274)	(83)	(119,357)
Net Income (Loss)	(14,676)	10,932	(3,744)
Net Income (Loss) per share – basic	(0.05)	-	(0.05)
Net Income (Loss) per share – diluted	(0.05)	-	(0.05)
Weighted average number of shares – basic	290,443,432	65,191,388	355,634,820
Weighted average number of shares – diluted	290,443,432	65,191,388	355,634,820

See accompanying notes to the unaudited pro forma consolidated financial statements.

**VERANO HOLDINGS CORP.,
ALTERNATIVE MEDICAL ENTERPRISES, LLC**

**NOTES TO UNAUDITED PRO FORMA CONDENSED
COMBINED STATEMENT OF OPERATIONS**

Note 1 — Basis of presentation

The unaudited pro forma condensed combined financial statements are based on the Company's and the AME Group's historical consolidated and combined financial statements. The unaudited pro forma combined statement of operations for the year ended December 31, 2021 gives effect to the acquisition of the AME Group as if it had occurred on January 1, 2021, instead of the actual date of February 11, 2021.

The unaudited pro forma condensed combined financial information includes various assumptions, including those related to the preliminary purchase price allocation of the assets acquired and liabilities assumed of the AME Group based on management's best estimates of fair value. See "Note 2 – Significant Accounting Policies" to the Company's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2021, 2020 and 2019.f

Certain confidential information contained in this document, marked by brackets, was omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential. “[***]” indicates where the information has been omitted from this document.

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this “Amendment”) is dated as of March 1, 2022, among VERANO HOLDINGS CORP., a British Columbia corporation (the “Parent”), the other Credit Parties (as defined in the hereinafter-defined Credit Agreement), the Lenders (as defined in the Credit Agreement) party hereto, CHICAGO ATLANTIC ADMIN, LLC, a Delaware limited liability company (as assignee of Chicago Atlantic Advisers, LLC, a Delaware limited liability company; hereafter, “Chicago Atlantic”), as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the “Administrative Agent”) and Chicago Atlantic, as collateral agent for the Secured Parties (as defined in the Credit Agreement) (in such capacity, together with its successors and assigns in such capacity, the “Collateral Agent”), and together with the Administrative Agent, collectively, the “Agents” and each, an “Agent”), the Opco Mortgagors (as defined in the Credit Agreement), the Pledgors (as defined in the Credit Agreement) party hereto and New Borrower (as defined below).

Recitals:

WHEREAS, reference is made to that certain Amended and Restated Credit Agreement dated as of May 10, 2021 (the “Amended and Restated Credit Agreement”), as amended by that certain Omnibus Amendment to Amended and Restated Credit Agreement and Amended and Restated Security Agreement dated as of May 20, 2021 (the “First Amendment”), that certain Second Amendment to Amended and Restated Credit Agreement, Waiver and Consent dated as of September 23, 2021 (the “Second Amendment”), and that certain Third Amendment to Amended and Restated Credit Agreement, Second Amendment to Amended and Restated Security Agreement and First Amendment to Canadian Security Agreement dated as of October 20, 2021 (the “Third Amendment”); the Amended and Restated Credit Agreement, as amended by the First Amendment, the Second Amendment and the Third Amendment, the “Existing Credit Agreement”), and this Amendment (the Existing Credit Agreement, as amended by this Amendment, and as further amended, restated, supplemented, or otherwise modified from time to time, the “Credit Agreement”; capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to such terms in the Credit Agreement), among the Borrower, the other Credit Parties from time to time party thereto, the Lenders from time to time party thereto and the Agents; and

WHEREAS, the Credit Parties have requested that the Agents and the Lenders agree to amend certain provisions of the Existing Credit Agreement, and, subject to the terms and conditions of this Amendment, the Agents and the Lenders, including, without limitation, each of the New Lenders, have agreed to such request;

WHEREAS, in connection with the foregoing, each of [***], collectively, the “New Lenders” and each, a “New Lender”) has agreed to join the Credit Agreement as a Lender; and

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 6 hereof, (a) the Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in Annex A attached hereto and (b) Schedules 1.01 and 8.15 to the Existing Credit Agreement are hereby amended and restated as set forth in Annex A attached hereto. For the avoidance of doubt, all other Schedules, and all Exhibits, to the Existing Credit Agreement shall not be modified or otherwise affected by this Amendment.

2. Joinder of [*] as Borrower.** [***] (“New Borrower”), is a wholly-owned Subsidiary of Verano US. New Borrower is hereby joined in, and hereby agrees that it is and for all purposes after the date hereof shall be a party to, the Credit Agreement and each of the other Credit Documents as one of the Persons comprising Borrower as if it were an original signatory to the Credit Agreement. In furtherance and without limitation of the preceding sentence, New Borrower acknowledges and agrees that it is jointly and severable liable with the other Persons comprising Borrower for all of the Indebtedness and other Obligations of Borrower under the Credit Documents. The term “Borrower” and “Persons comprising Borrower” as used in the Credit Agreement and the other Credit Documents shall be deemed to include New Borrower.

3. Joinder of the New Lenders. On the date hereof, each of the New Lenders hereby joins the Credit Agreement as a Lender and shall have the rights and obligations of a Lender under the Credit Documents. Each of the New Lenders (a) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered to the Lenders pursuant to Sections 8.01(a) and 8.01(b) of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and the Credit Agreement, (b) agrees that it will, independently and without reliance upon either Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, (c) appoints and authorizes each Agent to take such action as such Agent on its behalf and to exercise such powers under the Credit Agreement and the other Credit Documents as are delegated to such Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (d) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender, (e) confirms it has provided its lending office and address for notices to the Agents and (f) agrees that it has an Incremental Advance Commitment in the amount set forth opposite such New Lender’s name on Schedule 1.01 attached as part of Annex A attached hereto. Nothing contained herein shall constitute a novation of any Obligation.

4. Representations, Warranties and Acknowledgments of the Credit Parties, New Borrower, the Opco Mortgages and the Pledgors.

(a) Representations and Warranties of the Credit Parties and New Borrower. In order to induce the Lenders and the Agents to enter into this Amendment and to induce the Lenders to make the Loans under the Credit Agreement, each of Credit Parties and New Borrower hereby represents and warrants to the Lenders and the Agents on and as of the date hereof that:

(i) Such Person (A) is a duly organized or formed and validly existing limited liability company or other registered entity in good standing under the laws of the jurisdiction of its organization and has the corporate or other organizational power and authority to own its property and assets and to transact the business in which it is engaged and (B) has duly qualified and is authorized to do business and is in good standing in all jurisdictions where it does business or owns assets, except, in the case of this clause (B), where the failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect.

(ii) Such Person has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of this Amendment and the other Credit Documents to which it is a party and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Amendment and the other Credit Documents to which it is a party. Such Person has duly executed and delivered this Amendment and the other Credit Documents to which it is a party and such Credit Documents constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium, examinership, reorganization and other similar laws relating to or affecting creditors’ rights generally and general principles of equity (whether considered in a proceeding in equity or law).

(iii) None of (A) the execution, delivery and performance by such Person of this Amendment or the other Credit Documents to which it is a party and compliance with the terms and provisions thereof or (B) the consummation of the Transactions or the other Credit Documents will (1) contravene any applicable provision of any material Applicable Law of any Governmental Authority, other than U.S. Federal Cannabis Laws, (2) result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of such Person (other than Liens created under the Credit Documents) pursuant to, (I) the terms of any material indenture, loan agreement, lease agreement, mortgage or deed of trust, or (II) any other Material Contract, in the case of any of clauses (I) and (II) to which such Person is a party or by which it or any of its property or assets is bound or (3) violate any provision of the Organization Documents or Permit of such Person, except with respect to any conflict, breach or contravention or default (but not creation of Liens) referred to in clause (2), to the extent that such conflict, breach, contravention or default could not reasonably be expected to have a Material Adverse Effect.

(iv) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person, and no consent or approval under any contract or instrument (other than those that have been duly obtained or made and which are in full force and effect, or if not obtained or made, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect) is required for the consummation of the Transactions or the due execution, delivery or performance by such Person of this Amendment or any other Credit Document to which it is a party, or for the due execution, delivery or performance of this Amendment or the other Credit Documents, in each case by any of the Credit Parties party thereto or, as applicable, New Borrower. There does not exist any judgment, order, injunction or other restraint issued or filed with respect to the transactions contemplated by the Credit Documents, the consummation of the Transactions, the making of the Loans or the performance by the Credit Parties or New Borrower of their Obligations under this Amendment and the other Credit Documents.

(v) The representations and warranties of such Person set forth in the Credit Agreement and in any other Credit Document are true and correct in all material respects (or, in the case of any such representation or warranty already qualified by materiality, in all respects) on and as of the date hereof (or, in the case of any such representation or warranty expressly stated to have been made as of a specific date, as of such specific date).

(vi) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

(b) Representations and Warranties of the Opco Mortgagors and the Pledgors. In order to induce the Lenders and the Agents to enter into this Amendment and to induce the Lenders to make the Loans under the Credit Agreement, each Opco Mortgagor and Pledgor hereby represents and warrants to the Lenders and the Agents on and as of the date hereof that:

(i) Such Person has duly executed and delivered this Amendment and the other Credit Documents to which it is a party and such Credit Documents constitute the legal, valid and binding obligation of such Person enforceable against such Person in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium, examinership, reorganization and other similar laws relating to or affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or law).

(ii) None of (A) the execution, delivery and performance by such Person of this Amendment or the other Credit Documents to which it is a party and compliance with the terms and provisions thereof or (B) the consummation of the Transactions or the other Credit Documents will (1) contravene any applicable provision of any material Applicable Law of any Governmental Authority, other than U.S. Federal Cannabis Laws, or (2) result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of such Person (other than Liens created under the Credit Documents) pursuant to, (I) the terms of any material indenture, loan agreement, lease agreement, mortgage or deed of trust, or (II) any other Material Contract, in the case of any of clauses (I) and (II) to which such Person is a party or by which it or any of its property or assets is bound, except with respect to any conflict, breach or contravention or default (but not creation of Liens) referred to in clause (2), to the extent that such conflict, breach, contravention or default could not reasonably be expected to have a Material Adverse Effect.

(iii) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person, and no consent or approval under any contract or instrument (other than those that have been duly obtained or made and which are in full force and effect, or if not obtained or made, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect) is required for the consummation of the Transactions or the due execution, delivery or performance by such Person of this Amendment or any other Credit Document to which it is a party, or for the due execution, delivery or performance of this Amendment or the other Credit Documents, in each case by such Person. There does not exist any judgment, order, injunction or other restraint issued or filed with respect to the transactions contemplated by the Credit Documents, the consummation of the Transactions, the making of the Loans or the performance by such Person of its Obligations under this Amendment and the other Credit Documents.

(iv) With respect to each Pledgor, the representations and warranties of such Pledgor set forth in the Individual Pledge Agreement and in any other Credit Document are true and correct in all material respects (or, in the case of any such representation or warranty already qualified by materiality, in all respects) on and as of the date hereof (or, in the case of any such representation or warranty expressly stated to have been made as of a specific date, as of such specific date).

(v) With respect to each Opco Mortgagor, the representations and warranties of such Opco Mortgagor set forth in the Opco Mortgagor Guaranty Agreement and in any other Credit Document are true and correct in all material respects (or, in the case of any such representation or warranty already qualified by materiality, in all respects) on and as of the date hereof (or, in the case of any such representation or warranty expressly stated to have been made as of a specific date, as of such specific date).

5. Reaffirmation of Obligations. Each of the Credit Parties, Opco Mortgagors and the Pledgors hereby (a) reaffirms and confirms (i) the execution and delivery of, and all of its obligations under, the Credit Documents to which it is a party, including, without limitation, the Credit Agreement, the Individual Pledge Agreement, the Opco Mortgagor Guaranty Agreement and the Opco Mortgagor Mortgage, and agrees that this Amendment does not operate to reduce or discharge any Credit Party's, any Opco Mortgagor's or any Pledgor's obligations under such Credit Documents or constitute a novation of any indebtedness or other obligations under any Credit Documents, and (ii) its guarantees, pledges, grants and other undertakings under the Credit Agreement and the other Credit Documents to which it is a party, (b) agrees that (i) each Credit Document to which it is a party shall continue to be in full force and effect and (ii) all guarantees, pledges, grants and other undertakings thereunder shall continue to be in full force and effect and shall accrue to the benefit of the Secured Parties, and (c) reaffirms and confirms the continuing security interests in its respective assets granted in favor of the Collateral Agent pursuant to each of the Security Documents. Each of the Credit Parties, the Opco Mortgagors and the Pledgors hereby acknowledges and consents to the transactions contemplated by, and the execution and delivery of, this Amendment and the other Credit Documents.

6. Conditions Precedent to Effectiveness. This Amendment shall become effective as of the date of this Amendment when, and only when, the Administrative Agent shall have received the following, in form and substance satisfactory to Administrative Agent:

(a) counterparts of this Amendment, duly executed by an Authorized Officer of each Credit Party, New Borrower, each Opco Mortgagor, each Pledgor, Administrative Agent and the Lenders, including, without limitation, the New Lenders;

(b) amended and restated Notes reflecting the Incremental Advance Loans and the addition of New Borrower, duly executed by an Authorized Officer of each of New Borrower as a Person comprising Borrower and the other Persons comprising Borrower;

(c) an Assumption Agreement (as described in the Security Agreement), duly executed by an Authorized Officer of New Borrower;

(d) an Opco Mortgagor Guaranty Agreement, duly executed by [***];

(e) except as otherwise provided on Schedule 8.15 of the Credit Agreement, (i) Mortgages, or amendments thereof, with respect to the owned Real Property of a Credit Party that constitutes Collateral listed on Schedule 7.15(a) of the Credit Agreement and the Real Property owned by Opco Mortgagors, duly executed by Credit Party or Opco Mortgagor party thereto and, for the avoidance of doubt, securing all obligations under the Credit Agreement, as amended by this Amendment, and (ii) evidence that a counterpart of each such Mortgage or amendment thereof has been recorded, or that arrangements for recording reasonably satisfactory to Administrative Agent have been made, in the place necessary, in the Collateral Agent's reasonable judgment, to create a valid and enforceable first priority Lien in favor of the Collateral Agent for the benefit of itself, the Lenders and the other Secured Parties;

(f) executed legal opinions of Dentons US LLP, counsel to the Credit Parties, New Borrower and Opco Mortgagors and Dentons Canada LLP, Canadian counsel to the Credit Parties, which opinions shall be addressed to the Agents and the Secured Parties and shall be in form and substance reasonably satisfactory to the Administrative Agent;

(g) a certificate for each Credit Party, New Borrower and each Opco Mortgagor, duly executed and delivered by an Authorized Officer of each such Person, as to: (i) resolutions of each such Person's board of managers or directors (or other managing body, in the case of a Person that is not a corporation) then in full force and effect expressly and specifically authorizing, to the extent relevant, all aspects of the Credit Documents applicable to such Person and the execution, delivery and performance of each Credit Document, in each case, to be executed by such Person; (ii) the incumbency and signatures of its Authorized Officers and any other of its officers, directors, members, trustees, managers, managing member or general partner, as applicable, authorized to act with respect to each Credit Document to be executed by such Person; and (iii) each such Person's Organization Documents, as amended, modified or supplemented as of the date hereof, certified by the appropriate officer or official body of the jurisdiction of organization of such Person, or, for each of clauses (i), (ii) and (iii) above, a confirmation that such documents have not changed since the most recent certification to Administrative Agent;

(h) the results of a search of the UCC and PPSA filings (or equivalent filings), in addition to tax Lien and judgment Lien searches made with respect to each Credit Party and New Borrower, together with copies of the financing statements and other filings (or similar documents) disclosed by such searches, and accompanied by evidence reasonably satisfactory to the Collateral Agent that the Liens indicated in any such financing statement and other filings (or similar document) are Permitted Liens or have been released or will be released substantially simultaneously with the making of the Loans under the Credit Agreement;

(i) a duly executed funds disbursement agreement, together with a report setting forth the sources and uses of the proceeds hereof; and

(j) such other documents to be executed by the Credit Parties, the Opco Mortgagors and New Borrower as may be reasonably requested by the Administrative Agent.

7. Incorporation by Reference. Sections 12.05, 12.13 and 12.15 of the Credit Agreement are hereby incorporated by reference, mutatis mutandis, as if such Sections were set forth in full herein.

8. Miscellaneous.

(a) Amendment, Modification and Waiver. This Amendment may not be amended and no provision hereof may be waived except pursuant to a writing signed by each of the parties hereto.

(b) Governing Law. This Amendment and any claims controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Amendment and the transactions contemplated hereby shall be governed by, and construed in accordance with, the laws of the State of Illinois, without reference to conflicts of law provisions which would result in the application of the laws of any other jurisdiction.

(c) Severability. Any term or provision of this Amendment that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Amendment or affecting the validity or enforceability of any of the terms or provisions of this Amendment in any other jurisdiction. If any provision of this Amendment is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

(d) Counterparts; Integration; Effectiveness. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment, the Credit Agreement (as amended hereby) and the other Credit Documents constitute the entire agreement among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 6 hereof, this Amendment shall become effective when it shall have been executed by Agent and when Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Amendment.

(e) Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

(f) Reference to and Effect on the Credit Agreement and the Other Credit Documents. On and after the date hereof, each reference in the Credit Agreement to "this Agreement", "hereunder", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Credit Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Existing Credit Agreement as amended by this Amendment. Except as specifically amended by this Amendment, the Existing Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed and this Amendment shall not be considered a novation. The execution, delivery and performance of this Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Agent or Lender under, the Credit Agreement or any of the other Credit Documents. This Amendment shall be deemed to be a Credit Document as defined in the Credit Agreement.

9. Construction. This Amendment has been prepared through the joint efforts of all of the parties hereto. Neither the provisions of this Amendment, nor any alleged ambiguity herein, shall be interpreted or resolved against any party on the grounds that such party or its counsel drafted this Amendment, or based on any other rule of strict construction. Each of the parties represents that such party has carefully read this Amendment and that such party knows the contents hereof and has signed the same freely and voluntarily.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered effective as of the date hereof.

CREDIT PARTIES:

VERANO HOLDINGS CORP.

By: /s/ "George Archos"

Name: George P. Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***].

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Director

[***]

By: its Manager, [***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: its Manager, [***].

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

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By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

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By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: its Manager, Verano Holdings Corp.

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, Verano Holdings, LLC

By: its Manager, Verano Holdings Corp.

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

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Name: George Archos

Title: Chief Executive Officer

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By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its sole member, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

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By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

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Name: George Archos

Title: Chief Executive Officer

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By: its Manager, [***]

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Title: Chief Executive Officer

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Title: Chief Executive Officer

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Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Authorized Person

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Trustee

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

[***]

By: /s/ "George Archos"

Name: George Archos

Title: Authorized Person

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

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By: /s/ "George Archos"

Name: George Archos

Title: Manager

[***]

By: its Manager, [***]

By: its Manager, [***]

By: its Manager, [***]

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Name: George Archos

Title: Chief Executive Officer

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Title: Chief Executive Officer

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Name: George Archos

Title: Chief Executive Officer

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By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Trustee

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

NEW BORROWER:

[***]

By: its Manager, [***]

By: its Manager, [***]

By: /s/ "George Archos"

Name: George Archos

Title: Chief Executive Officer

PLEDGORS:

[***]

[***]

[***]

[***]

[***]

[***]

[***]

By: [***]
Name: [***]
Title: Authorized Representative

OPCO MORTGAGORS:

[***]

By: its sole member, [***]

By: /s/ "George Archos"
Name: George Archos
Title: Member

[***]

By: its sole member, [***]

By: /s/ "George Archos"
Name: George Archos
Title: Member

[***]

By: its Manager, [***]

By: [***]"
Name: [***]
Title: Manager

ADMINISTRATIVE AGENT AND COLLATERAL AGENT:

CHICAGO ATLANTIC ADMIN, LLC

By: /s/ "John Mazarakis"

Name: John Mazarakis

Title: Authorized Person

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

LENDERS:

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.

By: /s/ "John Mazarakis"

Name: John Mazarakis

Title: Authorized Person

CHICAGO ATLANTIC CREDIT COMPANY, LLC

By: /s/ "John Mazarakis"

Name: John Mazarakis

Title: Authorized Person

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[***]

By: [***]

Name: [***]

Title: CEO and CFO

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[**]

By: [**]

Name: [**]

Title: Managing Member

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[**]

By: [**]

Name: [**]

Title: Trustee

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[**]

By: [**]

Name: [**]

Title: Managing Member

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[***]

By: [***]

Name: [***]

Title: President

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[***]

By: [***]

Name: [***]

Title: IRA Owner

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[**]

By: [**]

Name: [**]

Title: Manager

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[***]

By: [***]

Name: [***]

Title: Managing Member

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

AFC GAMMA, INC.

By: /s/ "Brett Kaufman"

Name: Brett Kaufman

Title: Chief Financial Officer

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[***]

By: [***]

Name: [***]

Title: SVP, Portfolio Manager

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[***]

By: [***]

Name: [***]

Title: SVP, Portfolio Manager

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[**]

By: [**]

Name: [**]

Title: Authorized Person

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

[**]

By: [**]

Name: [**]

Title: Manager

FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

AMENDED AND RESTATED CREDIT AGREEMENT

by and among

VERANO HOLDINGS CORP.,

as Parent,

certain Subsidiaries and Affiliates of Parent from time to time party hereto,
collectively with Parent, jointly and severally, as Borrower,

the Lenders from time to time party hereto and

CHICAGO ATLANTIC ADMIN, LLC,

as [the](#) Administrative Agent and [as the](#) Collateral Agent

GREEN IVY CAPITAL, LLC

as Lead Arranger

Dated as of May 10, 2021

As amended by that certain Omnibus Amendment to Amended and Restated Credit Agreement and Amended and Restated Security Agreement dated as of May 20, 2021, that certain Second Amendment to Amended and Restated Credit Agreement, Waiver and Consent dated as of September 3, 2021 ~~and~~, that certain Omnibus Third Amendment to Amended and Restated Credit Agreement, Second Amendment to Amended and Restated Security Agreement and First Amendment to Canadian Security Agreement dated as of October 20, 2021, [and that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of February 28, 2022.](#)

~~NOTICE: THIS COMPOSITE CREDIT AGREEMENT IS NOT THE ACTUAL CONTRACT AMONG THE PARTIES. THE COMPOSITE REPRESENTS A GOOD FAITH EFFORT OF COUNSEL FOR THE AGENTS TO STATE THE TERMS OF THE CREDIT AGREEMENT AS AMENDED THROUGH THE LATEST AMENDMENT SET FORTH ABOVE. THE OPERATIVE LEGAL DOCUMENT CONSISTS OF THE CREDIT AGREEMENT TOGETHER WITH ALL AMENDMENTS THERETO.~~

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EXHIBITS

Exhibit A	Form of Assignment and Acceptance
Exhibit B	Form of Compliance Certificate
Exhibit C	Form of Note

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of May 10, 2021, is among **VERANO HOLDINGS CORP.**, a British Columbia corporation (the “**Parent**”), certain Subsidiaries and Affiliates of Parent signatory hereto as a Person comprising Borrower or hereafter designated as a Person comprising Borrower pursuant to Section 8.10 below (collectively with Parent, jointly and severally, the “**Borrower**”), the lenders from time to time party hereto (together with the Incremental Advance Lenders (as defined below) and the Second Incremental Term Loan Lenders (as defined below), each a “**Lender**” and, collectively, the “**Lenders**”), **CHICAGO ATLANTIC ADMIN, LLC**, a Delaware limited liability company (“**Chicago Atlantic**”) (as assignee of Chicago Atlantic Advisers, LLC, a Delaware limited liability company), as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, the “**Administrative Agent**”) and Chicago Atlantic, as collateral agent for the Secured Parties (in such capacity, together with its successors and assigns in such capacity, the “**Collateral Agent**”, and together with the Administrative Agent, collectively, the “**Agents**” and each, an “**Agent**”).

RECITALS

WHEREAS, Verano Holdings, LLC, a Delaware limited liability company (“**Verano US**”), as borrower, the other Credit Parties party thereto, the Lenders party thereto and the Agents are parties to that certain Credit Agreement dated as of July 2, 2020 (as amended, restated or otherwise modified from time to time prior to the Restatement Date, the “Original Credit Agreement”); and

WHEREAS, on the Restatement Date, Verano US and the other Credit Parties desire, and Agent and Lenders have agreed, to amend and restate the Original Credit Agreement in its entirety to make certain changes to the terms thereof, join Parent and certain additional Credit Parties as party thereto and increase the principal amount of loans available thereunder.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree that, as of the Restatement Date, the Original Credit Agreement shall be amended and restated in its entirety as follows:

ARTICLE I

Definitions

SECTION 1.01 Defined Terms. As used herein, the following terms shall have the meanings specified in this Section 1.01 unless the context otherwise requires:

“**2020 Loans**” shall have the meaning set forth in Section 2.01(a)(i).

“**2021 Loans**” shall have the meaning set forth in Section 2.01(a)(ii).

“**Administrative Agent**” shall have the meaning set forth in the preamble to this Agreement.

“**Administrative Questionnaire**” shall mean a questionnaire completed by each Lender, in a form approved by the Administrative Agent, in which such Lender, among other things, (a) designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Credit Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with such Lender’s compliance procedures and Applicable Laws, including federal and state securities laws, and (b) designates an address, facsimile number, electronic mail address and/or telephone number for notices and communications with such Lender.

“**Affiliate**” shall mean, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; provided that, for purposes of this definition, any Person which owns directly or indirectly 10% or more of the equity interests having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed an Affiliate of such Person. Notwithstanding anything to the contrary set forth herein, neither Agent nor any Lender shall be deemed to be an Affiliate of any Credit Party solely by virtue of complying with the terms and provisions of, or exercising its rights under, this Agreement and the other Credit Documents.

“**Agents**” shall have the meaning set forth in the preamble to this Agreement.

“**Agreement**” shall mean this Credit Agreement, as it may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“**ALTA**” shall mean the American Land Title Association.

“**Applicable Laws**” shall mean, as to any Person, any law (including common law), statute, regulation, ordinance, rule, order, policy, decree, judgment, consent decree, writ, injunction, settlement agreement or governmental requirement enacted, promulgated or imposed or entered into or agreed by any Governmental Authority or determination of an arbitrator, in each case applicable to or binding on such Person or any of its property, products, business, assets or operations or to which such Person or any of its property, products, business, assets or operations is subject.

“**Applicable Fiscal Period**” shall mean the period of two consecutive fiscal quarters ending at the end of each prescribed fiscal quarter.

“**Applicable Rate**” shall mean (a) with respect to the 2020 Loans, fifteen and one-quarter percent (15.25%) per annum, (b) with respect to the 2021 Loans, nine and three-quarters percent (9.75%) per annum, ~~and~~ (c) with respect to the Initial Restatement Advance Loans and the Incremental Advance Loans ~~(if any)~~, eight and one-half percent (8.50%) per annum, and (d) with respect to the Second Incremental Term Loans, the per annum rate set forth in the Joinder Agreement for the Second Incremental Term Loans.

“**Application Event**” shall have the meaning set forth in Section 4.02(d).

“**Approved Fund**” shall mean any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in commercial loans and similar extensions of credit in the ordinary course and that is administered, advised or managed by (a) a Lender, (b) a Controlled Affiliate of a Lender or (c) an entity or a Controlled Affiliate of an entity that administers, advises or manages a Lender.

“**Arranger**” shall mean Green Ivy, in its capacity as lead arranger.

“**Assignment and Acceptance**” shall mean an assignment and acceptance substantially in the form of Exhibit A.

“**Attributable Indebtedness**” shall mean, on any date, in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear as a liability on a balance sheet of such Person prepared as of such date in accordance with IFRS.

“**Authorized Officer**” shall mean, with respect to any Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#), the president, vice president of finance, the chief executive officer, the chief financial officer, the chief operating officer, the secretary, the treasurer or any other senior officer of such Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#) authorized under the borrowing resolutions of such Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#), but, in any event, with respect to financial matters, the vice president of finance, chief financial officer or treasurer of such Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#) or such other senior officer of such Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#) designated as such by the applicable Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#) in writing.

“**BCSC**” shall mean the British Columbia Securities Commission, or any Governmental Authority succeeding to any of its principal functions.

“**Benefited Lender**” shall have the meaning set forth in [Section 12.08](#).

“**Benefit Plan**” shall mean any of (a) an “employee benefit plan” (as defined in ERISA) that is subject to Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such “employee benefit plan” or “plan”.

“**Board**” shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

“**Board of Directors**” shall mean the board of directors, board of managers or other equivalent governing body of a Person.

“**Borrower**” shall have the meaning set forth in the preamble to this Agreement.

“**Borrower Materials**” shall have the meaning set forth in [Section 12.24](#).

“**Business**” shall mean the business of cultivating, producing, processing, packaging and marketing cannabis products, accessories or services for distribution and sale and all ancillary activities related to the foregoing.

“**Business Day**” shall mean any day excluding Saturday, Sunday and any day that shall be in the City of Chicago, Illinois, the City of Vancouver, British Columbia or the City of Calgary, Alberta a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close.

“**Canadian Anti-Money Laundering & Anti-Terrorism Legislation**” shall mean the *Criminal Code*, R.S.C. 1985, c. C-46, the Proceeds of Crime Act and the *United Nations Act*, R.S.C. 1985, c.U-2 or any similar Canadian legislation, together with all rules, regulations and interpretations thereunder or related thereto including, without limitation, the Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism and the United Nations Al-Qaida and Taliban Regulations promulgated under the United Nations Act.

“**Canadian Blocked Person**” shall mean any Person that is a “designated person”, “politically exposed foreign person” or “terrorist group” as described in any Canadian Economic Sanctions and Export Control Laws.

“**Canadian Cannabis Laws**” shall mean the *Cannabis Act* (Canada), the *Cannabis Regulations* (Canada), the *Excise Act* (Canada) as well as any other Applicable Law enacted or enforced by a Canadian Governmental Authority that governs the production, processing, sale, distribution, transfer or possession of any cannabis, cannabis accessory, or cannabis service.

“**Canadian Credit Party**” shall mean any Credit Party that is organized under the laws of Canada or any province or territory thereof.

“**Canadian Defined Benefit Plan**” shall mean any Canadian Pension Plan which contains a “defined benefit provision” as defined in subsection 147.1(1) of the Tax Act.

“**Canadian Economic Sanctions and Export Control Laws**” shall mean any Canadian laws, regulations or orders governing transactions in controlled goods or technologies or dealings with countries, entities, organizations, or individuals subject to economic sanctions and similar measures, including the *Special Economic Measures Act* (Canada), the *United Nations Act* (Canada), the *Freezing Assets of Corrupt Foreign Officials Act* (Canada), Part II.1 of the *Criminal Code* (Canada) and the *Export and Import Permits Act* (Canada), and any related regulations.

“**Canadian Pension Plan**” shall mean each “registered pension plan” (as such term is defined in the Tax Act) and any pension plan that is subject to federal or provincial pension standards legislation in Canada that is established, maintained or contributed to by any Credit Party for its Canadian employees or former employees, but shall not include the Canada Pension Plan (CPP) as maintained by the Government of Canada or the Quebec Pension Plan (QPP) as maintained by the Government of Quebec.

“**Canadian Pension Termination Event**” shall mean (a) the voluntary full or partial wind up of a Canadian Defined Benefit Plan by any Credit Party or any Affiliate thereof or initiation of any action or filing to do so; (b) the institution of proceedings by any Governmental Authority to terminate in whole or in part or have a trustee appointed to administer any Canadian Defined Benefit Plan; or (c) any other event or condition which would reasonably be expected to result in the termination of, winding up or partial termination of, or the appointment of trustee to administer, any Canadian Defined Benefit Plan.

“**Canadian Security Agreement**” shall mean, collectively, (a) that certain Canadian Security Agreement dated as of the Signing Date, between Parent and the Collateral Agent, (b) any other Canadian security agreement entered into from time to time, in form and substance reasonably satisfactory to [the](#) Collateral Agent, among any other Credit Party party thereto and [the](#) Collateral Agent and (c) any deed of hypothec entered into from time to time, in form and substance reasonably satisfactory to [the](#) Collateral Agent, among any Credit Party party thereto, as grantors, and Agent, as the Hypothecary Representative, or any one of them as the context requires.

“**Canadian Statutory Lien**” shall mean a deemed trust or lien under applicable Canadian federal, provincial or territorial law securing claims for any unpaid wages, vacation pay, worker’s compensation, unemployment insurance, pension plan contributions, pension solvency deficiency, employee source or non-resident withholding tax deductions, unremitted goods and services, harmonized sales, sales or other excise taxes or similar statutory obligations (secured by a deemed trust or lien), each of which are not overdue or are being contested in good faith by a Credit Party.

“**Capital Expenditures**” shall mean, for any specified period, the sum of, without duplication, all expenditures made, directly or indirectly, by such Person during such period, determined on a consolidated basis in accordance with IFRS, that are or should be reflected as additions to property, plant or equipment or similar items reflected in the consolidated statement of cash flows and balance sheet of such Person, or have a useful life of more than one year.

“**Capital Stock**” shall mean any and all shares, interests, participations, units or other equivalents (however designated) of capital stock of a corporation, membership interests in a limited liability company, partnership interests of a limited partnership, any and all equivalent ownership interests in a Person and any and all warrants, rights or options to purchase any of the foregoing.

“**Capitalized Lease Obligations**” shall mean, as applied to any Person, all obligations under Capitalized Leases of such Person, in each case taken at the amount thereof accounted for as liabilities on the balance sheet (excluding the footnotes thereto) of such Person in accordance with IFRS.

“**Capitalized Leases**” shall mean, as applied to any Person, all leases of property that have been or should be, in accordance with IFRS, recorded as capitalized leases on the balance sheet of such Person; provided that, for all purposes hereunder, the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability on the balance sheet (excluding the footnotes thereto) of such Person in accordance with IFRS.

“**Cash Equivalents**” shall mean:

(a) any direct obligation of (or unconditional guarantee by) the United States or Canada (or any agency or political subdivision thereof, to the extent such obligations are supported by the full faith and credit of the United States or Canada) maturing not more than one year after the date of acquisition thereof;

(b) commercial paper maturing not more than one year from the date of issue and issued by a corporation (other than an Affiliate of any Credit Party) organized under the laws of any state of the United States or of the District of Columbia or of Canada or of any province or territory thereof and, at the time of acquisition thereof, rated A-2 or higher by S&P or P-2 or higher by Moody’s, or carrying an equivalent rating by an American or Canadian nationally recognized rating agency if at any time neither S&P or Moody’s shall be rating such obligations;

(c) any certificate of deposit, time deposit or bankers acceptance, maturing not more than one year after its date of issuance, which is issued by a bank organized under the laws of the United States (or any state thereof) or of Canada (or of any province or territory thereof) which has, at the time of acquisition thereof, (i) a credit rating of A-2 or higher from Moody’s or A or higher from S&P and (ii) a combined capital and surplus greater than \$500,000,000;

(d) cash and demand deposits maintained with the domestic office of any commercial bank organized under the laws of the United States of America or any State or Canada which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(e) any repurchase agreement having a term of thirty (30) days or less entered into with any Lender or any commercial banking institution satisfying, at the time of acquisition thereof, the criteria set forth in clause (c)(i) which (i) is secured by a fully perfected security interest in any obligation of the type described in clause (a), and (ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such commercial banking institution thereunder; and

(f) mutual funds investing primarily in assets described in clauses (a) through (d) of this definition.

“*Casualty Event*” shall mean the damage, destruction or condemnation, as the case may be, of any Collateral of any Credit Party or Vireo Guarantor.

“*CERCLA*” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

“*Change in Accounting Principles*” shall mean the Borrower’s written notice to the Administrative Agent that the accounting policies and reporting practices of Parent and its Subsidiaries will be conducted in accordance with GAAP instead of IFRS and that such change is permitted by Applicable Law.

“*Change in Cannabis Law*” shall mean any change after the Restatement Date in Applicable Law, including Canadian Cannabis Law, U.S. Federal Cannabis Law and U.S. State Cannabis Law, that would (a) make it unlawful, or cause any Governmental Authority to formally assert that it is unlawful, for any Agent or Lender to (i) perform any of its obligations hereunder or under any other Credit Document, or (ii) to fund or maintain the Loans, or (b) result in the activities conducted by any Credit Party being Restricted Cannabis Activities.

“*Change in Law*” shall mean (a) the adoption of any law, rule, regulation or treaty after the date of this Agreement, (b) any change in any law, rule, regulation or treaty or in the interpretation, implementation or application thereof by any Governmental Authority after the date of this Agreement or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority after the date of this Agreement; provided that notwithstanding anything herein to the contrary, (x) the Dodd Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives issued thereunder or in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the day enacted, adopted, issued or implemented.

“*Change of Control*” shall mean: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person, of Capital Stock representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of Parent on a fully-diluted basis; (b) except as otherwise permitted by Section 9.03 or 9.04, Parent shall cease to own directly or indirectly, beneficially and of record, 100% of the Capital Stock of each Credit Party (other than Parent) that Parent owned as of the Third Amendment Effective Date, free and clear of all Liens or other encumbrances (other than Liens created pursuant to or permitted under any Credit Document); provided that a Change of Control pursuant to this clause (b) shall not be deemed to occur if (i) such Capital Stock was required to be transferred or disposed of in order for Parent or its Subsidiaries, as applicable, to be in compliance with Applicable Law so long as the Net Disposition Proceeds from such Disposition are applied as required by Section 4.02(a)(ii); or (ii) the Parent’s ownership of the Capital Stock of [***] is reduced in accordance with the terms of its Organization Documents in effect as of the Restatement Date; or (c) during any period of 12 consecutive months, a majority of the members of the board of directors of Parent cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board, or (iii) whose election or nomination to that board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board.

“**[***] JV Disposition**” shall mean the sale by [***].

“**Chicago Atlantic**” shall have the meaning set forth in the preamble to this Agreement.

“**Claims**” shall have the meaning set forth in the definition of Environmental Claims.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations promulgated and rulings issued thereunder.

“**Collateral**” shall mean any assets of any Credit Party or other assets upon which the Collateral Agent has been, or has purportedly been, granted a Lien in connection with this Agreement.

“**Collateral Access Agreements**” shall mean a collateral access agreement in form and substance reasonably satisfactory to the Collateral Agent between [the](#) Collateral Agent and any lessor, warehouseman, processor, bailee, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in, any Credit Party’s books and records or assets.

“**Collateral Agent**” shall have the meaning set forth in the preamble to this Agreement.

“**Collateral Assignee**” shall have the meaning set forth in [Section 12.06\(d\)](#) of this Agreement.

“**Collateral Assignment**” shall mean any agreement executed by a Credit Party in favor of [the](#) Collateral Agent pursuant to which such Credit Party collaterally assigns to Collateral Agent all of its rights, title, and interests under any Opco Agreements to which it is a party, in each case in form and substance reasonably satisfactory to [the](#) Collateral Agent and as such agreement may be amended, restated, supplemented, replaced or otherwise modified from time to time.

“**Collections**” shall mean all cash, checks, credit card slips or receipts, notes, instruments, and other items of payment (including insurance proceeds, proceeds of cash sales, rental proceeds, and tax refunds) of the Credit Parties.

“**Commitment Commitments**” shall mean, collectively, the Existing Commitments ~~and~~ the Incremental Advance Commitments [and the Second Incremental Term Loan Commitments](#).

“**Commitment Percentage**” shall mean, as to any Lender providing a portion of a Loan, the ratio, expressed as a percentage, (a) the numerator of which is the outstanding principal amount of such Lender’s portion of such Loan, and (b) the denominator of which is the aggregate outstanding principal amount of such Loan.

“**Commodity Exchange Act**” shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“**Communications**” shall mean, collectively, any notice, demand, communication, information, document or other material that any Credit Party provides to the Administrative Agent pursuant to any Credit Document or the transactions contemplated therein which is distributed to the Administrative Agent or any Lender by means of electronic communications pursuant to [Section 12.24](#), including through the Platform.

“**Competitor**” shall mean (a) the Persons that are identified in writing by the Borrower to the Administrative Agent as being a competitor of the Credit Parties at the time on or prior to the Third Amendment Effective Date, (b) any Person identified after the Third Amendment Effective Date in writing by the Borrower to the Administrative Agent by e-mail to [***], that is at the time a competitor of the Credit Parties and (c) any Affiliate of any Person described in clauses (a) or (b) that is (i) identified in writing by the Borrower to the Administrative Agent by e-mail to [***] or (ii) clearly identifiable solely on the basis of the similarity of such Affiliate’s name to any Person described in clauses (a) or (b) (but excluding any Affiliate of such Person that is a bona fide debt fund or investment vehicle that is primarily engaged, or that advises funds or other investment vehicles that are engaged in, making, purchasing, holding or otherwise investing in commercial loans, bonds or similar extensions of credit or securities in the ordinary course and with respect to which such Person does not, directly or indirectly, possess the power to direct or cause the direction of the investment policies of such entity), it being understood that to the extent the Borrower provides such list (or any supplement thereto) to the Administrative Agent, the Administrative Agent shall provide such list (and any such supplement thereto) to any Lender upon request; provided that (x) no supplement to the list of Competitor shall apply retroactively to disqualify any Persons that have previously acquired an assignment or participation interest in respect of any Loans or Commitments from continuing to hold or vote such previously acquired assignments and participations on the terms set forth herein for Lenders that are not Competitors and (y) no update shall become effective until three (3) Business Days after such update is provided to the Administrative Agent (it being understood that no update shall apply to any Person that is party to a pending trade at the time of such update).

“**Compliance Certificate**” shall mean a certificate duly completed and executed by an Authorized Officer of the Borrower substantially in the form of Exhibit B, together with such changes thereto or departures therefrom as the Administrative Agent may from time to time reasonably request or approve for the purpose of monitoring the Credit Parties’ compliance with the financial covenants contained herein or certain other calculations, or as otherwise agreed to by the Administrative Agent.

“**Confidential Information**” shall have the meaning set forth in Section 12.16.

“**Connection Income Taxes**” shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes.

“**Consolidated Companies**” shall mean Parent and its Subsidiaries on a consolidated basis in accordance with IFRS.

“**Consolidated EBITDA**” shall mean, for a specified period, an amount determined for the Consolidated Companies, equal to:

(a) Consolidated Net Income, plus;

(b) to the extent reducing Consolidated Net Income, the sum of, without duplication, amounts for:

(i) Consolidated Interest Expense,

(ii) Taxes paid in cash by such Person (provided that, if there is a Tax refund received in such period, the amount thereof shall be deducted from Consolidated Net Income for purposes of calculating Consolidated EBITDA),

(iii) total depreciation expense,

(iv) total amortization expense,

(v) fees, charges and expenses incurred in connection with the consummation of the Transactions on or prior to the Restatement

Date,

(vi) non-cash charges reducing Consolidated Net Income (excluding any such non-cash item to the extent that it represents an accrual or reserve for potential cash items in any future period or amortization of a prepaid cash item that was paid in a prior period) including non-cash compensation expense in respect of stock option plans,

(vii) any cash expenses or losses from disposal of abandoned, transferred, closed or discontinued operations to the extent such disposal is permitted hereunder,

(viii) fees and expenses incurred in connection with Permitted Acquisitions in an aggregate amount not exceeding five percent (5%) of Consolidated EBITDA during any period of four fiscal quarters (calculated before giving effect to any addbacks in this clause (viii)),

(ix) reserved,

(x) any costs or expenses for such period related to issuance of equity interests, Investments, or Dispositions, in each case to the extent permitted under this Agreement, and any costs or expenses for such period related to any Extraordinary Receipts or the incurrence, extension, renewal, refinancing, repayment, prepayment or exchange of Indebtedness, in each case, permitted to be incurred hereunder; provided, that the aggregate amount permitted to be added back pursuant to this clause (x) shall not exceed \$1,000,000 during any period of four fiscal quarters (calculated before giving effect to any addbacks in this clause (x)), and

(xi) any expenses, charges and losses (less any gains or positive adjustments) accrued during such period due to the effects of purchase accounting, as set forth in the Financial Accounting Standards Board Accounting Standards Code Topic 805, Business Combinations,

(c) minus, to the extent increasing Consolidated Net Income, the sum of, without duplication, amounts for:

(i) other non-cash gains increasing Consolidated Net Income for such period (excluding any such non-cash item to the extent it represents the reversal of an accrual or reserve for potential cash item in any prior period),

(ii) any income or gains from disposal of disposed, abandoned, transferred, closed or discontinued operations, and

(iii) to the extent not deducted in determining such Consolidated Net Income, all cash payments during such period on account of reserves and other non-cash charges added to Consolidated Net Income after the Restatement Date pursuant to clause (b)(vi).

Notwithstanding the foregoing, for all purposes of this Agreement, Consolidated EBITDA for each of the fiscal quarters set forth below shall be deemed to equal the amount set forth below for such fiscal quarter:

Fiscal Quarter Ending	Consolidated EBITDA
March 31, 2020	\$ 45,966,770
June 30, 2020	\$ 53,442,730
September 30, 2020	\$ 125,936,174
December 31, 2020	\$ 129,570,809

“**Consolidated Fixed Charge Coverage Ratio**” shall mean, with respect to the Consolidated Companies as of each applicable date of determination: (a) Consolidated EBITDA for the Applicable Fiscal Period, less the sum of (i) all Capital Expenditures made by the Consolidated Companies in the Applicable Fiscal Period plus (ii) all cash Taxes paid by the Consolidated Companies in the Applicable Fiscal Period (without benefit of any refund), divided by (b) the sum of (i) all cash distributions paid, and other distributions made, by the Consolidated Companies (other than such distributions made by a Consolidated Company to another Consolidated Company) during the Applicable Fiscal Period, plus (ii) the aggregate principal amount of the Indebtedness of the Consolidated Companies that was paid or scheduled to be paid during the Applicable Fiscal Period plus (iii) the aggregate of amount of the interest expense of the Consolidated Companies paid during the Applicable Fiscal Period, all determined in accordance with IFRS, consistently applied.

“**Consolidated Interest Expense**” shall mean, for the Consolidated Companies, the sum of: (a) all interest in respect of Indebtedness (including, without limitation, the interest component of any payments in respect of Capitalized Lease Obligations of the Consolidated Companies) accrued or capitalized during such period (whether or not actually paid during such period), less interest income during such period, plus (b) the net amount payable (or minus the net amount receivable) in respect of Hedging Obligations of the Consolidated Companies relating to interest during such period (whether or not actually paid or received during such period).

“**Consolidated Net Income**” shall mean, for any specified period, the consolidated net income (or deficit) of the Consolidated Companies, in each case, after eliminating therefrom all extraordinary nonrecurring items of income or loss; provided that there shall be excluded, in determining Consolidated Net Income (without duplication): (a) the consolidated net income (or deficit) of any Person in which any Person has a joint interest, except to the extent of the amount of dividends or other distributions actually paid in cash to any of the Consolidated Companies by such Person during such specified period, (b) the income (or loss) of any Person accrued prior to the date it becomes a consolidated Subsidiary of any of the Consolidated Companies or is merged into or consolidated with any of the Consolidated Companies or such Person’s assets are acquired by any of the Consolidated Companies, (c) the income of any consolidated Subsidiary of any of the Consolidated Companies to the extent that the declaration or payment of dividends or other distributions by that consolidated Subsidiary of that income is not at the time permitted by operation of the terms of any Contractual Obligation or Applicable Law applicable to that consolidated Subsidiary, (d) any gain attributable to the write-up of any asset and any loss attributable to the write-down of any asset; (e) any net gain from the collection of the proceeds of life insurance policies; (f) any net gain or loss arising from the acquisition of any securities, or the extinguishment, under IFRS, of any Indebtedness of any of the Consolidated Companies, (g) in the case of a successor to any consolidated Subsidiary of any of the Consolidated Companies by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of asset (unless such successor was a consolidated Subsidiary of any of the Consolidated Companies prior to such consolidation, merger or transfer), (h) any deferred credit representing the excess of equity in any consolidated Subsidiary of any of the Consolidated Companies at the date of acquisition of such consolidated Subsidiary over the cost to the Consolidated Companies of the investment in such Subsidiary, (i) the cumulative effect of any change in IFRS during such period, and (j) any non-cash income (or loss) related to hedging activities.

“**Contingent Liability**” shall mean, for any Person, any agreement, undertaking or arrangement by which such Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the Indebtedness of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the Capital Stock of any other Person. The amount of any Person’s obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount of the debt, obligation or other liability guaranteed thereby.

“**Contractual Obligation**” shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound other than the Obligations.

“**Control**” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms “**Controlling**” and “**Controlled**” have meanings correlative thereto.

“**Control Agreement**” shall mean a pledge, collateral assignment, control agreement or bank consent letter, in form and substance reasonably satisfactory to the Collateral Agent, executed and delivered by the applicable Credit Party, the Collateral Agent, and the applicable securities intermediary or bank, which agreement is sufficient to give the Collateral Agent “control” over each of such Credit Party’s securities accounts, deposit accounts or investment property, as the case may be, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Copyright Security Agreements**” shall mean any and all copyright security agreements entered into by the Credit Parties in favor of [the](#) Collateral Agent (as required by the Agreement or any other Credit Document), in each case, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Credit Documents**” shall mean (a) this Agreement, the Security Documents, the Opco Mortgagor Guaranty Agreement, any Notes, the Pennsylvania Mortgage [Intercreditor Agreement](#), [each Joinder Agreement](#), [the Vireo](#) Intercreditor Agreement, any fee letter, any subordination or intercreditor agreements in favor of any Agent with respect to this Agreement and (b) any other document or agreement executed by any Credit Party, Pledgor ~~or~~ Opco Mortgagor [or Vireo Guarantor](#), or by [the](#) Borrower on behalf of the Credit Parties, the Pledgors ~~or~~ the Opco Mortgagors [or the Vireo Guarantors](#), or any of them, and delivered to any Agent or Lender in connection with any of the foregoing or the Obligations, in each case, as the same may be amended, restated, supplemented or otherwise modified from time to time. For the avoidance of doubt, the Credit Documents shall not include any Hedging Agreements.

“**Credit Parties**” shall mean the Borrower, and “**Credit Party**” shall mean any of the Persons comprising the Borrower, individually.

“**CSA**” shall mean the Canadian Securities Administrators, or any Governmental Authority succeeding to any of its principal functions.

“**Debtor Relief Laws**” shall mean Title 11 of the United States Code, the Bankruptcy and Insolvency Act (Canada), the Companies’ Creditors Arrangement Act (Canada), the Winding-up and Restructuring Act (Canada), and all other liquidation, bankruptcy, assignment for the benefit of creditors, conservatorship, moratorium, receivership, insolvency, rearrangement, reorganization, or similar debtor relief laws of the United States of America, Canada or other applicable jurisdictions in effect from time to time.

“**Default**” shall mean any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

“**Default Rate**” shall mean a rate per annum equal to the Applicable Rate plus three percent (3.00%) per annum (except with respect to any Material Event of Default, in which case such additional amount shall be six percent (6.00%) per annum).

“Defaulting Lender” shall mean any Lender that: (a) has failed, within two (2) Business Days of the date required to be funded or paid, to (i) fund any portion of its Commitment, (ii) pay over to either Agent or any Lender any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including a particular Default or Event of Default, if any) has not been satisfied; (b) has notified the Borrower or the Administrative Agent in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including a particular Default or Event of Default, if any) to funding a Loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit; (c) has failed, within two (2) Business Days after request by the Administrative Agent, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Administrative Agent’s receipt of such certification in form and substance satisfactory to the Administrative Agent or (d) has become the subject of an Insolvency Event.

“Designated Jurisdiction” shall mean any country or territory to the extent that such country or territory is the subject of any Sanction.

“Disposition” shall mean, with respect to any Person, any sale, transfer, lease, contribution, assignment or other conveyance (including by way of merger) of, or the granting of options, warrants or other rights to, any of such Person’s assets (including Capital Stock) to any other Person in a single transaction or series of transactions.

“Disqualified Capital Stock” shall mean any Capital Stock that, by its terms (or by the terms of any security or other Capital Stock into which it is convertible or for which it is exchangeable) or upon the happening of any event or condition, (a) matures or is mandatorily redeemable (other than solely for Qualified Capital Stock after the Secured Parties are paid in full), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Qualified Capital Stock or in connection with a Change of Control after the Secured Parties are paid in full), in whole or in part, (c) provides for the scheduled payment of dividends in cash or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Capital Stock that would constitute Disqualified Capital Stock, in each case, prior to the date that is one hundred and eighty (180) days after the latest Maturity Date; provided that, if such Capital Stock is issued pursuant to a plan for the benefit of employees of the Borrower or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Capital Stock solely because it may be required to be repurchased by the Borrower or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

“Dollars” and **“\$”** shall mean dollars in lawful currency of the United States of America.

“EDGAR” shall mean the United States Securities and Exchange Commission’s Electronic Data Gathering, Analysis, and Retrieval system.

“Environmental Claims” shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations (other than internal reports prepared by the Credit Parties (a) in the ordinary course of such Person’s business or (b) as required in connection with a financing transaction or an acquisition or disposition of real estate) or proceedings relating to any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (**“Claims”**), including (i) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the Release or threatened Release of Hazardous Materials or arising from alleged injury or threat of injury to health or safety (to the extent relating to the exposure to Hazardous Materials) or the environment.

“**Environmental Law**” shall mean any applicable federal, state, provincial, territorial, foreign or local statute, law, rule, regulation, ordinance, code and rule of common law now or hereafter in effect and in each case as amended, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, relating to the protection of the environment or human health or safety (to the extent relating to exposure to Hazardous Materials).

“**Equivalent Amount**” shall mean, on any date of determination, with respect to obligations or valuations denominated in one currency (the “first currency”), the amount of another currency (the “second currency”) which would result from the conversion of the relevant amount of the first currency into the second currency at the 12:00 noon rate quoted by Bloomberg on www.bloomberg.com/markets/currencies/fxc.html (Page BOFC or such other Page as may replace such Page for the purpose of displaying such exchange rates) on such date or, if such date is not a Business Day, on the Business Day immediately preceding such date of determination, or such other rate as may have been agreed to in writing between [the](#) Borrower and the Administrative Agent.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder. Section references to ERISA are to ERISA as in effect at the date of this Agreement and any subsequent provisions of ERISA amendatory thereof, supplemental thereto or substituted therefor.

“**ERISA Affiliate**” shall mean each Person (as defined in Section 3(9) of ERISA), as to which any Credit Party or any Subsidiary of any Credit Party, is, or within the last six (6) years was, treated as a “single employer” (a) within the meaning of Section 414(b), (c) of the Code (and sections 414(m) and (o) of the Code for purposes of provisions relating to section 412 of the Code and section 302 of ERISA) or (b) as a result of any Credit Party or any Subsidiary of any Credit Party being or having been a general partner of such Person.

“**Event of Default**” shall have the meaning set forth in [Article X](#).

“**Excluded Accounts**” shall mean (a) deposit accounts used solely to fund payroll or employee benefits, (b) escrow or trust accounts, (c) zero balance accounts and (d) unless the Collateral Agent receives a Control Agreement with respect thereto, those deposit accounts noted as “Excluded Account (<25%)” on [Schedule 7.25](#) as of the Signing Date.

“**Excluded Hedging Obligation**” shall mean, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guarantee of such Guarantor or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guarantee or security interest is or becomes illegal.

“**Excluded Issuances**” shall mean (a) the issuance of Capital Stock (other than Disqualified Capital Stock) by [the](#) Borrower to members of the management, employees or directors of any Credit Party; (b) the issuance of Capital Stock of [the](#) Borrower (other than Disqualified Capital Stock) upon the exercise of any warrants issued by [the](#) Borrower on or prior to the Restatement Date; (c) the issuance of Capital Stock by Parent (other than Disqualified Capital Stock) so long as such issuance of Capital Stock by Parent does not result in a Change of Control; and (d) the issuance of Capital Stock by a Subsidiary (other than Disqualified Capital Stock) to a Credit Party so long as such issuance of Capital Stock by such Subsidiary does not result in a Change of Control.

“**Excluded Property**” shall the meaning provided for such term in the Security Agreement.

“**Excluded Taxes**” shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by [the Borrower](#) under [Section 12.06](#)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to [Section 4.04](#), amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with [Section 4.04\(f\)](#), (d) any U.S. and (in the case of any payment made by a Canadian Credit Party) Canadian federal withholding Taxes imposed under FATCA; and (e) Canadian federal withholding Taxes imposed upon a Recipient as a result of such Recipient (i) not dealing at “arm’s length” (within the meaning of the Tax Act), with the Borrower, or (ii) being a “specified shareholder” (within the meaning of subsection 18(5) of the Tax Act) of the Borrower or not dealing at “arm’s length” (within the meaning of the Tax Act) with a “specified shareholder” (within the meaning of subsection 18(5) of the Tax Act) of the Borrower, except, in the case of (i) or (ii), where the non-arm’s length relationship arises, or where the Recipient is (or is deemed to be) a specified non-resident shareholder of the Borrower or does not deal at arm’s length with a specified shareholder of the Borrower, on account of the Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or enforced this Agreement or any other Credit Document.

“**Existing Commitments**” shall mean the obligation of the Lenders to make the Loans (other than the Incremental Advance Loans [and the Second Incremental Term Loans](#)) hereunder, in each case in the Dollar amounts set forth beside such Lender’s name under the applicable heading on [Schedule 1.01 attached hereto](#), or in the Assignment and Acceptance pursuant to which such Lender became a Lender under this Agreement, as such amounts may be changed from time to time pursuant to the terms of this Agreement.

“**Extraordinary Receipts**” shall mean any cash received by or paid to or for the account of any Consolidated Company not in the ordinary course of business, including, without limitation: (a) proceeds of judgments, proceeds of settlements or other consideration of any kind in connection with any cause of action to the extent not used to pay any corresponding cause of action or to reimburse a Consolidated Company for amounts previously expended, (b) indemnification payments received by any Consolidated Company to the extent not used or anticipated to be used to pay any corresponding liability or reimburse such Consolidated Company for the payment of any such liability, (c) tax refunds, and (d) pension plan reversions, net of Taxes paid or payable with respect to such amounts.

“**FATCA**” shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future Treasury Regulations thereunder or official interpretations thereof, any agreements entered into pursuant to current Section 1471(b)(1) of the Code (or any amended or successor version described above), and any intergovernmental agreements (together with any Applicable Laws implementing such agreements) implementing the foregoing.

“**Fees**” shall mean all amounts payable pursuant to, or referred to in, Section 3.01.

“**Federal Funds Rate**” shall mean, for any period, a fluctuating per annum interest rate (rounded upwards, if necessary, to the nearest 1/100 of one percentage point) equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

“**Financial Performance Covenants**” shall mean the covenants set forth in Section 9.13.

“**Foreign Lender**” shall mean a Lender that is not a U.S. Person.

“**Foreign Plan**” shall mean any employee pension benefit plan, program, policy, arrangement or agreement maintained or contributed to by any Credit Party or any Subsidiary with respect to employees not employed in the United States (other than any governmental arrangement) or Canada.

“**GAAP**” shall mean generally accepted accounting principles in the United States of America set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), including the FASB Accounting Standards Codification™, which are applicable to the circumstances as of the date of determination, subject to Section 1.03.

“**Governmental Authority**” shall mean the government of the United States, Canada any foreign country or any multinational or supranational authority, or any state, province, territory, commonwealth, protectorate or political subdivision thereof, and any entity, body or authority exercising executive, legislative, taxing, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, the PBGC, Health Canada and other administrative bodies or quasi-governmental entities established to perform the functions of any such agency or authority.

“**Green Ivy**” shall mean Green Ivy Capital, LLC, a Delaware limited liability company.

“**Guarantee Obligations**” shall mean, as to any Person, any Contingent Liability of such Person or other obligation of such Person guaranteeing or intended to guarantee any Indebtedness of any other Person (the “*primary obligor*”) in any manner, whether directly or indirectly, including any obligation of such Person, whether or not contingent, (a) to purchase any such Indebtedness or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such Indebtedness or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such Indebtedness of the ability of the primary obligor to make payment of such Indebtedness or (d) otherwise to assure or hold harmless the owner of such Indebtedness against loss in respect thereof; provided that the term “**Guarantee Obligations**” shall not include endorsements of instruments for deposit or collection in the ordinary course of business and consistent with past practice (unless a departure from past practice coincides with an industry-wide departure from past practice or results from a new technological development or custom) or customary and reasonable indemnity obligations in effect on the Restatement Date, entered into in connection with any acquisition or disposition of assets permitted under this Agreement (other than with respect to Indebtedness). The amount of any Guarantee Obligation shall be deemed to be an amount equal to the stated or determinable amount of the Indebtedness in respect of which such Guarantee Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith and reasonable business judgment.

“**Guarantors**” shall mean, collectively, jointly and severally, Parent, the other Persons comprising [the Borrower](#), [the Vireo Guarantors](#) and the Opco Mortgagors.

“**Hazardous Materials**” shall mean (a) any petroleum or petroleum products, radioactive materials, friable asbestos, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing regulated levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of “waste”, “recycled materials”, “sludge”, “hazardous substances”, “hazardous waste”, “hazardous materials”, “extremely hazardous waste”, “restricted hazardous waste”, “toxic substances”, “toxic pollutants”, “contaminants”, or “pollutants”, or words of similar import, under any applicable Environmental Law; and (c) any other chemical, waste, recycled material, material or substance, which is prohibited, limited or regulated by any Environmental Law.

“**Hedging Agreement**” shall mean (a) any and all agreements or documents not entered into for speculative purposes that provide for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging exposure to fluctuations in interest or exchange rates, loan, credit exchange, security, or currency valuations or commodity prices, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement including any such obligations or liabilities under any such master agreement.

“**Hedging Obligations**” shall mean, with respect to any Person, the obligations of such Person under Hedging Agreements.

“**Hypothecary Representative**” shall have the meaning set forth in [Section 11.01](#).

“**IFRS**” shall mean the International Financial Reporting Standards set forth in the opinions and pronouncements of the Canadian Accounting Standards Board, consistently applied.

“**Incremental Advance Commitment**” shall mean the obligation of the Lenders to make the Loans (other than the 2020 Loans, the 2021 Loans ~~and~~, the Initial Restatement Loans [and, if any, the Second Incremental Term Loans](#)) hereunder, in each case in the Dollar amounts set forth beside such Lender’s name under the applicable heading on [Schedule 1.01 attached hereto](#) (as amended pursuant to [Section 2.01\(c\)](#)), or in the Assignment and Acceptance pursuant to which such Lender became a Lender under this Agreement, as such amounts may be changed from time to time pursuant to the terms of this Agreement.

“**Incremental Advance Commitment Effective Date**” has the meaning specified in [Section 2.01\(c\)\(iii\)](#).

“**Incremental Advance Lender**” has the meaning specified in [Section 2.01\(c\)\(ii\)](#).

“**Incremental Advance Loan**” shall mean the loans advanced pursuant to the Increased Advance Commitments as provided in [Section 2.01\(c\)](#).

“**Indebtedness**” shall mean, as to any Person at a particular time, without duplication, whether or not included as indebtedness or liabilities in accordance with IFRS:

(a) all indebtedness of such Person for borrowed money and all indebtedness of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) the maximum amount (after giving effect to any prior drawings or reductions which may have been reimbursed) of all letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person;

(c) net Hedging Obligations of such Person;

(d) all obligations of such Person to pay the deferred purchase price of property or services, but excluding trade accounts payable in the ordinary course of business which are not overdue for a period of more than ninety (90) days past the applicable due date thereof excluding any such obligations that are subject to a bona fide dispute regarding amount or such Person’s liability to pay so long as (A) such dispute is being properly contested in good faith by appropriate proceedings promptly instituted and diligently pursued; and (B) appropriate reserves have been established in accordance with IFRS;

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) all Attributable Indebtedness;

(g) all obligations of such Person with respect to the redemption, repayment or other repurchase or payment in respect of any Disqualified Capital Stock; and

(h) all Guarantee Obligations of such Person in respect of any of the foregoing;

provided, that Indebtedness shall not include (w) prepaid or deferred revenue arising in the ordinary course of business on customary terms, (x) purchase price holdbacks arising in the ordinary course of business and on customary terms in respect of a portion of the purchase price of an asset to satisfy warranties or other unperformed obligations of the seller of such asset, (y) endorsements of checks or drafts arising in the ordinary course of business and consistent with past practice (unless a departure from past practice coincides with an industry-wide departure from past practice or results from a new technological development or custom), and (z) preferred Capital Stock to the extent not constituting Disqualified Capital Stock.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or another entity not disregarded for tax purposes) in which such Person is a general partner or a joint venture (whether partner or member), except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. The amount of Indebtedness of any Person for purposes of clause (e) above shall be deemed to be equal to the lesser of (x) the aggregate unpaid amount of such Indebtedness and (y) the fair market value of the property encumbered thereby as determined by such Person in good faith and reasonable business judgment.

“**Indemnified Liabilities**” shall have the meaning set forth in [Section 12.05](#).

“**Indemnified Taxes**” shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party, [Opco Mortgage, Pledgor or Vireo Guarantor](#) under any Credit Document and (b) to the extent not otherwise described in (a), Other Taxes.

“**Individual Pledge Agreement**” shall mean that certain Amended and Restated Limited Recourse Guaranty and Pledge Agreement dated as of the Restatement Date from the Pledgors in favor of the Collateral Agent, for the benefit of the Secured Parties, as may be amended or modified from time to time.

“**Initial Restatement Advance Loans**” shall have the meaning set forth in [Section 2.01\(b\)](#).

“**Insolvency Event**” shall mean, with respect to any Person, including without limitation any Lender, such Person or such Person’s direct or indirect parent company (a) becomes the subject of a bankruptcy, insolvency, examinership or receivership proceeding (including any proceeding under Title 11 of the United States Code, the *Bankruptcy and Insolvency Act* (Canada), the *Companies’ Creditors Arrangement Act* (Canada) or the *Canada Business Corporations Act* or any similar law or proceeding seeking the compromise or extinguishment of claims of creditors), or regulatory restrictions, (b) has had a receiver, interim receiver, monitor, sequestrator, examiner, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it or has called a meeting of its creditors, (c) admits in writing its inability, or be generally unable, to pay its debts as they become due or cease material operations of its present business, (d) with respect to a Lender, such Lender is unable to perform hereunder due to the application of Applicable Law, or (e) in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment of a type described in clauses (a) or (b), provided that an Insolvency Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person or such Person’s direct or indirect parent company by a Governmental Authority or instrumentality thereof if, and only if, such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“**Investment**” shall mean, relative to any Person, (a) any loan, advance or extension of credit made by such Person to any other Person, including the purchase by such first Person of any bonds, notes, debentures or other debt securities of any such other Person; (b) the incurrence of Contingent Liabilities for the benefit of any other Person; and (c) acquisition of any Capital Stock or other investment held by such Person in any other Person. The amount of any Investment at any time shall be the original principal or capital amount thereof less all returns of principal or equity thereon made on or before such time and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property at the time of such Investment.

“**IP Rights**” shall have the meaning set forth in [Section 7.13](#).

“**Joinder Agreement**” shall mean a joinder or similar agreement entered into by any Person (including any Lender) under [Section 2.01\(c\) or 2.01\(d\)](#) pursuant to which such Person shall provide an Incremental Advance Commitment [or a Second Incremental Term Loan Commitment, respectively](#), hereunder and (if such Person is not then a Lender) shall become a Lender party hereto, [in form and substance reasonably acceptable to the Administrative Agent, as executed by the applicable Credit Parties or Vireo Guarantors, one or more Lender\(s\) providing an Incremental Advance Commitment or a Second Incremental Term Loan Commitment, as the case may be, and the Administrative Agent. A Joinder Agreement may take the form of an amendment to this Agreement.](#)

“**Lender**” shall have the meaning set forth in the preamble to this Agreement.

“**Lien**” shall mean any mortgage, pledge, security interest, hypothecation, assignment for collateral purposes, lien (statutory or other) or similar encumbrance, and any easement, right-of-way, license, restriction (including zoning restrictions), defect, exception or irregularity in title or similar charge or encumbrance (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof); provided that in no event shall an operating lease entered into in the ordinary course of business and on customary terms or any precautionary UCC or PPSA filings made pursuant thereto by an applicable lessor or lessee, be deemed to be a Lien.

“**Liquidity**” shall mean the sum, for the Credit Parties, of unrestricted cash and Cash Equivalents, in each case, which is held in a deposit account or a securities account subject to the Lien of the Collateral Agent and a Control Agreement.

“**Loans**” shall mean the loans made by the Lenders to the Borrower pursuant to this Agreement, including the Incremental Advance Loans and the Second Incremental Term Loans.

“**Make-Whole Amount**” shall mean, with respect to any Prepayment Event, (a) if the Loans being repaid are 2020 Loans or 2021 Loans, an amount equal to the present value of all payments of interest on the principal amount of such prepaid Loans that are scheduled to accrue through the Make-Whole Date, calculated using a discount rate equal to the Treasury Rate and (b) if the Loans being repaid are Initial Restatement Advance Loans, an amount equal to (i) the sum of (A) all payments of interest on the principal amount of such prepaid Loans that would have been due hereunder after the date of such prepayment through the date that is the 12-month anniversary of the Third Amendment Effective Date with respect to such principal if no prepayment of such principal was made prior to its scheduled due date; plus (B) all fees that would have been due to any Agent or any Lender with respect to such prepaid Loans after the date of such prepayment through such anniversary date if no prepayment of such principal was made prior to its scheduled due date multiplied by (ii) 80.00%, ~~and~~ (c) if the Loans being repaid are Incremental Advance Loans, an amount equal to (i) the sum of (A) all payments of interest on the principal amount of such prepaid Loans that would have been due hereunder after the date of such prepayment through the date that is the 12-month anniversary of the Incremental Advance Commitment Effective Date with respect to such principal if no prepayment of such principal was made prior to its scheduled due date; plus (B) all fees that would have been due to any Agent or any Lender with respect to such prepaid Loans after the date of such prepayment through such anniversary date if no prepayment of such principal was made prior to its scheduled due date multiplied by (ii) 80.00%, and (d) if the Loans being repaid are the Second Incremental Term Loans, as set forth in the Joinder Agreement for the Second Incremental Term Loans.

“**Make-Whole Date**” shall mean (a) with respect to the 2020 Loans and the 2021 Loans, the last calendar day of the ninth (9th) month following the Restatement Date, (b) with respect to the Initial Restatement Advance Loans, the last calendar day of the ninth (9th) month following the Third Amendment Effective Date ~~and~~, (c) with respect to the Incremental Advance Loans, the last calendar day of the ninth (9th) month following the Incremental Advance Commitment Effective Date and (d) with respect to the Second Incremental Term Loans, as set forth in the Joinder Agreement for the Second Incremental Term Loans.

“**Material Adverse Effect**” shall mean a material adverse effect on (a) the business, assets, liabilities (actual or contingent), operations, financial condition, results of operations or performance of Credit Parties taken as a whole, (b) the validity or enforceability of this Agreement or any of the other Credit Documents (it being agreed that documents described in clause (b) of the definition of “Credit Documents” shall be taken as a whole), (c) the ability of any Credit Parties, taken as a whole, to perform their obligations under any Credit Document (it being agreed that documents described in clause (b) of the definition of “Credit Documents” shall be taken as a whole) to which they are parties, (d) the rights or remedies of the Secured Parties or the Lenders hereunder or thereunder, (e) the priority of any Liens granted to the Collateral Agent in or to any Collateral (other than as a result of voluntary and intentional discharge of the Lien by the Collateral Agent or Permitted Liens), (f) the Regulatory Licenses taken as a whole or (g) the cultivation center permit of [***].

“**Material Contracts**” shall mean: (a) any agreement to which Parent or any Subsidiary is a party evidencing, securing or pertaining to any Indebtedness owing to or from such Person, or any guaranty thereof, in a principal amount exceeding \$25,000,000; (b) any real property lease of any Credit Party where annual rent exceeds \$2,500,000; (c) any operating lease of any Credit Party where annual rent exceed \$2,500,000; (d) any other agreement (other than the agreements set forth in the foregoing clauses (a) through (c)) to which any Credit Party is a party which involves aggregate annual consideration payable to or by such Person of \$10,000,000 or more; (e) any document, agreement or instrument evidencing or governing any Permitted Subordinated Indebtedness; (f) each Opco Agreement; (g) any documents evidencing deferred purchase price obligations in an aggregate amount exceeding \$20,000,000; and (h) any other agreement the termination of which (without contemporaneous replacement of substantially equivalent value) could reasonably be expected to have a Material Adverse Effect.

“**Material Default**” shall mean any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default arising under Section 10.01(a), 10.01(c) (solely with respect to a default related to Section 9.13), 10.01(i) or 10.01(n).

“**Material Event of Default**” shall mean any Event of Default arising under Section 10.01(a), 10.01(c) (solely with respect to a default related to Section 8.01, ~~8-178.15~~ or 9.13), 10.01(f), 10.01(i), 10.01(j), 10.01(n) or 10.01(o)).

“**Maturity Date**” shall mean (a) with respect to the 2020 Loan and the 2021 Loan, May 30, 2023; (b) with respect to the Initial Restatement Advance Loans, April 28, 2023, ~~and~~ (c) with respect to the Incremental Advance Loans, ~~the 18-month anniversary of the August 31, 2023, and (d) as to the Second Incremental ~~Advance Effective Date~~ Term Loans, the maturity date set forth in the Joinder Agreement for the Second Incremental Term Loans~~.

“**Moody’s**” shall mean Moody’s Investors Service, Inc. or any successor by merger or consolidation to its business.

“**Mortgage**” shall mean each mortgage, deed of trust, deed to secure debt, trust deed or other security document granted by any applicable Credit Party or Vireo Guarantor to the Collateral Agent for the benefit of the Secured Parties in respect of any Real Property owned or leased by such Credit Party or Vireo Guarantor that is Collateral, in such form as agreed between such Credit Party and the Collateral Agent.

“**Mortgaged Property**” shall mean (a) all Real Property owned by any of the Credit Parties ~~or~~ Opco Mortgagors or Vireo Guarantors that constitutes, or will constitute upon the acquisition thereof, Collateral, as further identified on Schedule 7.15(a) and (b) all Real Property required to be pledged pursuant to Section 8.10.

“**Multiemployer Plan**” shall mean any multiemployer plan, as defined in Section 4001(a)(3) of ERISA, which is contributed to by (or to which there is or may be an obligation to contribute of) any Credit Party, any Subsidiary of any Credit Party or any ERISA Affiliate, and each such plan for the five-year period immediately following the latest date on which any Credit Party, any Subsidiary of any Credit Party or any ERISA Affiliate contributed to or had an obligation to contribute to such plan.

“**Net Casualty Proceeds**” shall mean, with respect to any Casualty Event, the amount of any insurance proceeds or condemnation awards received by any Credit Party or Vireo Guarantor in connection with such Casualty Event (net of (a) the amount of any reserves to be maintained in connection with the Casualty Event, to the extent such reserve is maintained in accordance with IFRS, and (b) all reasonable and customary collection expenses thereof (including, without limitation, any legal or other professional fees) (except with respect to any expenses paid to an Affiliate of such Person)), but excluding any proceeds or awards required to be paid to a creditor (other than the Lenders) which holds a Lien permitted by Section 9.02(c) on the property which is the subject of such Casualty Event, and less any Taxes payable on account of such insurance proceeds or condemnation award, actually paid, assessed or estimated (in good faith) to be payable within the next 12 months in cash in connection with such Casualty Event, in each case to the extent, but only to the extent, that the amounts are properly attributable to such transaction; provided that if, after the expiration of such 12-month period, the amount of such estimated or assessed Taxes, if any, exceeded the Taxes actually paid in cash in respect of proceeds from such Casualty Event, the aggregate amount of such excess shall constitute Net Casualty Proceeds under Section 4.02(a)(iii) and be immediately applied to the Obligations pursuant to Section 4.02(c).

“**Net Debt Proceeds**” shall mean, with respect to the sale or issuance by any Credit Party of any Indebtedness (other than Indebtedness permitted by Section 9.01), the excess of: (a) the gross cash proceeds received by the issuer of such Indebtedness from such sale or issuance, over (b) all reasonable and customary underwriting commissions and legal, investment banking, underwriting, brokerage, accounting and other professional fees, sales commissions and disbursements and all other reasonable fees, expenses and charges, in each case actually incurred and paid in connection with such sale or issuance, except any such amounts that have not been paid, and are not payable, to any Affiliate of such Person.

“**Net Disposition Proceeds**” shall mean, with respect to any Disposition by any Credit Party or Vireo Guarantor of Collateral, the excess of: (a) the gross cash proceeds received by such Person from such Disposition, over (b) the sum of: (i) all reasonable and customary legal, investment banking, underwriting, brokerage and accounting and other professional fees, sales commissions and disbursements and all other reasonable fees, expenses and charges, in each case actually incurred and paid in connection with such Disposition, except any such amounts that have not been paid, and are not payable, to any Affiliate of such Person, (ii) all Taxes payable on account of proceeds from such Disposition, actually paid, assessed or estimated (in good faith) to be payable in cash within the next 12 months in connection with such proceeds, in each case to the extent, but only to the extent, that the amounts so are properly attributable to such transaction, and (iii) the amount of any reserves to be maintained in connection with such Disposition, to the extent such reserve is maintained in accordance with IFRS; provided that if, after the expiration of the 12-month period referred to in clause (b)(ii) above, the amount of estimated or assessed Taxes, if any, pursuant to clause (b)(ii) above exceeded the Taxes actually paid in cash in respect of proceeds from such Disposition, the aggregate amount of such excess shall constitute Net Disposition Proceeds under Section 4.02(a)(ii) and be immediately applied to the Obligations pursuant to Section 4.02(c).

“**Net Equity Proceeds**” shall mean, with respect to the sale, issuance or exercise after the Restatement Date by any Credit Party of any Capital Stock or any capital contribution by any Person to any such Credit Party, the excess of: (a) the gross cash proceeds received by such Credit Party from such sale, issuance or exercise, over (b) all reasonable and customary underwriting commissions and legal, investment banking, brokerage, accounting and other professional fees, original issue discount, sales commissions and disbursements actually incurred and paid in connection with such sale or issuance, in each case for this clause (b), solely to the extent such discounts, commissions, costs, fees, expenses and disbursements are paid to non-Affiliates.

“**Non-Credit Party Subsidiary**” shall mean, at any time, a direct or indirect Subsidiary of Parent that is not a Credit Party.

“**Non-Defaulting Lender**” shall mean, at any time, any Lender holding a Commitment which is not a Defaulting Lender.

“**Note**” shall mean a promissory note (or amended and restated promissory note) substantially in the form of Exhibit C.

“**Notice of Control**” shall have the meaning set forth in Section 8.13(c).

“**Obligations**” shall mean (a) with respect to the Borrower, all obligations (monetary or otherwise, whether absolute or contingent, matured or unmatured) of the Borrower arising under or in connection with any Credit Document, including all original issue discount, fees, costs, expenses (including fees, costs and expenses incurred during the pendency of any proceeding of the type described in Section 10.01(i), whether or not allowed or allowable in such proceeding) and premiums payable under any Credit Document, the principal of and interest (including interest accruing during the pendency of any proceeding of the type described in Section 10.01(i), whether or not allowed or allowable in such proceeding) on the Loans, all indemnification obligations and all obligations to pay or reimburse any Secured Party for paying any costs or expenses under any Credit Document, or (b) with respect to each Pledgor, each Opco Mortgagor, each Vireo Guarantor and each Credit Party other than the Borrower, all obligations (monetary or otherwise, whether absolute or contingent, matured or unmatured) of such Pledgor, Opco Mortgagor, Vireo Guarantor or Credit Party arising under or in connection with any Credit Document, all indemnification obligations and all obligations to pay or reimburse any Secured Party for paying any costs or expenses under any Credit Document. For the avoidance of doubt, the Obligations shall not include any Hedging Obligations.

“**Opco**” shall mean any Person (other than the Credit Parties) (a) that is a party to an Opco Management Agreement, (b) for whom any Credit Party provides services similar to those set forth in the Opco Management Agreements or (c) who holds a Permit for the direct or indirect economic benefit of the Credit Parties, in each case, including, for the avoidance of doubt, (x) if the Vireo Acquisition closes, any such Person, and (y) if the Potential Acquisition closes, any nonprofit corporation that is a part of the Potential Acquisition.

“**Opco Agreements**” shall mean, collectively, (a) Opco Management Agreements, (b) Opco Option Agreements, (c) Opco Security Agreements and any other agreement granting or perfecting a lien on the assets of an Opco for the benefit of a Credit Party, (d) any promissory note, deficit funding loan agreement or similar agreement between an Opco and a Credit Party, and (e) any other similar agreement entered into between a Credit Party and an Opco or an owner of an Opco in relation to the provision of services to any such Opco.

“**Opco Management Agreement**” shall mean each agreement between a Credit Party and an Opco, pursuant to which, among other things, such Credit Party agrees to provide management, administrative, consulting or business services to such Opco, substantially in form and substance of the Opco Management Agreements existing as of the Restatement Date.

“**Opco Mortgagor**” shall mean ***.

“**Opco Mortgagor Guaranty Agreement**” shall mean any guaranty agreement executed and delivered by an Opco Mortgagor, in form and substance reasonably acceptable to [the](#) Administrative Agent, as amended, restated or otherwise modified from time to time.

“**Opco Mortgagor Mortgage**” shall mean any mortgage granted by an Opco Mortgagor to the Collateral Agent for the benefit of the Secured Parties in respect of Real Property owned by such Opco Mortgagor, in form and substance reasonably acceptable to the Collateral Agent, as amended, restated or otherwise modified from time to time.

“**Opco Option Agreement**” shall mean an agreement (which may be included as part of the terms of an Opco Management Agreement or any other Opco Agreement) pursuant to which the owner(s) of Capital Stock issued by an Opco grant(s) to a Credit Party a right to purchase or transfer, or cause the purchase or transfer, of Capital Stock of the Opco held by such owner(s) by or to a Person duly qualified to hold such Capital Stock under applicable Laws and designated by such Credit Party that is party thereto.

“**Opco Requirements**” shall mean, with respect to each Opco, the satisfaction of each of the requirements contained in [Section 8.18](#), together with such other items that may be reasonably required by [the](#) Administrative Agent in connection with an Opco.

“**Opco Security Agreement**” shall mean a security agreement executed and delivered by an Opco in favor of each Credit Party that is a party to an Opco Management Agreement with such Opco, granting to such Credit Party a first priority Lien in all property of such Opco (subject to limitations under Applicable Law) to secure the repayment of all Indebtedness owed from time to time by such Opco to each such Credit Party, which security agreement shall be substantially in form and substance of the Opco Security Agreements existing as of the Restatement Date; provided, that the terms otherwise required of an Opco Security Agreement may be included in the relevant Opco Management Agreement or other Opco Agreement.

“**Original Closing Date**” shall mean July 2, 2020.

“**Original Credit Agreement**” shall have the meaning set forth in the preamble to this Agreement.

“**Original Loans**” shall mean all “Loans” as defined in the Original Credit Agreement outstanding immediately prior to the Restatement Date.

“**Organization Documents**” shall mean, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company or unlimited liability company, the certificate of incorporation, constitution or articles of formation or organization and operating agreement (if relevant) or memorandum of association; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and, if applicable, any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“**OSC**” shall mean the Ontario Securities Commission, or any Governmental Authority succeeding to any of its principal functions.

“**Other Connection Taxes**” shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Loan or Credit Document).

“**Other Taxes**” shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Credit Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to [Section 2.02](#)).

“**Parent**” shall have the meaning set forth in the preamble to this Agreement.

“**Parent Pledge Agreement**” shall mean that certain Pledge Agreement dated as of May 20, 2021 between Parent and the Collateral Agent, for the benefit of the Secured Parties, as may be amended or modified from time to time.

“**Participant**” shall have the meaning set forth in [Section 12.06\(c\)\(i\)](#).

“**Participant Register**” shall have the meaning set forth in [Section 12.06\(c\)\(iii\)](#).

“**Patent Security Agreements**” shall mean the (a) Patent Security Agreement dated as of May 20, 2021 made in favor of [the](#) Collateral Agent by each applicable Credit Party; and (b) any patent security agreements entered into by a Credit Party in favor of [the](#) Collateral Agent (as required by the Agreement or any other Credit Document), in each case, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Patriot Act**” shall have the meaning set forth in [Section 12.19](#).

“**Payment Conditions**” shall mean, with respect to the making of any Permitted Subordinated Debt Payment, or the incurrence of any Permitted Subordinated Indebtedness, each of the following conditions:

(a) no Event of Default or Material Default shall have occurred and be continuing prior to or after giving effect to the making of such Permitted Subordinated Debt Payment, or the incurrence of such Permitted Subordinated Indebtedness, as applicable;

(b) the Borrower has delivered to the Administrative Agent (i) the financial information for the immediately preceding fiscal quarter required by [Section 8.01](#), and (ii) calculations evidencing that after the making of such Permitted Subordinated Debt Payment, or the incurrence of such Permitted Subordinated Indebtedness, as applicable, the Credit Parties will be in compliance on a Pro Forma Basis with the Financial Performance Covenants as of the last day of such immediately preceding fiscal quarter; and

(c) at least five (5) Business Days prior to making such Permitted Subordinated Debt Payment, or incurring such Permitted Subordinated Indebtedness, as applicable, [the](#) Borrower has delivered a duly executed certificate to the Administrative Agent, in form and substance acceptable to the Administrative Agent, pursuant to which the Borrower shall certify that the conditions set forth in clauses (a) and (b) above have been satisfied and will continue to be satisfied as of the making of such Permitted Subordinated Debt Payment, or the incurrence of such Permitted Subordinated Indebtedness, as applicable.

“**Payment Date**” shall mean the last Business Day of each calendar month.

“**PBGC**” shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

“**Pension Plan**” shall mean any Multiemployer Plan or any “employee benefit plan,” as defined in Section 3 of ERISA subject to Title IV of ERISA, Section 412 of the Code or Sections 302 or 303 of ERISA, sponsored, maintained or contributed to by any Credit Party, Subsidiary of a Credit Party or any ERISA Affiliate (or to which any Credit Party, Subsidiary of a Credit Party or any ERISA Affiliate has or may have an obligation to contribute or to make payments), and each such plan for the five-year period immediately following the latest date on which any Credit Party, Subsidiary of a Credit Party or any ERISA Affiliate maintained, contributed to or had an obligation to contribute to (or is deemed under Sections 4069 or 4212(c) of ERISA to have maintained or contributed to or to have had an obligation to contribute to, or otherwise to have liability with respect to) such plan.

“**Pennsylvania Borrowers**” shall mean [***].

“**Pennsylvania Mortgage Collateral Agent**” shall mean Chicago Atlantic, in its capacity as collateral agent under the Pennsylvania Mortgage Credit Agreement.

“**Pennsylvania Mortgage Credit Agreement**” shall mean that certain Credit Agreement dated as of September 3, 2021, among Pennsylvania Borrowers, the Guarantors (as defined therein), the Lenders (as defined therein) party thereto, Chicago Atlantic, as Administrative Agent (as defined therein) and the Pennsylvania Mortgage Collateral Agent.

“**Pennsylvania Mortgage Debt**” shall mean that certain Indebtedness owed by the Pennsylvania Borrowers, and guaranteed by the Borrower, in an aggregate principal amount not to exceed \$12,000,000 and evidenced by the Pennsylvania Mortgage Documents.

“**Pennsylvania Mortgage Documents**” shall mean the Pennsylvania Mortgage Credit Agreement and the other Credit Documents (as defined in the Pennsylvania Mortgage Credit Agreement).

“**Pennsylvania Mortgage Intercreditor Agreement**” shall mean that certain Intercreditor Agreement dated as of September 3, 2021, between the Collateral Agent and the Pennsylvania Mortgage Collateral Agent.

“**Pennsylvania Mortgaged Property**” shall mean [***].

“**Permits**” shall mean, with respect to any Person, any permit, approval, authorization, license, registration, certificate, concession, grant, franchise, variance or permission from, and any other Contractual Obligations with, any Governmental Authority, in each case whether or not having the force of law and applicable to or binding upon such Person or any of its property or operations or to which such Person or any of its property or operations is subject.

“**Permitted Acquisition**” shall mean an acquisition by any Credit Party of the Capital Stock of any Person (each, a “**Target**”) or all or substantially all of the assets of any Person (or a division thereof) that satisfies each of the following conditions:

(a) immediately before and after giving effect thereto, no Event of Default or Material Default shall have occurred and be continuing;

(b) such acquisition and all transactions related thereto shall be consummated in accordance with all Applicable Laws in all material respects (excluding U.S. Federal Cannabis Laws);

(c) if such acquisition ~~involves~~ is structured as the purchase of Capital Stock, such acquisition shall be structured such that the ~~acquired Person/Target~~ shall, upon completion of such acquisition, be a wholly-owned direct ~~or indirect~~ Subsidiary of a Credit Party organized under the laws of the United States, any state thereof or the District of Columbia;

(d) such acquisition is of a business or entity which is engaged in the Business or business activities incidental or reasonably related thereto or to the operations of an existing Credit Party;

(e) if such acquisition is structured as the purchase of assets (which assets may include Capital Stock), all or substantially all of the assets acquired in connection with ~~any such~~ acquisition shall be located within the United States and shall be ~~held~~ owned by a Credit Party;

(f) (i) the Credit Parties will be in compliance with the Financial Performance Covenants on a Pro Forma Basis as of the last day of the most recent fiscal quarter for which financial statements have been delivered (or were required to have been delivered) pursuant to Section 8.01(a), and (ii) if such Permitted Acquisition involves consideration of \$25,000,000 or more, the Borrower shall have furnished to the Administrative Agent a certificate of the chief financial officer of the Borrower demonstrating such compliance and certifying that all conditions contained in ~~the~~ this definition of Permitted Acquisition have been satisfied or will be satisfied as of the consummation of the applicable Permitted Acquisition;

(g) if such acquisition involves consideration of \$50,000,000 or more, the Borrower shall have, in addition to the certification required by clause (f)(ii) above:

(i) ~~except as set forth in clauses (h) and (i) below,~~ notified the Administrative Agent of such proposed ~~Permitted Acquisition~~ acquisition at least ten (10) days prior to the consummation thereof,

(ii) ~~except as set forth in clauses (h) and (i) below,~~ furnished to the Administrative Agent ~~at least ten (10) days prior to the consummation thereof,~~ with such notice (A) an executed term sheet and/or letter of intent (setting forth in reasonable detail the terms and conditions of such acquisition) ~~and, (B) or when available, whichever is later,~~ such other information and documents that the Administrative Agent may reasonably request, including, without limitation, drafts of the respective agreements, documents or instruments pursuant to which such acquisition is to be consummated (including, without limitation, any related management, non-compete, employment, option or other material agreements), any schedules to such agreements, documents or instruments and all other material ancillary agreements, instruments and documents to be executed or delivered in connection therewith (with executed counterparts of such documents to be furnished promptly when available) and ~~(B) if such Permitted Acquisition involves consideration of \$25,000,000 or more,~~ consolidated financial statements of Parent and its Subsidiaries prepared on a Pro Forma Basis (after giving effect to the consummation of such acquisition) as of the last day of the most recent fiscal quarter for which financial statements have been delivered (or are required to have been delivered) pursuant to Section 8.01(a),

(iii) furnished to the Administrative Agent at least five (5) Business Days prior to the consummation thereof (or such shorter period as may be agreed to by the Administrative Agent), drafts of the purchase documents and related schedules and exhibits, and

(iv) furnished to the Administrative Agent, prior to the consummation thereof, executed copies of such purchase documents and related schedules and exhibits thereto;

~~(h) if such Permitted Acquisition will be funded with Incremental Advance Loans, the notification and items to be provided pursuant to clauses (i) and (ii) above will be provided at least sixty (60) days prior to the proposed Incremental Advance Effective Date; and proposed acquisition involves consideration of less than \$50,000,000 but equal to or more than \$25,000,000, the Borrower shall have, in addition to the certification required by clause (f)(ii) above:~~

~~(i) if such Permitted Acquisition involves consideration of less than \$50,000,000, (A) Borrower shall have notified the Administrative Agent of such proposed Permitted Acquisition at least one (1) Business Day prior to the consummation thereof and (B) except with respect to the deliverables described in clause (g)(ii)(B) if such Permitted Acquisition involves consideration of \$25,000,000 or more,~~

~~(ii) furnished to the Administrative Agent at least ten (10) days prior to the consummation thereof consolidated financial statements of Parent and its Subsidiaries prepared on a Pro Forma Basis (after giving effect to the consummation of such acquisition) as of the last day of the most recent fiscal quarter for which financial statements have been delivered (or are required to have been delivered) pursuant to Section 8.01(a), and~~

~~(iii) furnished to the Administrative Agent all other items described in clause (g) with respect to such acquisition promptly upon the reasonable request of the Administrative Agent therefor; and~~

~~(i) if such proposed acquisition involves consideration of less than \$25,000,000, the Borrower shall have:~~

~~(i) notified the Administrative Agent at least one (1) Business Day prior to the consummation thereof and~~

~~(ii) furnished to the Administrative Agent all items described in clause (g) with respect to such acquisition shall not be required to be delivered to the Administrative Agent except promptly upon the reasonable request of the Administrative Agent therefor.~~

The consummation of a Permitted Acquisition shall be deemed to be a representation and warranty by the Borrower to the Secured Parties that all conditions contained in ~~the~~this definition of Permitted Acquisition have been satisfied or will be satisfied as of the consummation of such Permitted Acquisition.

“Permitted Currency Hedging Agreements” mean Hedging Agreements entered into by the Credit Parties or their Subsidiaries for the primary purpose of eliminating or reducing foreign exchange risk and not for speculative purposes.

“Permitted Liens” shall have the meaning set forth in Section 9.02.

“Permitted Subordinated Debt Payments” shall mean regularly scheduled payments of principal and interest on any Permitted Subordinated Indebtedness in accordance with the terms thereof.

“Permitted Subordinated Indebtedness” shall mean Indebtedness of any Credit Party which has been expressly subordinated in right of payment to the Obligations and, if secured, any Lien securing such Indebtedness is subordinated to the Liens of the Collateral Agent, in each case, pursuant to a subordination agreement or other writing in form and substance reasonably satisfactory to the Administrative Agent (including provisions contained in the documentation evidencing such Indebtedness reasonably acceptable to the Administrative Agent).

“**Permitted Third-Party Mortgage Debt**” shall mean that certain Indebtedness owed by the fee owner of the applicable Permitted Third-Party Mortgaged Property, as evidenced by the Permitted Third-Party Mortgage Documents.

“**Permitted Third-Party Mortgage Documents**” shall mean any loan agreement, promissory note, mortgage or other related agreement entered into by the applicable fee owner of a Permitted Third-Party Mortgaged Property evidencing or relating to the applicable Permitted Third-Party Mortgage Debt and containing customary terms for a mortgage financing, as determined by the Administrative Agent in its reasonable discretion.

“**Permitted Third-Party Mortgaged Property**” shall mean (a) [***], (b) [***], (c) [***], (d) [***], (e) [***] and (f) [***].

“**Person**” shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, unlimited liability company, association, trust or other enterprise or any Governmental Authority.

“**Plan**” shall mean any employee benefit plan within the meaning of Section 3(3) of ERISA, sponsored, maintained or contributed to by any Credit Party or any Subsidiary, or any such plan to which any Credit Party or any Subsidiary has any liability.

“**Platform**” shall have the meaning set forth in [Section 12.24](#).

“**Pledgors**” shall mean, jointly and severally, those Persons party to the Individual Pledge Agreement, together with their respective successors, assigns, heirs and personal representatives.

“**Potential Acquisition**” shall mean the potential acquisition by Parent or one or more of its Subsidiaries of Real Property, other assets and operations disclosed and identified as such to the Administrative Agent prior to February 28, 2022, and as may be more particularly described in any definitive purchase documents among Parent, one or more of its Subsidiaries, the owner of such Real Property, the applicable Opco and any other Persons that may be party thereto.

“**PPSA**” shall mean the *Personal Property Security Act* (Ontario), including the regulations thereto; provided, that, if perfection or the effect of perfection or non-perfection or the priority of any Lien created hereunder or under any other Credit Document on the Collateral is governed by the personal property security legislation or other applicable legislation with respect to personal property security in effect in a jurisdiction in Canada other than the Province of Ontario, “PPSA” shall mean the Personal Property Security Act or such other applicable legislation (including the *Civil Code* (Quebec)) in effect from time to time in such other jurisdiction in Canada for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“**Prepayment Event**” shall mean any (a) voluntary prepayment of the Loans that is made prior to the applicable Maturity Date (including, without limitation, any payment upon acceleration in accordance with [Section 10.02](#) (including, for the avoidance of doubt, in connection with [Sections 10.01\(a\)](#), (i) and (k)) and, for the avoidance of doubt, any refinancing of the Loans other than as provided in [Section 4.01\(a\)](#)) or (b) mandatory prepayment of the Loans pursuant to [Sections 4.02\(a\)\(i\)](#), [4.02\(a\)\(ii\)](#) or [4.02\(a\)\(iv\)](#), in each case for this clause (b), that is made prior to the applicable Maturity Date.

“**Prepayment Premium**” shall mean, with respect to any Prepayment Event, an amount equal to: (a) with respect to any such Prepayment Event that occurs prior to the applicable Make-Whole Date, the greater of (x~~i~~) the applicable Make-Whole Amount and (y~~i~~) with respect to any prepayments of the 2020 Loans, the 2021 Loans, the Initial Restatement Advance Loans and the Incremental Advance Loans, one percent (1.00%) of the principal amount prepaid; and (b) with respect to any such Prepayment Event that occurs on or after the applicable Make-Whole Date, (x~~i~~) zero percent (0.00%) of the principal amount prepaid with respect to any prepayments of the 2020 Loans, the Initial Restatement Advance Loans or the Incremental Advance Loans; ~~and, (y~~ii~~) one percent (1.00%) of the principal amount prepaid with respect to any prepayments of the 2021 Loans~~ and (iii) the amount set forth in the Joinder Agreement for the Second Incremental Term Loans, with respect to the Second Incremental Term Loans.

“**Pro Forma Basis**” shall mean, with respect to any period during which (a) any Permitted Acquisition or any Investment, (b) any Disposition, or (c) any incurrence, repayment or cancellation of Indebtedness shall have been consummated (in each case, to the extent permitted hereunder), a calculation as if such event or events described by the preceding clauses (a) through (c) had been consummated and incurred at the beginning of the applicable period for any applicable financial covenant test, in each case, subject only to those *pro forma* adjustments which are directly attributable to any event or events described by the preceding clauses (a) through (c) that are factually supportable, are reasonably expected to have a continuing impact on the Credit Parties and are determined on a basis consistent with Article 11 of Regulation S-X of the Securities Act of 1933, as amended, as interpreted by the Securities and Exchange Commission.

“**Proceeds of Crime Act**” shall mean the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended from time to time, and including all regulations thereunder.

“**Public Lender**” shall have the meaning set forth in Section 12.24.

“**Qualified Capital Stock**” shall mean any Capital Stock that is not Disqualified Capital Stock.

“**Real Property**” shall mean, with respect to any Person, all right, title and interest of such Person (including, without limitation, any leasehold estate) in and to a parcel of real property owned, leased or operated by such Person together with, in each case, all improvements and appurtenant fixtures, equipment, personal property, easements and other property and rights incidental to the ownership, lease or operation thereof.

“**Recipient**” shall mean (a) the Administrative Agent and (b) any Lender.

“**Refinancing Indebtedness**” shall mean refinancings, renewals, or extensions of Indebtedness so long as:

(a) such refinancings, renewals, or extensions do not result in an increase in the principal amount of the Indebtedness so refinanced, renewed, or extended, other than by the amount of premiums and compounded interest paid thereon and the reasonable and customary fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto,

(b) such refinancings, renewals, or extensions do not result in a shortening of the average weighted maturity (measured as of the refinancing, renewal, or extension) of the Indebtedness so refinanced, renewed, or extended,

(c) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension must include subordination terms and conditions that are at least as favorable to the Lenders as those that were applicable to the refinanced, renewed, or extended Indebtedness, and

(d) the Indebtedness that is refinanced, renewed, or extended is not recourse to any Person that is liable on account of the Obligations other than those Persons which were obligated with respect to the Indebtedness that was refinanced, renewed, or extended.

“**Register**” shall have the meaning set forth in Section 12.06(b)(iv).

“**Regulation D**” shall mean Regulation D of the Board as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

“**Regulation U**” shall mean Regulation U of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

“**Regulation X**” shall mean Regulation X of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

“**Regulatory Licenses**” shall mean each Permit required to be held any Credit Party or any Subsidiary thereof to conduct its Business in compliance with Applicable Laws.

“**Related Parties**” shall mean, with respect to any specified Person, such Person’s Affiliates and the directors, officers, employees, agents, trustees, advisors of such Person and any Person that possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

“**Release**” shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, depositing, disposing, emanating or migrating of Hazardous Materials in the environment.

“**Reportable Event**” shall mean an event described in Section 4043(c) of ERISA with respect to a Plan that is subject to Title IV of ERISA other than those events as to which the 30 day notice period is waived under subsection .22, .23, .25, .27 or .28 of PBGC Regulation Section 4043.

“**Required Lenders**” shall mean, at any time when there is more than one Lender which is not a Defaulting Lender, at least two Lenders which are not Defaulting Lenders having Loans and unused Commitments representing greater than 50% of the sum of the aggregate Loans and unused Commitments at such time, or at any time when there is only one Lender which is not a Defaulting Lender, such Lender.

“**Rescindable Amount**” shall have the meaning set forth in Section 4.03(d).

“**Restatement Date**” shall mean the date on which all of the conditions to closing and funding set forth in Section 5.02 have been satisfied, or waived in accordance with Section 12.01, which date shall be no later than May 19, 2021 (or such later date as the Administrative Agent may approve in writing in its sole discretion).

“**Restatement Date Opco**” shall mean each Opco identified as a “Restatement Date Opco” on Schedule 7.12 as of the Signing Date.

“**Restricted Cannabis Activities**” shall mean, in connection with the cultivation, processing, distribution, sale, possession, disposal and destruction of cannabis and related products, accessories, or services: (a) any activity that is not permitted under applicable U.S. State Cannabis Laws or Canadian Cannabis Laws; (b) any activity that is not permitted under applicable U.S. Federal Cannabis Laws and for which a Credit Party or Subsidiary of a Credit Party is convicted or otherwise found liable, pursuant to a non-appealable judgment, notwithstanding its compliance with applicable U.S. State Cannabis Laws; (c) knowingly or recklessly distributing or selling cannabis and related products to minors, except those minors who are duly registered medical patients under the applicable U.S. State Cannabis Laws; (d) knowingly making payments to criminal enterprises, gangs, cartels and persons subject to Sanctions; (e) non-compliance with anti-terrorism laws and other Applicable Law relating to money-laundering; (f) diversion of cannabis and related products from states where it is legal under U.S. State Cannabis Law to other states or to Canada, or, unless permitted by Applicable Law, importing cannabis and related products from Canada; (g) use of activities permitted under U.S. State Cannabis Law or Canadian Cannabis Laws as a cover or pretext for the trafficking of other controlled substances or illegal drugs or other illegal activity; (h) the commission, or making threats, of violence and, unless required for security purposes under applicable U.S. State Cannabis Laws, the use of firearms; (i) growing cannabis and related products on public lands unless otherwise permitted to do so under Canadian Cannabis Laws; and (j) directly or indirectly, aiding, abetting or otherwise participating in a common enterprise with any Person or Persons in any activities described in clauses (a) through (i) of this definition.

“**Restricted Payment**” shall mean, with respect to any Person, (a) the declaration or payment of any dividend on, or the making of any payment or distribution on account of, or setting apart assets for a sinking or other analogous fund for the purchase, redemption, defeasance, retirement or other acquisition of, any class of Capital Stock of such Person or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or the making of any other distribution in respect thereof, either directly or indirectly, whether in cash or property, (b) any payment of a management fee (or other fee of a similar nature) or any reimbursable costs and expenses related thereto by such Person to any holder of its Capital Stock or any Affiliate thereof, (c) the payment or prepayment of principal of, or premium or interest on, any Indebtedness subordinate to the Obligations or (d) any payment or prepayment of principal, interest or any other amount made by (i) Parent in connection with Guarantee Obligations incurred under [Section 9.01\(p\)](#) or (ii) any other Credit Party in connection with obligations under [Section 9.01\(s\)](#).

“**S&P**” shall mean S&P Global Ratings or any successor by merger or consolidation to its business.

“**Sales Tracking Software**” shall mean any “seed-to-sale” tracking, point-of-sale, or other inventory or sales reporting software used by the Credit Parties.

“**Sanction(s)**” shall mean any sanction administered or enforced by the United States Government (including, ~~without limitation,~~ OFAC), the Government of Canada, the United Nations Security Council or other relevant sanctions authority.

“**SEC**” shall mean the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“**Second Incremental Term Loan**” shall have the meaning set forth in [Section 2.01\(d\)](#).

“**Second Incremental Term Loan Commitment**” shall mean, as to any Lender, its obligation to make its portion of a Second Incremental Term Loan to the Borrower pursuant to [Section 2.01\(d\)](#) in the principal amount set forth in the Joinder Agreement for the Second Incremental Term Loans.

“Second Incremental Term Loan Commitment Effective Date” shall have the meaning set forth in Section 2.01(d)(iii).

“Second Incremental Term Loan Lender” shall have the meaning set forth in Section 2.01(d).

“Secured Parties” shall mean, collectively, (a) the Lenders, (b) the Agents, (c) the beneficiaries of each indemnification obligation undertaken by any Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor under the Credit Documents, (d) any successors, endorsees, transferees and assigns of each of the foregoing to the extent any such transfer or assign is permitted by the terms of this Agreement and (e) any other holder of any Obligation and/or Secured Obligation (as defined in any applicable Security Document).

“Security Agreement” shall mean that certain Amended and Restated Security Agreement dated as of the Signing Date, by and among the Credit Parties and the Collateral Agent for the benefit of the Secured Parties, as amended, restated, supplemented or otherwise modified from time to time.

“Security Documents” shall mean, collectively, as applicable, the Security Agreement, the Canadian Security Agreement, the Collateral Access Agreements, the Collateral Assignments, the Control Agreements, the Individual Pledge Agreement, the Parent Pledge Agreement, the Patent Security Agreements, the Trademark Security Agreements, the Copyright Security Agreements, each Mortgage, each Opco Mortgagor Mortgage and each other instrument or document executed and delivered pursuant to Sections 8.10, 8.12 or 8.15 or pursuant to any of the Security Documents to guarantee or secure any of the Obligations.

“SEDAR” shall mean the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval.

“Signing Date” shall mean May 10, 2021.

“Solvency Certificate” shall mean a solvency certificate, duly executed and delivered by the chief financial officer of Parent to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent.

“Solvent” shall mean, with respect to any Person, at any date, that (a) the sum of such Person’s debt (including Contingent Liabilities) does not exceed the present fair saleable value of such Person’s present assets as a going concern (which, for this purpose, shall include, without limitation, rights of contribution in respect of obligations for which such Person has provided a guarantee), (b) such Person’s capital is not unreasonably small in relation to its business as contemplated on such date, (c) such Person has not incurred and does not intend to incur debts including current obligations beyond its ability to generally pay such debts as they become due (whether at maturity or otherwise), (d) such Person is not an ‘insolvent person’ as such term is defined in the *Bankruptcy and Insolvency Act* (Canada), and (e) such Person is “solvent” or is not “insolvent”, as applicable, within the meaning given that term and similar terms under Applicable Laws relating to fraudulent and other avoidable transfers and conveyances. For purposes of this definition, the amount of any Contingent Liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

“**Subsidiary**” of any Person shall mean and include (a) any corporation more than 50% of whose Voting Stock having by the terms thereof power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (b) any partnership, limited liability company, unlimited liability company, association, joint venture or other entity in which such Person directly or indirectly through one or more Subsidiaries has more than (i) a 50% equity interest measured by either vote or value at the time or (ii) a 50% general partnership interest at the time. Unless otherwise expressly provided, all references herein to a “Subsidiary” shall mean a Subsidiary of Parent.

“**Swap Obligation**” shall mean with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“**Tax Act**” shall mean the *Income Tax Act* (Canada), as amended.

“**Taxes**” shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Termination Date**” shall mean the date on which the Loans and the other Obligations (other than Unasserted Contingent Obligations) shall have been paid in full in cash in accordance with the terms of this Agreement.

“**Third Amendment**” shall mean that certain Third Amendment to Amended and Restated Credit Agreement dated as of October 20, 2021, amending this Agreement.

“**Third Amendment Effective Date**” shall mean the date of the Third Amendment.

“**Total Assets**” shall mean, at any time, the total assets of such Person, determined in accordance with IFRS (or, if in reference to more than one Person, determined on a consolidated basis in accordance with IFRS), as shown on the then most recent balance sheet of such Person delivered pursuant to [Section 8.01](#).

“**Total Credit Exposure**” shall mean, as of any date of determination (a) with respect to each Lender, (i) prior to the termination of the Commitments, the sum of such Lender’s Commitment plus the outstanding principal amount of such Lender’s Loans or (ii) upon the termination of the Commitments, the outstanding principal amount of such Lender’s Loans and (b) with respect to all Lenders, (i) prior to the termination of the Commitments, the sum of all of the Lenders’ Commitments plus the aggregate outstanding principal amount of all Loans and (ii) upon the termination of the Commitments, the aggregate outstanding principal amount of all Loans.

“**Trademark Security Agreements**” shall mean the (a) Amended and Restated Trademark Security Agreement dated as of May 20, 2021 made in favor of [the](#) Collateral Agent by each applicable Credit Party; and (b) any trademark security agreement entered into after the Restatement Date (as required by the Agreement or any other Credit Document), in each case, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Tranche**” refers to whether the Loans are 2020 Loans, 2021 Loans, Initial Restatement Advance Loans ~~or~~ Incremental Advance Loans [or](#) [Second Incremental Term Loans](#).

“**Transactions**” shall mean the funding of the Loans pursuant hereto and the use of the proceeds thereof and all other transactions contemplated by or described in the Credit Documents.

“**Treasury Rate**” shall mean, as of any applicable date on which a Prepayment Event occurs with respect to the 2020 Loans or the 2021 Loans, the weekly average rounded to the nearest 1/100th of a percentage point (for the most recently completed week for which such information is available as of the date that is two Business Days prior to the applicable date on which such Prepayment Event occurs) of the yield to maturity of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 with respect to each applicable day during such week or, if such Statistical Release is no longer published or available, any publicly available source of similar market data selected by the Administrative Agent) most nearly equal to the period from the applicable date on which such Prepayment Event occurs through the applicable Make-Whole Date; provided, however, that if the period from the applicable date on which a Prepayment Event occurs with respect to the 2020 Loans or the 2021 Loans is not equal to the constant maturity of a United States Treasury security for which such a yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the applicable date on which such Prepayment Event occurs to the Make-Whole Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Treasury Rate shall be obtained by the Administrative Agent.

“**Treasury Regulations**” shall mean the United States Treasury regulations promulgated under the Code.

“**U.S.**” and “**United States**” shall mean the United States of America.

“**U.S. Person**” shall mean any person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“**U.S. Federal Cannabis Law**” shall mean any federal laws of the United States treating cannabis and related products as illegal or as controlled substances.

“**U.S. State Cannabis Law**” shall mean any law enacted by any state of the United States which implements regulatory and/or enforcement systems to control the cultivation, distribution, sale and/or possession of cannabis and related products.

“**U.S. Tax Compliance Certificate**” has the meaning specified in Section 4.04(f).

“**UCC**” shall mean the Uniform Commercial Code as from time to time in effect in the State of Illinois and any other applicable jurisdiction.

“**Unasserted Contingent Obligations**” shall mean, at any time, Obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no assertion of liability (whether oral or written) and no claim or demand for payment or indemnification (whether oral or written) has been made or threatened.

“**Unfunded Current Liability**” shall mean, with respect to any Plan the amount, if any, by which the value of the accumulated plan benefits under the Plan, determined on a plan termination basis in accordance with actuarial assumptions at such time consistent with those prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds the fair market value of all plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions).

“**Verano US**” shall have the meaning set forth in the preamble to this Agreement.

“Vireo” shall mean Goodness Growth Holdings, Inc. (f/k/a Vireo Health International, Inc.), a corporation existing under the laws of the Province of British Columbia.

“Vireo Acquisition” shall mean the proposed acquisition by Parent of the Capital Stock of Vireo, as more particularly provided in that certain Arrangement Agreement dated as of January 31, 2022, between Parent and Vireo, the Plan of Arrangement (as defined therein) and the other agreements, instruments and documents executed in connection therewith or relating thereto.

“Vireo Acquisition Date” shall mean the date on which the Vireo Acquisition is consummated.

“Vireo Borrowers” shall mean Vireo and the other Persons that are “Borrowers” (as defined in the Vireo Credit Agreement).

“Vireo Collateral Agent” shall mean Chicago Atlantic, in its capacity as collateral agent under the Vireo Credit Agreement, and its successors and permitted assigns thereunder.

“Vireo Credit Agreement” shall mean that certain Credit Agreement dated as of March 26, 2021, among the Vireo Borrowers, the Guarantors (as defined therein) party thereto, the Lenders (as defined therein) party thereto, Chicago Atlantic, as Administrative Agent (as defined therein) and the Vireo Collateral Agent.

“Vireo Credit Documents” shall mean the Vireo Credit Agreement and the other “Credit Documents” (as defined in the Vireo Credit Agreement).

“Vireo Debt” shall mean that certain Indebtedness and other obligations owed by the “Credit Parties” (as defined in the Vireo Credit Agreement) and evidenced by the Vireo Credit Documents.

“Vireo Guarantors” shall have the meaning set forth in Section 8.10(b).

“Vireo Intercreditor Agreement” shall mean that certain Intercreditor Agreement entered into and dated as of the Vireo Acquisition Date between the Collateral Agent and the Vireo Collateral Agent.

“Voting Stock” shall mean, with respect to any Person, shares of such Person’s Capital Stock having the right to vote for the election of directors (or Persons acting in a comparable capacity) of such Person under ordinary circumstances.

“Withholding Agent” shall mean any Credit Party and the Administrative Agent.

SECTION 1.02 Other Interpretive Provisions. With reference to this Agreement and each other Credit Document, unless otherwise specified herein or in such other Credit Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “herein”, “hereto”, “hereof” and “hereunder” and words of similar import when used in any Credit Document shall refer to such Credit Document as a whole and not to any particular provision thereof.

(c) Article, Section, Exhibit and Schedule references are to the Credit Document in which such reference appears.

(d) The term “including” is by way of example and not limitation.

(e) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(f) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”; and the word “through” means “to and including”.

(g) Section headings herein and in the other Credit Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Credit Document.

(h) All references in any Credit Document to the consent of or approval by any Agent or Lender shall be deemed to mean the consent of or approval by such Agent or Lender in its sole discretion, except as otherwise expressly provided in the applicable Credit Document.

(i) Any reference herein to a merger, transfer, consolidation, combination, amalgamation, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, combination, amalgamation, assignment, sale, disposition or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder (and each division of any limited liability company that is a Subsidiary, Credit Party, joint venture or any other like term shall also constitute such a Person or entity).

SECTION 1.03 Accounting Terms and Principles. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS, applied in a consistent manner. No change in the accounting principles used in the preparation of any financial statement hereafter adopted by the Borrower or any of its Subsidiaries, including pursuant to a Change in Accounting Principles, shall be given effect for purposes of measuring compliance with any provision of Article IX, including Section 9.13, or otherwise in this Agreement unless the Borrower and the Administrative Agent agree in writing to modify such provisions to reflect such changes, and, unless such provisions are modified, all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to in Article IX shall be made, without giving effect to any election under Accounting Standards Codification 825-10 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Credit Party or any Subsidiary of any Credit Party at “fair value”. A breach of a financial covenant contained in Article IX shall be deemed to have occurred as of any date of determination by the Administrative Agent or as of the last day of any specified measurement period, regardless of when the financial statements reflecting such breach are delivered to any Agent. Anything in this Agreement to the contrary notwithstanding, any obligation of a Person under a lease (whether existing as of the Restatement Date or entered into after the Restatement Date) that is not (or would not be) required to be classified and accounted for as a financing lease on the balance sheet of such Person under GAAP, as in effect on the Restatement Date shall not be treated as a Capitalized Lease Obligation solely as a result of (x) the adoption of any changes in, or (y) changes in the application of GAAP, after the Restatement Date. From and after the occurrence of a Change in Accounting Principles, all references to “IFRS” in this Agreement shall be construed as references to “GAAP” as the context may require. From and after the occurrence of a Change in Accounting Principles, with respect to any change in accounting for leases pursuant to GAAP resulting from the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2016-02, Leases (Topic 842), to the extent such adoption would require treating any lease (or similar arrangement conveying the right to use) as a financing lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect on December 31, 2015, such lease shall not be considered a financing lease, and all calculations and deliverables under this Agreement or any other Credit Document shall be made or delivered, as applicable, in accordance therewith.

SECTION 1.04 Rounding. Any financial ratios required to be maintained or complied with by the Credit Parties pursuant to this Agreement (or required to be satisfied in order for a specific action to be permitted under this Agreement) shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

SECTION 1.05 References to Agreements, Laws, etc. Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including this Agreement and each of the other Credit Documents) and other Contractual Obligations shall be deemed to include all subsequent amendments, restatements, amendment and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendment and restatements, extensions, supplements and other modifications are not prohibited by any Credit Document nor materially adverse to the interests of the Secured Parties; and (b) references to any Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

SECTION 1.06 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to the time in Chicago, Illinois.

SECTION 1.07 Timing of Payment of Performance. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment or performance shall extend to the immediately succeeding Business Day. All payments required hereunder shall be paid in immediately available funds unless otherwise expressly provided herein.

SECTION 1.08 Corporate Terminology. Any reference to officers, shareholders, stock, shares, directors, boards of directors, corporate authority, articles of incorporation, bylaws or any other such references to matters relating to a corporation made herein or in any other Credit Document with respect to a Person that is not a corporation shall mean and be references to the comparable terms used with respect to such Person.

SECTION 1.09 Currency Matters. Principal, interest, fees and all other amounts payable under this Agreement and the other Credit Documents to the Agents and the Lenders shall be payable in Dollars. Unless stated otherwise, all calculations, comparisons, measurements or determinations under this Agreement shall be made in Dollars. For the purpose of such calculations, comparisons, measurements or determinations, amounts or proceeds denominated in other currencies shall be converted to the Equivalent Amount in Dollars on the date of calculation, comparison, measurement or determination. In particular, without limitation, for purposes of valuations or computations under Article II, Article III, Article IV, Article VII, Article VIII, Article IX and Article X, unless expressly provided otherwise, where a reference is made to a dollar amount, the amount is to be considered as the amount in Dollars and, therefore, each other currency shall be converted into the Equivalent Amount thereof in Dollars.

SECTION 1.10 Quebec Interpretation. For purposes of any Collateral located in the Province of Quebec or charged by any deed of hypothec (or any other Credit Document) and for all other purposes pursuant to which the interpretation or construction of a Credit Document may be subject to the laws of the Province of Quebec or a court or tribunal exercising jurisdiction in the Province of Quebec, (i) “personal property” shall be deemed to include “movable property”, (ii) “real property” shall be deemed to include “immovable property”, (iii) “tangible property” shall be deemed to include “corporeal property”, (iv) “intangible property” shall be deemed to include “incorporeal property”, (v) “security interest”, “mortgage” and “lien” shall be deemed to include a “hypothec”, “prior claim” and a “resolatory clause,” (vi) all references to filing, registering or recording under the UCC or the PPSA shall be deemed to include publication under the Civil Code of Quebec, (vii) all references to “perfection” of or “perfected” Liens shall be deemed to include a reference to an “opposable” or “set up” Liens as against third parties, (viii) any “right of offset”, “right of setoff” or similar expression shall be deemed to include a “right of compensation”, (ix) “goods” shall be deemed to include “corporeal movable property” other than chattel paper, documents of title, instruments, money and securities, (x) an “agent” shall be deemed to include a “mandatary,” (xi) “construction liens” shall be deemed to include “legal hypothecs”, (xii) “joint and several” shall be deemed to include “solidary” and “jointly and severally” shall be deemed to include “solidarily” (xiii) “gross negligence or willful misconduct” shall be deemed to be “intentional or gross fault”, (xiv) “beneficial ownership” shall be deemed to include “ownership on behalf of another as mandatary”, (xv) “easement” shall be deemed to include “servitude”, (xvi) “priority” shall be deemed to include “prior claim”, (xvii) “survey” shall be deemed to include “certificate of location and plan”, (xviii) “fee simple title” shall be deemed to include “absolute ownership”, and (xix) “foreclosure” shall be deemed to include “the exercise of a hypothecary recourse”. The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated herein be drawn up in the English language only (except if another language is required under any applicable law) and that all other documents contemplated thereunder or relating thereto, including notices, may also be drawn up in the English language only. *Les parties aux présentes confirment que c'est leur volonté que cette convention et les autres documents de crédit soient rédigés en langue anglaise seulement et que tous les documents, y compris tous avis, envisagés par cette convention et les autres documents peuvent être rédigés en langue anglaise seulement (sauf si une autre langue est requise en vertu d'une loi applicable).*

ARTICLE II

Amount and Terms of Loans

SECTION 2.01 Loans.

(a) 2020 Loans and 2021 Loans.

(i) Subject to the terms and conditions set forth herein, on the Restatement Date, all Original Loans will be automatically deemed to constitute Loans outstanding under this Agreement (such Loans, collectively, the “**2020 Loans**”). Each Lender that held an interest in the Original Loans shall be automatically deemed, on the Restatement Date, to hold an interest in the 2020 Loans in a principal amount equal to the principal amount of such Lender’s Original Loans as set forth under the heading “2020 Loans” on Schedule 1.01 hereto.

(ii) Subject to and upon the terms and conditions herein set forth, each Lender having a Commitment shall, on the Restatement Date, severally (and not jointly), make a Loan to the Borrower (such Loans, collectively, the “**2021 Loans**”), which 2021 Loan (i) when aggregated with each other 2021 Loan made hereunder, shall be in an amount not to exceed the aggregate Commitments for 2021 Loans of all Lenders as set forth under the heading “2021 Loans” on Schedule 1.01 hereto and (ii) for each Lender shall be in an amount of such Lender’s Commitment for 2021 Loans as set forth under the heading “2021 Loans” on Schedule 1.01 hereto.

(b) Initial Restatement Advance Loans. Subject to the terms and conditions set forth herein, each Lender having a Commitment shall, on the Third Amendment Effective Date, severally (and not jointly), make a Loan to the Borrower (such Loans, collectively, the “Initial Restatement Advance Loans”), which Initial Restatement Advance Loan (i) when aggregated with each other Initial Restatement Advance Loan made hereunder, shall be in an amount not to exceed the aggregate Commitments for Initial Restatement Advance Loans of all Lenders as set forth under the heading “Initial Restatement Advance Loans” on Schedule 1.01 hereto and (ii) for each Lender shall be in an amount of such Lender’s Commitment for Initial Restatement Advance Loans as set forth under the heading “Initial Restatement Advance Loans” on Schedule 1.01.

(c) Incremental Advance Loans. Subject to the terms and conditions set forth herein and in the applicable Joinder Agreement, each Incremental Advance Lender severally agrees to make a Loan to the Borrower on the Incremental Advance Commitment Effective Date in an aggregate principal amount equal to such Incremental Advance Lender’s Incremental Advance Commitment.

(i) Request for Incremental Advance Commitments. On or prior to July ~~f15~~, 2022, the Borrower may, by notice to the Administrative Agent (who shall promptly notify the Lenders), request, one time, the establishment of the Incremental Advance Commitments for an aggregate amount not exceeding \$100,000,000, the proceeds of which will be used to fund ~~one or more~~ Capital Expenditures, the acquisition and fees of cannabis Regulatory Licenses, the Vireo Acquisition, other Permitted Acquisitions ~~and~~ (including previously consummated Permitted Acquisitions, including any payment obligations deriving from any Permitted Acquisitions, such as earn-outs or payments under promissory notes related thereto), reasonable, out-of-pocket costs and expenses associated ~~therewith~~ with any of the foregoing and such other uses as otherwise may be permitted by the Incremental Advance Lenders.

(ii) Incremental Advance Lenders. An Incremental Advance Commitment may be provided by any existing Lender or other Person to which any Lender may assign a Commitment pursuant to Section 12.06 (each such existing Lender or other Person that agrees to provide an Incremental Advance Commitment, an “Incremental Advance Lender”); provided that each Incremental Advance Lender shall be subject to the consent (in each case, not to be unreasonably withheld or delayed) of the Administrative Agent. Notwithstanding anything herein to the contrary, no Lender shall have any obligation to agree to provide an Incremental Advance Commitment pursuant to this Section 2.01(c), and any election to do so shall be in the sole discretion of such Lender.

(iii) Terms of Incremental Advance Commitments. The Borrower shall propose the effective date for the making of the Incremental Advance Loans pursuant to this Section 2.01(c) (the “Incremental Advance Commitment Effective Date”) and, if applicable, the final allocation of such Incremental Advance Commitments among the Incremental Advance Lenders; provided that such date shall be a Business Day at least 60 days after delivery of the request for the Incremental Advance Commitments, unless otherwise permitted by the Incremental Advance Lenders.

(iv) Joinder Agreements. In order for the Incremental Advance Loans to be issued, the Borrower, the Incremental Advance Lenders and the Administrative Agent (but no other Lenders or Persons) shall enter into one or more Joinder Agreements, each in form and substance satisfactory to the Borrower and the Administrative Agent, pursuant to which the Incremental Advance Lenders will provide the Incremental Advance Commitments.

(v) Change to Commitments. Effective as of the Incremental Advance Commitment Effective Date, subject to the terms and conditions set forth in this Section 2.01(c), each Incremental Advance Commitment shall be a Commitment and Schedule 1.01 shall be updated accordingly to reflect such Incremental Advance Commitment, and each Incremental Advance Lender providing such Incremental Advance Commitment shall be, and have all the rights of, a Lender, and the Loans made by it on such Incremental Advance Commitment Effective Date shall be Loans, for all purposes of this Agreement.

(vi) Conditions to Effectiveness. Notwithstanding the foregoing, the Incremental Advance Commitments pursuant to this Section 2.01(c) shall not be effective with respect to any Incremental Advance Lender unless the Borrower complies with each condition set forth in Section 5.04; provided, however, that the Incremental Advance Lenders may, collectively, waive any such condition in their discretion. As of the Incremental Advance Commitment Effective Date, upon satisfaction or, as applicable, waiver of the conditions set forth in this Section 2.01(c) and Section 5.04 and the making of the Incremental Advance Loans, the Administrative Agent shall record the information contained in the applicable Joinder Agreements in the Register and give prompt notice of the Incremental Advance Commitments to the Borrower and the Lenders (including each Incremental Advance Lender).

(d) Second Incremental Term Loans. Subject to the terms and conditions set forth herein and in the Joinder Agreement for the Second Incremental Term Loans, on the Second Incremental Term Loan Commitment Effective Date, each Lender party thereto (each, a “**Second Incremental Term Loan Lender**”) severally agrees to make its portion of a Loan (each, a “**Second Incremental Term Loan**”) in a single advance to the Borrower in the amount of its Second Incremental Term Loan Commitment as set forth in such Joinder Agreement.

(i) Request for Second Incremental Term Loan Commitments. The Borrower may, by delivery of written notice to the Administrative Agent at least 60 days prior to the Second Incremental Term Loan Commitment Effective Date (or such shorter notice to which the Administrative Agent may agree in its discretion), request, one time, the establishment of the Second Incremental Term Loan Commitments for an aggregate amount not exceeding \$175,000,000, subject to the satisfaction of the conditions precedent set forth in the Joinder Agreement for the Second Incremental Term Loans and Section 5.04. The Administrative Agent shall notify the Lenders of such notice promptly after receipt thereof.

(ii) Second Incremental Term Loan Lenders. A Second Incremental Term Loan Commitment may be provided by any existing Lender or other Person to which any Lender may assign a Commitment pursuant to Section 12.06; provided that each Second Incremental Term Loan Lender shall be subject to the consent (in each case, not to be unreasonably withheld or delayed) of the Administrative Agent. Notwithstanding anything herein to the contrary, no Lender shall have any obligation to agree to provide a Second Incremental Term Loan Commitment pursuant to this Section 2.01(d) and any election to do so shall be in the sole discretion of such Lender.

(iii) Terms of Second Incremental Term Loan Commitments. The Borrower shall propose the effective date for the making of the Second Incremental Term Loans pursuant to this Section 2.01(d), which date shall be a Business Day (the “**Second Incremental Term Loan Commitment Effective Date**”) and, if applicable, the final allocation of such Second Incremental Term Loan Commitments among the Second Incremental Term Loan Lenders.

(iv) Joinder Agreements. In order for the Second Incremental Term Loans to be issued, the Borrower, the Second Incremental Term Loan Lenders, the Administrative Agent and the other Persons party thereto shall enter into one or more Joinder Agreements, each in form and substance satisfactory to the Borrower and the Administrative Agent, pursuant to which the Second Incremental Term Loan Lenders will provide the Second Incremental Term Loan Commitments.

(v) Change to Commitments. Effective as of the Second Incremental Term Loan Commitment Effective Date, subject to the terms and conditions set forth in this Section 2.01(d), each Second Incremental Term Loan Commitment shall be a Commitment and Schedule 1.01 shall be updated accordingly to reflect such Second Incremental Term Loan Commitment, and each Second Incremental Term Loan Lender providing such Second Incremental Term Loan Commitment shall be, and have all the rights of, a Lender, and the Loans made by it on such Second Incremental Term Loan Commitment Effective Date shall be Loans, for all purposes of this Agreement.

(vi) Conditions to Effectiveness. Notwithstanding the foregoing, the Second Incremental Term Loan Commitments pursuant to this Section 2.01(d) shall not be effective with respect to any Second Incremental Term Loan Lender unless the Borrower complies with each condition set forth in Section 5.04; provided, however, that the Second Incremental Term Loan Lenders may, collectively, waive any such condition in their discretion. As of the Second Incremental Term Loan Commitment Effective Date, upon satisfaction or, as applicable, waiver of the conditions set forth in this Section 2.01(c) and Section 5.04 and the making of the Second Incremental Term Loans, the Administrative Agent shall record the information contained in the applicable Joinder Agreements in the Register and give prompt notice of the Second Incremental Term Loan Commitments to the Borrower and the Lenders (including each Second Incremental Term Loan Lender).

(e) ~~(d)~~ Payments on Loans. Each Loan may be repaid or prepaid in accordance with the provisions hereof, but once repaid or prepaid may not be reborrowed.

SECTION 2.02 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.10(a), or if such Lender requires the Borrower to pay any Indemnified Taxes or additional amounts to such Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.04, such Lender will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event; provided, that such designation is made on such terms that such Lender and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this Section 2.02 shall affect or postpone any of the obligations of the Borrower or the right of any Lender provided in Sections 2.10 or 4.04. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

SECTION 2.03 Lender Branches. Each Lender may at its option, make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make any Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan, and provided, further, that the exercise of such option shall not cause the Borrower to pay any Indemnified Taxes or additional amounts to such Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.04 if such Lender has an alternative domestic or foreign branch or Affiliate for which such Indemnified Taxes or additional amounts would not be required to be paid.

SECTION 2.04 Reserved.

SECTION 2.05 Disbursement of Funds.

(a) The borrowing of Loans to be made on the Restatement Date shall be requested in writing by the Borrower to the Administrative Agent at least one (1) Business Day prior to the Restatement Date, which such written request shall be irrevocable and shall be in form and substance acceptable to the Administrative Agent. Subject to the terms and conditions set forth herein, on the Restatement Date each Lender will make available its *pro rata* portion of the Loans to be made on the Restatement Date in the manner provided below no later than 10:00 a.m. on the Restatement Date.

(b) Each Lender shall make available all amounts it is to fund to the Borrower in immediately available funds to the Administrative Agent, and, following receipt thereof in an account designated by the Administrative Agent, the Administrative Agent will remit such amounts, in immediately available funds and in Dollars to the Borrower, by remitting the same to such Persons and such accounts as may be designated by the Borrower to the Administrative Agent in writing. The failure of any Lender to make available the amounts it is to fund to the Borrower hereunder or to make a payment required to be made by it under any Credit Document shall not relieve any other Lender of its obligations under any Credit Document, but no Lender shall be responsible for the failure of any other Lender to make any payment required to be made by such other Lender under any Credit Document.

(c) Nothing in this Section 2.05 shall be deemed to relieve any Lender from its obligation to fulfill its commitments and obligations hereunder or to prejudice any rights that the Borrower may have against any Lender as a result of any default by such Lender hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to fulfill its commitments and obligations hereunder).

SECTION 2.06 Payment of Loans; Evidence of Debt.

(a) The Borrower agrees to pay to the Administrative Agent, for the benefit of the Lenders, the outstanding principal and interest due on the Loans on the Maturity Date or upon such earlier date on which the Obligations are accelerated pursuant to the terms of this Agreement.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrower to the appropriate lending office of such Lender resulting from each Loan made by such lending office of such Lender from time to time, including the amounts of principal and interest payable and paid to such lending office of such Lender from time to time under this Agreement.

(c) The Borrower agrees that from time to time on and after the Restatement Date, upon the reasonable request to the Administrative Agent by any Lender, at the Borrower's own expense, the Borrower will execute and deliver to such Lender a Note, evidencing the Loans, and payable to such Lender or registered assigns in a maximum principal amount equal to such Lender's applicable Commitment. The Borrower hereby irrevocably authorizes each Lender to make (or cause to be made) appropriate notations on the grid attached to such Lender's Note (or on any continuation of such grid), which notations, if made, shall conclusively indicate, absent manifest error, inter alia, the date of, the outstanding principal amount of, and the interest rate applicable to, the Loans evidenced thereby. Such notations shall, to the extent not inconsistent with notations made by the Administrative Agent in the Register, be conclusive and binding on each Credit Party, Opco Mortgagor ~~and~~, Pledgor and Vireo Guarantor absent manifest error; provided that the failure of any Lender to make any such notations shall not limit or otherwise affect any Obligations of any Credit Party, Opco Mortgagor ~~or~~, Pledgor or Vireo Guarantor. The Administrative Agent shall maintain the Register pursuant to Section 12.06(b)(iv), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount of each Loan made hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and accounts and subaccounts maintained pursuant to paragraphs (b) and (c) of this Section 2.06 shall, to the extent permitted by Applicable Law, be conclusive evidence (absent manifest error) of the existence and amounts of the obligations of the Borrower therein recorded; provided that the failure of any Lender or the Administrative Agent to maintain such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

SECTION 2.07 Multiple Persons Constituting the Borrower.

(a) It is the intent of the parties to this Agreement that each of the Persons comprising the Borrower shall be jointly and severally obligated hereunder and under the Notes, as co-borrowers under this Agreement and as co-makers of the Notes, in respect of the principal of and interest on, and all other amounts owing in respect of, the Loans and the Notes. Each of the Persons comprising the Borrower hereby (i) jointly and severally and irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Persons comprising the Borrower with respect to the payment and performance of all of the Obligations hereunder, it being the intention of the parties hereto that all such Obligations shall be the joint and several obligations of each of the Persons comprising the Borrower without preferences or distinction among them and that the obligations of each of the Persons comprising the Borrower hereunder shall be unconditional irrespective of any circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor or surety, and (ii) further agrees that if any such Obligations are not paid in full when due (whether at stated maturity, as mandatory prepayment or cash collateralization, by acceleration or otherwise), each of the Persons comprising the Borrower will, jointly and severally, promptly pay the same, without any demand or notice whatsoever. Each of the Persons comprising Borrower acknowledges and agrees that the delivery of funds to any of the Persons comprising the Borrower under this Agreement shall constitute valuable consideration and reasonably equivalent value to all of the Persons comprising the Borrower for the purpose of binding them and their assets on a joint and several basis for the Obligations hereunder.

(b) Each of the Persons comprising the Borrower expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Person may now or hereafter have against the other Persons comprising the Borrower or any other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the property of any other Person comprising the Borrower (including any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

(c) Notwithstanding anything contained herein to the contrary, the obligations of each of the Persons comprising the Borrower under the Credit Documents at any time shall be limited to the maximum amount as will result in the obligations of such Person under the Credit Documents not constituting a fraudulent transfer or conveyance for purposes of any Debtor Relief Laws.

(d) If any payment shall be required to be made to any Secured Creditor under any Credit Document, each of the Persons comprising the Borrower hereby unconditionally and irrevocably agrees it will contribute, to the maximum extent permitted by law, such amounts to each other Obligor so as to maximize the aggregate amount paid to the Secured Creditors under or in connection with the Credit Documents.

(e) Notwithstanding the foregoing or any other provision contained herein or in any other Credit Document, if a "secured creditor" (as that term is defined under the *Bankruptcy and Insolvency Act* (Canada)) is determined by a court of competent jurisdiction not to include a Person to whom obligations are owed on a joint and several basis, then such Person's Obligations (and the Obligations of each other Canadian Credit Party), to the extent such Obligations are secured, shall be several obligations and not joint and several obligations.

(f) This Section 2.07 is intended solely to preserve the rights of the Administrative Agent and the other Secured Creditors hereunder and under the other Credit Document to the maximum extent that would not cause the Obligations or the Secured Obligations (as defined in the Security Agreement) of each of the Persons comprising the Borrower to be subject to avoidance or unenforceability under any Debtor Relief Laws, and neither any of the Persons comprising the Borrower nor any other Person shall have any right or claim under this Section 2.06 as against the Administrative Agent or any other Secured Creditor that would not otherwise be available to such Person under the Bankruptcy Code or such other laws.

SECTION 2.08 Borrower Representative. Each of the Persons comprising the Borrower, by its execution of this Agreement, irrevocably appoints Parent to act on its behalf as its agent in relation to the Credit Documents and irrevocably authorizes:

(a) Parent on its behalf to supply all information concerning itself contemplated by this Agreement to the Administrative Agent and Lenders and to give and receive all notices, instructions and other communications, to sign all certificates, to make such agreements and to effect the relevant amendments, supplements, variations and waivers capable of being given, made or effected by any of the Persons comprising the Borrower, notwithstanding that they may affect such Person, without further reference to or the consent of such Person; and

(b) The Administrative Agent and Lenders to give any notice, demand or other communication to each of the Persons comprising the Borrower pursuant to the Credit Documents to Parent, and in each case each such Person shall be bound as though such Person itself had given the notices and instructions or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.

Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice, instruction or other communication given or made by Parent or given to Parent under any Credit Document on behalf of another Person comprising the Borrower (whether or not known to any of the other Persons comprising the Borrower and whether occurring before or after such other Person became one of the Person comprising the Borrower under any Credit Document) shall be binding for all purposes on such Person as if such Person had expressly agreed, executed, made, given or concurred with it or received the relevant notice, demand or other communication. In the event of any conflict between any notices or other communications of Parent and any of the other Persons comprising the Borrower, those of Parent shall prevail.

SECTION 2.09 Interest.

(a) The unpaid principal amount of the Loans shall bear interest from the Restatement Date at a rate per annum that shall at all times be the Applicable Rate. Interest on the Loans shall accrue from and including the Restatement Date to the date of any repayment in full thereof.

(b) On each Payment Date, interest on the Loans shall be due and payable monthly in cash in arrears.

(c) From and after the occurrence and during the continuance of any Event of Default, at the election of the Administrative Agent and the Required Lenders and upon notice by the Administrative Agent or the Collateral Agent to the Borrower, the Borrower shall pay interest on the principal amount of all Loans and all other unpaid Obligations, to the extent permitted by Applicable Law, at the Default Rate, which Default Rate shall accrue from the date of such Event of Default (regardless of the date of notice of the imposition of the Default Rate) until waived in writing and shall be payable on demand and in cash.

(d) All computations of interest hereunder shall be made in accordance with Section 4.06.

SECTION 2.10 Increased Costs, Illegality, etc.

(a) In the event that any Lender shall have reasonably determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto) at any time, after the later of the Restatement Date and the date such entity became a Lender hereunder, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to the Loans, including as a result of any Tax (other than any (x) Indemnified Taxes, (y) Taxes described in clauses (b) through (e) of the definition of "Excluded Taxes" or (z) Connection Income Taxes) because of any change since the Restatement Date in any Applicable Law (or in the interpretation or administration thereof and including the introduction of any new Applicable Law), such as, for example, without limitation, a change in official reserve requirements (but excluding changes in the rate of tax on the overall net income of such Lender), then, and in any such event, such Lender shall promptly give notice (if by telephone, confirmed in writing) to the Borrower and the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter, the Borrower shall pay to such Lender, within ten (10) Business Days after receipt of written demand therefor such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (it being agreed that a written notice as to the additional amounts owed to such Lender submitted to the Borrower by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto).

(b) If, after the later of the Restatement Date and the date such entity becomes a Lender hereunder, the adoption of any Applicable Law regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by a Lender or its parent with any request or directive made or adopted after such date regarding capital adequacy (whether or not having the force of law) of any such authority, association, central bank or comparable agency, has the effect of reducing the rate of return on such Lender's or its parent's capital or assets as a consequence of such Lender's commitments or obligations hereunder to a level below that which such Lender or its parent could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent's policies with respect to capital adequacy), then within ten (10) days after receipt of written demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent for such reduction, it being understood and agreed, however, that a Lender shall not be entitled to such compensation as a result of such Lender's compliance with, or pursuant to any request or directive to comply with, any such Applicable Law as in effect on the Restatement Date. Each Lender (on its own behalf), upon determining in good faith that any additional amounts will be payable pursuant to this Section 2.10(b), will, as promptly as practicable upon ascertaining knowledge thereof, give written notice thereof to the Borrower, which notice shall set forth in reasonable detail the basis of the calculation of such additional amounts. Without limiting Section 2.10(d) below, the failure to give any such notice with respect to a particular event shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this Section 2.10(b) for amounts accrued or incurred after the date of such notice with respect to such event. Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, in each case, are deemed to have been adopted and to have taken effect after the Restatement Date.

(c) This Section 2.10 shall not apply to any demand (i) made after the 180th day following the requesting Lender's knowledge that it would be entitled to any such amounts or (ii) not demanded of other borrowers having similar provisions to this Section 2.10.

(d) (i) If any Lender shall give notice to the Borrower that such Lender is entitled to receive and is requesting payments under this Section 2.10 or requires the Borrower to pay additional amounts pursuant to Section 4.04 (any such Lender, an "**Increased Cost Lender**"), then the Borrower may, after (solely in the case of an Increased Cost Lender) giving such Increased Cost Lender an opportunity to mitigate pursuant to Section 2.02, if applicable, at its sole expense and effort, permanently replace such Increased Cost Lender with one or more substitute Lenders reasonably acceptable to the Administrative Agent (each, a "**Replacement Lender**"), and such Increased Cost Lender shall have no right to refuse to be replaced hereunder. Such notice to replace the Increased Cost Lender shall specify an effective date for such replacement, which date shall not be sooner than five (5) Business Days and not be later than ten (10) Business Days after the date such notice is given, provided that (i) such Increased Cost Lender shall have received payment of an amount equal to the outstanding Obligations payable to it from the assignee (to the extent of outstanding principal and accrued interests and fees) or the Borrower (in the case of all other amounts) and (ii) such assignment does not conflict with Applicable Law. Notwithstanding anything to the contrary herein, a Lender shall not be required to make any such assignment pursuant to this Section 2.10(d) if, prior to the effective date for such replacement, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment pursuant to this Section 2.10(d) cease to apply.

(ii) Prior to the effective date of such replacement, the Increased Cost Lender and each Replacement Lender shall execute and deliver an Assignment and Acceptance, subject only to the Increased Cost Lender being repaid all Obligations owed to it through the effective date of the replacement. If the Increased Cost Lender shall refuse or fail to execute and deliver any such Assignment and Acceptance prior to the effective date of such replacement, the Increased Cost Lender shall be deemed to have executed and delivered such Assignment and Acceptance. The replacement of any Increased Cost Lender shall be made in accordance with the terms of Section 12.06.

SECTION 2.11 Interest Act (Canada); Criminal Rate of Interest.

(a) Notwithstanding Section 4.06 and anything to the contrary contained in this Agreement or in any other Credit Document, solely to the extent that (i) a court of competent jurisdiction finally determines that the calculation or determination of interest payable by a Canadian Credit Party in respect of the Obligations pursuant to this Agreement and the other Credit Documents shall be governed by the laws of any province of Canada or the federal laws of Canada, or (ii) the *Interest Act* (Canada) otherwise applies: whenever interest payable by a Canadian Credit Party is calculated on the basis of a period which is less than the actual number of days in a calendar year, each rate of interest determined pursuant to such calculation is, for the purposes of the *Interest Act* (Canada), equivalent to such rate multiplied by the actual number of days in the calendar year in which such rate is to be ascertained and divided by the number of days used as the basis of such calculation. The Borrower confirms that it understands and is able to calculate the rate of interest applicable to the Obligations based on the methodology for calculating per annum rates provided in this Agreement.

(b) In no event shall the aggregate “interest” (as defined in Section 347 of the *Criminal Code*, R.S.C. 1985, c. C-46, as the same shall be amended, replaced or re-enacted from time to time (the “Criminal Code Section”)) payable (whether by way of payment, collection or demand) by any Credit Party or received by any Lender under this Agreement or any other Credit Document exceed the effective annual rate of interest on the “credit advanced” (as defined in that section) under this Agreement or such other Credit Document lawfully permitted under that section and, if any payment, collection or demand pursuant to this Agreement or any other Credit Document in respect of “interest” (as defined in that section) is determined to be contrary to the provisions of that section, then the amount of such payment or collection shall be refunded by the Administrative Agent and Lenders to Credit Parties with such “interest” deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by the Criminal Code Section to result in a receipt by the Administrative Agent or such Lender of interest at a rate not in contravention of the Criminal Code Section, such adjustment to be effected, to the extent necessary, as follows: firstly, by reducing the amounts or rates of interest required to be paid to the Administrative Agent or that Lender; and then, by reducing any fees, charges, expenses and other amounts required to be paid to the Administrative Agent or Lender which would constitute “interest”. Notwithstanding the foregoing, and after giving effect to all such adjustments, if the Administrative Agent or any Lender shall have received an amount in excess of the maximum permitted by the Criminal Code Section, then the Credit Parties shall be entitled, by notice in writing to the Administrative Agent or affected Lender, to obtain reimbursement from the Administrative Agent or that Lender in an amount equal to such excess. For the purposes of this Agreement and each other Credit Document to which any Canadian Credit Party is a party, the effective annual rate of interest payable by it shall be determined in accordance with generally accepted actuarial practices and principles over the term of the loans on the basis of annual compounding for the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Institute of Actuaries appointed by the Administrative Agent for the account of the Credit Parties will be conclusive for the purpose of such determination in the absence of evidence to the contrary.

SECTION 2.12 Defaulting Lender.

(a) Notwithstanding anything to the contrary contained herein, in the event any Lender is a Defaulting Lender, all rights and obligations hereunder of such Defaulting Lender and of the other parties hereto shall be modified to the extent of the express provisions of this Section 2.12 so long as such Lender is a Defaulting Lender.

(b) (i) Except as otherwise expressly provided for in this Section 2.12, Loans shall be made pro rata from Lenders holding Commitments which are not Defaulting Lenders based on their respective Commitment Percentages, and no Commitment Percentage of any Lender or any pro rata share of any Loans required to be advanced by any Lender shall be increased as a result of any Lender being a Defaulting Lender. Amounts received in respect of principal of any type of Loans shall be applied to reduce such type of Loans of each Lender (other than any Defaulting Lender) holding a Commitment in accordance with their Commitment Percentages; provided, that the Administrative Agent shall not be obligated to transfer to a Defaulting Lender any payments received by the Administrative Agent for Defaulting Lender’s benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). Amounts payable to a Defaulting Lender shall instead be paid to or retained by the Administrative Agent. The Administrative Agent may hold and, in its discretion, re-lend to a Person comprising the Borrower the amount of such payments received or retained by it for the account of such Defaulting Lender.

(ii) Fees pursuant to Section 3.01(a) hereof shall cease to accrue in favor of such Defaulting Lender.

(c) A Defaulting Lender shall not be entitled to give instructions to the Administrative Agent or to approve, disapprove, consent to or vote on any matters relating to this Agreement or the other Credit Documents, and all amendments, waivers and other modifications of this Agreement or the other Credit Documents may be made without regard to a Defaulting Lender and, for purposes of the definition of “Required Lenders”, a Defaulting Lender shall not be deemed to be a Lender, to have any outstanding Loans or a Commitment Percentage; provided, that this clause (c) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification described in clauses (i) or (ii) of Section 12.01.

(d) Other than as expressly set forth in this Section 2.12, the rights and obligations of a Defaulting Lender (including the obligation to indemnify Agents) and the other parties hereto shall remain unchanged. Nothing in this Section 2.12 shall be deemed to release any Defaulting Lender from its obligations under this Agreement or the other Credit Documents, shall alter such obligations, shall operate as a waiver of any default by such Defaulting Lender hereunder, or shall prejudice any rights which any Person comprising the Borrower, any Agent or any Lender may have against any Defaulting Lender as a result of any default by such Defaulting Lender hereunder.

(e) In the event that the Administrative Agent and the Borrower agree in writing that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Administrative Agent will so notify the parties hereto.

(f) If any Lender is a Defaulting Lender, the Borrower may, within ninety (90) days of receipt of notice of such Lender becoming a Defaulting Lender, by notice in writing to the Administrative Agent and such Defaulting Lender (i) request the Defaulting Lender to cooperate with the Borrower in obtaining a Replacement Lender; (ii) request the Non- Defaulting Lenders to acquire and assume all of the Defaulting Lender’s Loans and its Commitment Percentage as provided herein, but none of such Lenders shall be under any obligation to do so; or (iii) propose a Replacement Lender subject to approval by the Administrative Agent in its good faith business judgment. If any satisfactory Replacement Lender shall be obtained, and/or if any one or more of the Non- Defaulting Lenders shall agree to acquire and assume all of the Defaulting Lender’s Loans and its Commitment Percentage, then such Defaulting Lender shall assign, in accordance with Section 12.01, all of its Loans and its Commitment Percentage and other rights and obligations under this Agreement and the other Credit Documents to such Replacement Lender or Non- Defaulting Lenders, as the case may be, in exchange for payment of the principal amount so assigned and all interest and fees accrued on the amount so assigned, plus all other Obligations then due and payable to the Defaulting Lender.

ARTICLE III
Fees and Commitment Terminations

SECTION 3.01 Fees.

(a) The Borrower shall pay to the Agents and Arranger such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever (except as expressly agreed between the Borrower and the Agents and Arranger, as applicable).

(b) Upon the occurrence of any Prepayment Event, the Borrower shall pay to the Administrative Agent, for the account of each Lender holding a Loan to be prepaid on the date of such Prepayment Event on a pro rata basis, the applicable Prepayment Premium. The Credit Parties expressly agree that (A) the Prepayment Premium is the product of an arm's length transaction between sophisticated business people, ably represented by counsel, (B) their agreement to pay the Prepayment Premium is a material inducement to the Lenders to make the Loans, and (C) the Prepayment Premium represents a good faith, reasonable estimate and calculation of the lost profits or damages of the Lenders and that it would be impractical and extremely difficult to ascertain the actual amount of damages to the Lenders or profits lost by the Lenders as a result of such Prepayment Event. The fees described in this Section 3.01(b) are in addition to any fees owed pursuant to Section 3.01(a).

SECTION 3.02 Mandatory Reduction of Commitments. The Commitment shall be permanently reduced by the amount of each Loan made on the Restatement Date.

ARTICLE IV
Payments

SECTION 4.01 Voluntary Prepayments.

(a) Following receipt of all of the information to be provided pursuant to clause (f) of the definition of Permitted Acquisition with respect to each Permitted Acquisition to be funded by the proceeds of Incremental Advance Loans, the Administrative Agent shall have five (5) Business Days to evaluate each such Permitted Acquisition to determine whether it will undertake syndicating the Incremental Advance Commitments to fund such Permitted Acquisition(s) (and the Administrative Agent shall be deemed to have confirmed the undertaking of such syndication if it does not otherwise notify Parent prior to the expiration of such five (5)-Business Day period). In the event the Administrative Agent determines it will not undertake such syndication, or if the Administrative Agent is unable to fully syndicate such Incremental Advance Commitments prior to the Incremental Advance Commitment Effective Date, the Borrower shall have sixty (60) days from the date of such determination or inability, as the case may be, to prepay the remaining balance of the Loans outstanding under this Agreement and all other Obligations in full. The prepayment in full of the Obligations pursuant to this Section 4.01(a) will not be a Prepayment Event.

(b) The Borrower shall have the right to prepay the remaining balance of the Loans outstanding under this Agreement, in whole or in part, on the following terms and conditions: (i) the Borrower shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of (A) its intent to make such prepayment, (B) the amount of such prepayment and (C) if no Event of Default shall have occurred and be continuing at both the time of such notice and the time of such prepayment, the Tranche of the Loans it would like to prepay, no later than 5:00 p.m. thirty (30) calendar days prior thereto, which shall promptly be transmitted by the Administrative Agent to each of the relevant Lenders, as the case may be; (ii) each such prepayment shall be in an amount equal to at least (A) with respect to the 2020 Loans and the 2021 Loans, \$20,000,000 or, if less, the entire principal amount of such Loan then outstanding ~~and~~, (B) with respect to any Initial Restatement Advance Loan or Incremental Advance Loan, \$5,000,000 and \$1,000,000 increments in excess thereof, and (C) with respect to the Second Incremental Term Loans, the amount and increments set forth in the Joinder Agreement for the Second Incremental Term Loans; and (iii) such prepayment may only be made on the last Business Day of a calendar month.

(c) With respect to each prepayment of the Loans pursuant to Section 4.01(b), the amounts prepaid shall be applied, so long as no Application Event shall have occurred and be continuing, first, to pay any fees and expenses of the Agents and the Lenders under the Credit Documents until paid in full, second, to any accrued and unpaid interest on the Loans on a ratable basis until paid in full and third, to the outstanding principal on the Loans on a ratable basis until the Loans are paid in full. If no Event of Default shall have occurred and be continuing at both the time of the applicable notice and the time of the applicable prepayment, the references to the Loans in the immediately preceding sentence shall refer to (i) to the Tranche or Tranches selected by the Borrower or (ii) if the Borrower made no such selection, first to the 2020 Loans, second to the 2021 Loans and then, pro rata, to the Initial Restatement Advance Loans ~~and~~, the Incremental Advance Loans and the Second Incremental Term Loans.

SECTION 4.02 Mandatory Prepayments.

(a) Types of Mandatory Prepayments.

(i) Within five (5) Business Days of the receipt by any Credit Party of any Net Debt Proceeds from the incurrence of any Indebtedness by any Credit Party (other than Indebtedness permitted under Section 9.01), the Borrower shall prepay the Loans in an amount equal to one hundred percent (100%) of such Net Debt Proceeds, to be applied as set forth in Section 4.02(c). Nothing in this Section 4.02(a)(i) shall be construed to permit or waive any Default or Event of Default arising from any incurrence of Indebtedness not permitted under the terms of this Agreement.

(ii) Within five (5) Business Days of the receipt by any Credit Party or, if permitted under the Vireo Intercreditor Agreement, Vireo Guarantor of any Net Disposition Proceeds from any Disposition (other than any Disposition permitted under clauses (a), (c), (d), (e), (i)(i), (h), (i), (q) or (v) of Section 9.04), the Borrower shall prepay the Loans in an amount equal to one hundred percent (100%) of the Net Disposition Proceeds from such Disposition in excess of \$15,000,000, to be applied as set forth in Section 4.02(c); provided that (A) no Net Disposition Proceeds received from the ~~***~~ JV Disposition are required to prepay the Loans and the Credit Parties may retain 100% of such Net Disposition Proceeds, ~~and~~ (B) the amount of Net Disposition Proceeds retained by the Credit Parties and not applied as a prepayment of Loans under this clause (ii) shall not exceed \$15,000,000 in the aggregate (excluding, in all cases, Net Disposition Proceeds from the ~~***~~ JV Disposition) during any twelve (12)-month period and (C) no Net Disposition Proceeds that are allowed to be retained by any Vireo Guarantor pursuant to the Vireo Credit Documents shall be required to prepay the Loans. Nothing in this Section 4.02(a)(ii) shall be construed to permit or waive any Default or Event of Default arising from any Disposition not permitted under the terms of this Agreement.

(iii) Within five (5) Business Days of the receipt by any Credit Party or, if permitted under the Vireo Intercreditor Agreement, Vireo Guarantor of any Net Casualty Proceeds from any Casualty Event in excess of \$1,000,000, the Borrower shall prepay the Loans in an amount equal to one hundred percent (100%) of such Net Casualty Proceeds in excess of \$1,000,000, to be applied as set forth in Section 4.02(c); provided that the Borrower may, at its option by notice in writing to the Administrative Agent no later than thirty (30) days following the occurrence of the Casualty Event resulting in such Net Casualty Proceeds, apply such Net Casualty Proceeds to the rebuilding or replacement of such damaged, destroyed or condemned assets or property so long as such Net Casualty Proceeds are in fact used to commence the rebuilding or replacement of the damaged, destroyed or condemned assets or property within twelve months following the receipt of such Net Casualty Proceeds, with the amount of Net Casualty Proceeds unused after such period to be applied as set forth in Section 4.02(c); provided, that (A) the amount of Net Casualty Proceeds not applied as a prepayment of Loans under this clause (iii) as result of the dollar threshold set forth above shall not exceed \$1,000,000 in the aggregate during the immediately preceding ~~twelve-month period~~ 12-month period, and (B) and no Net Casualty Proceeds that are allowed to be retained or otherwise used to rebuild or replace any such assets or property by any Vireo Guarantor pursuant to the Vireo Credit Documents shall be required to prepay the Loans. Nothing in this Section 4.02(a)(iii) shall be construed to permit or waive any Default or Event of Default arising from, directly or indirectly, any Casualty Event.

(iv) Within five (5) Business Days of the receipt by any Credit Party of any Net Equity Proceeds from the issuance of any Capital Stock (other than Excluded Issuances) in excess of \$1,000,000, the Borrower shall, if an Event of Default has occurred and is continuing, prepay the Loans in an amount equal to one hundred percent (100%) of such Net Equity Proceeds in excess of \$1,000,000, to be applied as set forth in Section 4.02(c). Nothing in this Section 4.02(a)(iv) shall be construed to permit or waive any Default or Event of Default arising, directly or indirectly, from any such issuance of Capital Stock.

(v) Within five (5) Business Days of the receipt by any Credit Party of any proceeds from any Extraordinary Receipts in excess of \$5,000,000, the Borrower shall, if an Event of Default has occurred and is continuing, prepay the Loans in an amount equal to one hundred percent (100%) of such Extraordinary Receipts in excess of \$5,000,000, to be applied as set forth in Section 4.02(c); provided, that the amount of Extraordinary Receipts not applied as a prepayment of Loans under this clause (v) as result of the dollar threshold set forth above shall not exceed \$5,000,000 in the aggregate during the immediately preceding twelve-month period. Nothing in this Section 4.02(a)(v) shall be construed to permit or waive any Default or Event of Default arising, directly or indirectly, from any event or circumstance giving rise to any Extraordinary Receipts.

(vi) Immediately upon any acceleration of the Maturity Date of any Loans pursuant to Section 10.02, the Borrower shall repay all the Loans, unless only a portion of all the Loans is so accelerated (in which case the portion so accelerated shall be repaid).

(b) Option to Decline Prepayment. Notwithstanding anything to the contrary herein, any mandatory prepayment pursuant to Section 4.02(a) may be declined in whole or in part by any Lender without prejudice to such Lender's rights hereunder to accept or decline any future payments in respect of any mandatory prepayment. The Borrower shall notify the Administrative Agent on or before receipt of any proceeds giving rise to each such mandatory prepayment. If a Lender chooses not to accept payment in respect of a mandatory prepayment, in whole or in part, the other Lenders that accept such mandatory prepayment shall have the option to share such proceeds on a pro rata basis (and if declined by all Lenders, such declined proceeds shall be retained by the Borrower). Each Lender shall have until 11:00 am on the Business Day immediately preceding the Business Day on which such prepayment is due to inform the Administrative Agent of its decision to decline such prepayment (and any election by a Lender delivered prior to such time can be rescinded by such Lender at its discretion until such time). The Administrative Agent shall endeavor to inform the Borrower of the decision of the Lenders on or before the Business Day on which such prepayment is due, but the failure to inform the Borrower shall not result in a breach of this Agreement or elimination of the requirement of the Borrower to make such prepayment.

(c) Application of Payments. With respect to each prepayment of the Loans required by Section 4.02(a), the amounts prepaid shall be applied, so long as no Application Event shall have occurred and be continuing, first to pay any fees and expenses of the Agents and the Lenders under the Credit Documents until paid in full, second to any accrued and unpaid interest on the Loans on a ratable basis until paid in full and thereafter to the outstanding principal on the Loans on a ratable basis until the Loans are paid in full. If no Event of Default shall have occurred and be continuing at the time of the applicable prepayment, the references to the Loans in the immediately preceding sentence shall refer first to the 2020 Loans, second to the 2021 Loans and then, pro rata, to the Initial Restatement Advance Loans ~~and~~, the Incremental Advance Loans and the Second Incremental Term Loans.

(d) Application of Collateral Proceeds. Notwithstanding anything to the contrary in Section 4.01 or this Section 4.02, all proceeds of Collateral received by the Collateral Agent or any other Person pursuant to the exercise of remedies against the Collateral, and all payments received upon and after the acceleration of any of the Obligations (an "**Application Event**") shall be applied as follows (subject to adjustments pursuant to any agreements entered into among the Lenders):

(i) first, to pay any costs and expenses of the Agents (in their respective capacities as Agents) and fees then due to the Agents (in their respective capacities as Agents) under the Credit Documents, including any indemnities then due to any Agents (in their respective capacities as Agents) under the Credit Documents, until paid in full,

(ii) second, to pay any fees and premiums then due to the Agents (in their respective capacities as Agents) under the Credit Documents until paid in full,

(iii) third, ratably to pay any costs, expense reimbursements, fees or premiums of Lenders and indemnities then due to any of the Lenders under the Credit Documents until paid in full,

(iv) fourth, ratably to pay interest due in respect of the outstanding Loans until paid in full,

(v) fifth, ratably to pay the outstanding principal balance of the Loans in the inverse order of maturity until the Loans are paid in full,

(vi) sixth, to pay any other Obligations, and

(vii) seventh, to the Borrower or such other Person entitled thereto under Applicable Law.

SECTION 4.03 Payment of Obligations; Method and Place of Payment.

(a) The obligations of each Credit Party, Opco Mortgagor ~~and~~, Pledgor and Vireo Guarantor hereunder and under each other Credit Document are not subject to counterclaim, set-off, rights of rescission, or any other defense. Subject to Section 4.03(b), and except as otherwise specifically provided herein, all payments under any Credit Document shall be made by the Borrower, without set-off, rights of rescission, counterclaim or deduction of any kind, to the Administrative Agent for the ratable account of the Secured Parties entitled thereto, not later than 5:00 p.m. on the date when due and shall be made in immediately available funds in Dollars to the Administrative Agent. The Administrative Agent will thereafter cause to be distributed on the same day (if payment was actually received by the Administrative Agent prior to 5:00 p.m., on such day) like funds relating to the payment of principal or interest or Fees ratably to the Secured Parties entitled thereto.

(b) For purposes of computing interest or fees, any payments under this Agreement that are made later than 5:00 p.m., shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall continue to accrue during such extension at the applicable rate in effect immediately prior to such extension.

(c) The Borrower shall make each payment under any Credit Document by wire transfer to such deposit account as the Administrative Agent shall notify the Borrower in writing from time to time within a reasonable time prior to such payment.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the applicable Lenders, as the case may be, the amount due. With respect to any payment that the Administrative Agent makes for the account of the Lenders hereunder as to which the Administrative Agent determines (which determination shall be conclusive absent manifest error) that any of the following applies (such payment referred to as the "**Rescindable Amount**"): (i) the Borrower has not in fact made such payment; (ii) the Administrative Agent has made a payment in excess of the amount so paid by the Borrower (whether or not then owed); or (iii) the Administrative Agent has for any reason otherwise erroneously made such payment, then each applicable Lender severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

SECTION 4.04 Taxes.

(a) Any and all payments by or on account of any obligation of any Credit Party, Opco Mortgagor and/or, Pledgor or Vireo Guarantor under any Credit Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Credit Party, Opco Mortgagor and/or, Pledgor or Vireo Guarantor shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 4.04) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) The Credit Parties, Opco Mortgagors and, Pledgors and Vireo Guarantors shall timely pay, and shall authorize the Administrative Agent to pay in their name, to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes. As soon as practicable after the date of any payment of Taxes or Other Taxes by any Credit Party, Opco Mortgagor and/or, Pledgor or Vireo Guarantor, the Credit Parties, Opco Mortgagors and/or, Pledgors or Vireo Guarantors shall furnish to the Administrative Agent, at its address referred to in Section 12.02, the original or a certified copy of a receipt evidencing payment thereof or other evidence of payment reasonably satisfactory to the Administrative Agent.

(c) The Credit Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 4.04) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.06(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 4.04(d).

(e) As soon as practicable after any payment of Taxes by any Credit Party to a Governmental Authority pursuant to this Section 4.04, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 4.04(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Credit Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Credit Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code in customary form consistent with the Model Credit Agreement Provisions of the Loan Syndications and Trading Association (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, a U.S. Tax Compliance Certificate, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Credit Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) If any party determines, in its sole discretion exercised in good faith, that it has received a refund or credit of any Taxes as to which it has been indemnified pursuant to this Section 4.04 (including by the payment of additional amounts pursuant to this Section 4.04), it shall pay to the indemnifying party an amount equal to such refund or credit (but only to the extent of indemnity payments made under this Section 4.04 with respect to the Taxes giving rise to such refund or credit), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund or credit). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 4.04(g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund or credit to such Governmental Authority. Notwithstanding anything to the contrary in this Section 4.04(g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 4.04(g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund or credit had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Reserved.

(i) Each party's obligations under this Section 4.04 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, and the repayment, satisfaction or discharge of all obligations under any Credit Document.

SECTION 4.05 Reserved.

SECTION 4.06 Computations of Interest and Fees. With respect to the 2020 Loans and the 2021 Loans, all interest and fees shall be computed on the basis of the actual number of days occurring during the period for which such interest or fee is payable over a year comprised of 360 days, ~~and~~ with respect to the Initial Restatement Advance Loans and the Incremental Advance Loans, all interest and fees shall be computed on the basis of the actual number of days occurring during the period for which such interest or fee is payable over a year comprised of 365-366 days, as applicable, and with respect to the Second Incremental Term Loans, all interest and fees shall be computed as set forth in the Joinder Agreement for the Second Incremental Term Loans. Payments due on a day that is not a Business Day shall (except as otherwise required by) be made on the next succeeding Business Day and such extension of time shall be included in computing interest and fees in connection with that payment. Each determination by the Administrative Agent of an interest rate and Fees hereunder shall be presumptive evidence of the correctness of such rates and Fees, absent manifest error.

ARTICLE V

Conditions Precedent to Signing, Restatement of the Original Credit Agreement and Funding of the Loans

SECTION 5.01 Signing Date. This Agreement shall be deemed executed by the parties hereto on the Signing Date upon the fulfillment, to the satisfaction of the Agents and each Lender, of each of the following conditions precedent on or before the Signing Date:

(a) Credit Documents. The Administrative Agent shall have received each of the following Credit Documents, duly executed by an Authorized Officer of each Credit Party party thereto and each other Person party thereto:

- (i) this Agreement;
- (ii) the Security Agreement; and
- (iii) the Canadian Security Agreement.

(b) Resolutions. The Administrative Agent shall have received resolutions of each Credit Party's board of managers/directors (or other managing body, in the case of a Person that is not a corporation) then in full force and effect expressly and specifically authorizing, to the extent relevant, all aspects of the Credit Documents applicable to such Person and the execution, delivery and performance of each Credit Document, in each case, to be executed by such Person.

SECTION 5.02 Restatement Date. The effectiveness of this Agreement, and the obligation of each Lender to make the Loans on the Restatement Date as provided for hereunder is subject to the fulfillment, to the satisfaction of the Agents and each Lender, of each of the following conditions precedent on or before the Restatement Date, unless any such condition is waived in accordance with Section 12.01:

(a) Signing Date Credit Documents. Each Credit Party shall have affirmed its execution of each of Credit Documents it executed on the Signing Date in writing.

(b) Credit Documents. The Administrative Agent shall have received the following documents, duly executed by an Authorized Officer of each applicable Credit Party and each other relevant party:

- (i) the Notes;
- (ii) except as otherwise provided in Section 8-178.15, the Security Documents (other than the Security Agreement and the Canadian Security Agreement); and
- (iii) except as otherwise provided in Section 8-178.15, each other Credit Document.

(c) Collateral.

(i) All Capital Stock, other than Excluded Property, of each Credit Party and Subsidiary (other than Parent) shall have been pledged pursuant to the Security Documents and the Collateral Agent shall have received all certificates, if any, representing such securities pledged under the Security Documents, accompanied by customary instruments of transfer and undated stock powers endorsed in blank.

(ii) All Capital Stock of the Opcos and certain other Persons owned by a Pledgor and not pledged as of the Restatement Date shall have been pledged pursuant to an amendment of the Individual Pledge Agreement, in form and substance reasonably satisfactory to the Administrative Agent.

(iii) Except as otherwise provided in Section 8-178.15, the Collateral Agent shall have received the results of a search of the UCC and PPSA filings (or equivalent filings), in addition to tax Lien, judgment Lien, bankruptcy and litigation searches made with respect to each Credit Party, together with copies of the financing statements and other filings (or similar documents) disclosed by such searches, and accompanied by evidence reasonably satisfactory to the Collateral Agent that the Liens indicated in any such financing statement and other filings (or similar document) are Permitted Liens or have been released or will be released substantially simultaneously with the making of the Loans hereunder.

(iv) The Collateral Agent shall have received evidence, in form and substance reasonably satisfactory to the Collateral Agent, that appropriate UCC and PPSA (or equivalent) financing statements (including fixture filings) have been duly filed in such office or offices as may be necessary or, in the reasonable opinion of the Collateral Agent, desirable, to perfect the Collateral Agent's Liens in and to the Collateral and certified searches reflecting the filing of all such financing statements.

(d) Legal Opinions. The Administrative Agent shall have received an executed legal opinion of Dorsey & Whitney LLP, counsel to the Credit Parties, Brotschul Potts LLC, local Illinois counsel to the Credit Parties, and Fasken Martineau DuMoulin LLP, Canadian counsel to the Credit Parties, which opinions shall be addressed to the Agents and the Secured Parties and shall be in form and substance reasonably satisfactory to the Administrative Agent.

(e) Secretary's Certificates. The Administrative Agent shall have received a certificate for each Credit Party, dated May 20, 2021, duly executed and delivered by such Credit Party's secretary or assistant secretary, managing director, managing member or general partner, as applicable, as to:

(i) resolutions of each such Person's board of managers/directors (or other managing body, in the case of a Person that is not a corporation) then in full force and effect expressly and specifically authorizing, to the extent relevant, all aspects of the Credit Documents applicable to such Person and the execution, delivery and performance of each Credit Document, in each case, to be executed by such Person;

(ii) the incumbency and signatures of its Authorized Officers and any other of its officers, managing member or general partner, as applicable, authorized to act with respect to each Credit Document to be executed by such Person and a list of all officers and directors of the Credit Parties; and

(iii) each such Person's Organization Documents, as amended, modified or supplemented as of Restatement Date, certified by the appropriate officer or official body of the jurisdiction of organization of such Person,

which certificates shall provide that each Secured Party may conclusively rely thereon until it shall have received a further certificate of the secretary, assistant secretary, managing director managing member or general partner, as applicable, of any such Person canceling or amending the prior certificate of such Person as provided in Section 8.01(h).

(f) Other Documents and Certificates. The Administrative Agent shall have received the following documents and certificates, each of which shall be dated May 20, 2021 and duly executed by an Authorized Officer of each applicable Credit Party, in form and substance reasonably satisfactory to the Administrative Agent:

(i) a certificate of an Authorized Officer of Parent, certifying as to such items as reasonably requested by the Collateral Agent, including without limitation:

(A) the receipt of all required approvals and consents of all Governmental Authorities and other third parties, if applicable, with respect to the consummation of the Transactions and the operation of the Credit Parties' business, each of which shall be attached thereto and certified as being true, complete and correct copies thereof;

(B) both before and after giving effect to the Transactions, including the borrowing of the Loans on the Restatement Date, (1) no Default or Event of Default shall have occurred, (2) no default, event of default or material breach under any Material Contract shall have occurred and (3) each Material Contract remains in full force and effect and no Credit Party or Subsidiary has received any notice of termination or non-renewal from the other party thereto; and

(C) the representations and warranties set forth in Article VII are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof);

(ii) reserved;

(iii) (A) certificates of good standing or letter or certificate of status (or the local equivalent thereof, if applicable) with respect to each Credit Party, each dated within a recent date on or prior to the Restatement Date, such certificates to be issued by the appropriate officer or official body of the jurisdiction of organization of such Credit Party, which certificate shall indicate that such Credit Party is in good standing (or the local equivalent thereof, if applicable) in such jurisdiction, and (B) certificates of good standing or status (or the local equivalent thereof, if applicable) with respect to each Credit Party, each dated within a recent date prior to the Restatement Date, such certificates to be issued by the appropriate officer of the jurisdictions where such Credit Party is qualified to do business as a foreign entity, which certificate shall indicate that such Credit Party is in good standing (or the local equivalent thereof, if applicable) in such jurisdictions; and

(iv) a certificate detailing the planned distribution of proceeds from the Loans and a funds flow memorandum (to be prepared by the Administrative Agent) detailing the sources and uses of the Transactions.

(g) Solvency. The Administrative Agent shall be reasonably satisfied, based on financial statements (actual and pro forma), projections and other evidence provided by Credit Parties, or requested by the Administrative Agent, that Parent and its Subsidiaries (on a consolidated basis), after incurring the Loans, will be Solvent and the Administrative Agent shall have received and shall be reasonably satisfied with a Solvency Certificate of an Authorized Officer of Parent, on behalf of the Credit Parties, confirming the solvency of the Consolidated Companies (on a consolidated basis) after giving effect to the Transactions.

(h) Financial Information.

(i) The Administrative Agent shall have received a certificate in form and substance reasonably satisfactory to it, dated May 20, 2021 and properly executed by an Authorized Officer of Parent, attaching the financial projections of the Consolidated Companies for each fiscal year of the Consolidated Companies during the period from the Restatement Date through December 31, 2022 (the "Projections") along with a balance sheet of the Consolidated Companies prepared on a Pro Forma Basis giving effect to the Transactions (including actual results for the twelve months ending February 28, 2021) (the "Pro Forma Balance Sheet"), each in form and substance reasonably satisfactory to the Administrative Agent. Such certificate shall contain a certification, with respect to the Projections and the Pro Forma Balance Sheet, consistent with the representations and warranties set forth in Section 7.08.

(ii) The Administrative Agent shall have received copies of the consolidated and consolidating balance sheets of the Consolidated Companies, and the related consolidated and consolidating statements of income and cash flows of the Consolidated Companies for the fiscal year ending December 31, 2020, such consolidated statements audited and certified without qualification, or exception as to the scope of such audit, by an independent public accounting firm reasonably acceptable to the Administrative Agent, together with a management discussion and analysis (with reasonable detail and specificity) of the results of operations for the fiscal periods reported.

(i) Insurance. Except as otherwise provided in Section 8-178.15, the Collateral Agent shall have received a certificate of insurance, together with the endorsements thereto, naming the Collateral Agent as an additional insured on behalf of the Lenders and lender loss payee as to casualty insurance, in each case, as to the insurance required by Section 8.03, in form and substance reasonably satisfactory to the Administrative Agent.

(j) Payment of Outstanding Indebtedness. (a) On the Restatement Date, the Credit Parties and each of their respective Subsidiaries shall have no outstanding Indebtedness other than the Loans hereunder and the Indebtedness (if any) listed on Schedule 7.24 or otherwise permitted by Section 9.01, and the Administrative Agent shall have received copies of all documentation and instruments evidencing the discharge of all Indebtedness paid off in connection with the Transactions and the transactions contemplated by this Agreement, and (b) all Liens (other than Permitted Liens) securing payment of any such Indebtedness shall have been released and the Administrative Agent shall have received pay-off letters, all form UCC-3 and PPSA3C termination statements, all releases or terminations of intellectual property security agreements and other instruments as may be reasonably requested by the Administrative Agent in connection therewith.

(k) Material Adverse Effect. The Administrative Agent shall have determined that, both immediately before and immediately after giving effect to the Transactions, no Material Adverse Effect has occurred since December 31, 2020 that is continuing.

(l) Fees, Expenses and Interest. Each of the Agents and Lenders shall have received, for its own respective account, (i) all documented fees and reasonable and documented expenses due and payable to such Person hereunder, and (ii) the reasonable and documented fees, costs and expenses due and payable to such Person pursuant Sections 3.01 and 12.05 (including the reasonable fees, disbursements and other charges of counsel).

(m) Patriot Act; Proceeds of Crime Act Compliance and Reference Checks. The Administrative Agent shall have received completed reference checks with respect to each Credit Party's senior management, and any required Patriot Act and Proceeds of Crime Act compliance, the results of which are reasonably satisfactory to the Administrative Agent in its sole discretion.

(n) Due Diligence. The Administrative Agent shall have completed and be reasonably satisfied its business, legal, and collateral due diligence on Parent and its Subsidiaries, including: (i) corporate, capital and legal structure of Parent and its Subsidiaries; (ii) securities, labor, insurance, tax, litigation and environmental matters; (iii) review of all third party reports; and (iv) an independent quality of earnings report, a third-party accounting review and the results of the Borrower's pipeline and backlog.

(o) Material Contracts. The Administrative Agent shall have received copies of each Material Contract (if written), and the results of the Administrative Agent's review thereof shall be reasonably satisfactory to the Administrative Agent.

(p) No Default, Representations and Warranties and No Injunctions.

(i) No Default or Event of Default shall have occurred and be continuing;

(ii) all representations and warranties made by each Credit Party and Pledgor contained herein or in the other Credit Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), in each case, with the same effect as though such representations and warranties had been made on and as of the Restatement Date (except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof));

(iii) no injunction, writ, restraining order, or other order of any nature restricting or prohibiting, directly or indirectly, the Transactions shall have been issued and remain in force by any Governmental Authority against any Credit Party, any Pledgor, any Agent or any Lender; and

(iv) there shall be no order or injunction or pending litigation in which there is a reasonable possibility of a decision that could reasonably be expected to have a Material Adverse Effect on Parent and its Subsidiaries, taken as a whole, or on any Opco Mortgagor or Pledgor, and no pending litigation seeking to prohibit, enjoin or prevent any of the Transactions.

(q) Loan Amount. The aggregate principal amount of the 2021 Loans funded on the Restatement Date shall not exceed \$100,000,000.

(r) New Mortgages. The Administrative Agent shall have received, with respect to each Mortgaged Property (other than any Mortgaged Property that was subject to a Mortgage in favor of the Collateral Agent prior to the Restatement Date), each of the following (except as otherwise set forth on Schedule 8.178.15), in form and substance reasonably satisfactory to the Administrative Agent:

(i) an executed Mortgage;

(ii) evidence that a counterpart of such Mortgage has been recorded, or that arrangements for recording reasonably satisfactory to the Administrative Agent have been made, in the place necessary, in the Administrative Agent's reasonable judgment, to create a valid and enforceable first priority Lien in favor of the Administrative Agent for the benefit of itself, the Lenders and the other Secured Parties; and

(iii) an ALTA or other mortgagee's title insurance policy with respect to such Mortgage.

(s) Mortgage Amendments. The Administrative Agent shall have received, with respect to each Mortgaged Property that was subject to a Mortgage in favor of the Collateral Agent prior to the Restatement Date, each of the following in form and substance reasonably satisfactory to the Administrative Agent:

(i) an executed amendment to the Mortgage with respect to such Mortgaged Property;

(ii) evidence that a counterpart of such amendment to such Mortgage has been recorded, or that arrangements for recording reasonably satisfactory to the Administrative Agent have been made, in the place necessary, in the Administrative Agent's reasonable judgment, to continue to create a valid and enforceable first priority Lien in favor of the Administrative Agent for the benefit of itself, the Lenders and the other Secured Parties; and

(iii) an ALTA or other mortgagee's title insurance policy with respect to such Mortgage (or a date-down endorsement with respect to the existing mortgagee's title insurance policy that was issued with respect to such Mortgage).

(t) Signing Date Updates. The Administrative Agent shall have received such updates and corrections to the Schedules to this Agreement and the Security Agreement, the resolutions provided on the Signing Date and the signature pages executed on the Signing Date, and such corrective amendments to this Agreement and the Security Agreement, as it shall reasonably request.

(u) Borrowing Request. The Borrower shall have delivered the borrowing request required pursuant to Section 2.05(a); provided, that such written request shall not be delivered by the Borrower until such time that the Administrative Agent has notified the Borrower that the Administrative Agent is holding in escrow signed copies of the documents required to be delivered pursuant to this Section 5.01 (other than the delivery of such borrowing request) and that the other conditions precedent set forth in this Section 5.01 have been satisfied to the satisfaction of the Administrative Agent.

SECTION 5.03 Third Amendment Effective Date. The effectiveness of the Third Amendment, and the obligation of each Lender to make the Initial Restatement Advance Loans on the Third Amendment Effective Date as provided for hereunder are subject to the fulfillment of the conditions precedent set forth in the Third Amendment.

SECTION 5.04 Conditions to the Incremental Advance Loans and the Second Incremental Term Loans. The obligation of each Incremental Advance Lender to make the Incremental Advance Loans on the Incremental Advance Commitment Effective Date, and the obligation of each Second Incremental Term Loan Lender to make the Second Incremental Term Loan Loans on the Second Incremental Term Loan Commitment Effective Date, as the case may be, as provided for hereunder is subject to the fulfillment, to the satisfaction of the Agents and each Lender, of each of the following conditions precedent on or before the Incremental Advance Commitment Effective Date or the Second Incremental Term Loan Commitment Effective Date, as the case may be, unless any such condition is waived in accordance with Section 12.01:

(a) no Default or Event of Default shall have occurred and be continuing on the Incremental Advance Commitment Effective Date and after giving effect to the Incremental Advance Loans or the Second Incremental Term Loan Commitment Effective Date and after giving effect to the Second Incremental Term Loans, as the case may be;

(b) all representations and warranties made by each Credit Party, Opco Mortgagor ~~and~~, Pledgor and Vireo Guarantor contained herein or in the other Credit Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof), in each case, with the same effect as though such representations and warranties had been made on and as of the Incremental Advance Commitment Effective Date or the Second Incremental Term Loan Commitment Effective Date, as the case may be (except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof));

(c) no injunction, writ, restraining order, or other order of any nature restricting or prohibiting, directly or indirectly, the Transactions shall have been issued and remain in force by any Governmental Authority against any Credit Party, ~~any~~ Opco Mortgagor ~~and any~~, Pledgor, ~~any~~ or Vireo Guarantor, Agent or ~~any~~ Lender; and

(d) there shall be no order or injunction or pending litigation in which there is a reasonable possibility of a decision that could reasonably be expected to have a Material Adverse Effect, and no pending litigation seeking to prohibit, enjoin or prevent any of the Transactions;

(e) [the](#) Administrative Agent shall have received one or more Joinder Agreements contemplated above, providing for Incremental Advance Commitments [or the Second Incremental Term Loan Commitments, as the case may be](#), in the applicable amount;

(f) [the](#) Administrative Agent shall have received such legal opinions, Mortgage amendments, title policy updates and other agreements, instruments and documents requested by [the](#) Administrative Agent, or the Incremental Advance Lenders [or the Second Incremental Term Loan Lenders, as the case may be](#), in connection therewith; and

(g) [the](#) Administrative Agent shall have (i) if applicable, received the information and other documentation and information required to be delivered pursuant to the definition of Permitted Acquisition in the time provided therein and (ii) syndicated the Incremental Advance Commitments [or the Second Incremental Term Loan Commitments, as the case may be](#), in the aggregate amount requested by [the](#) Borrower.

ARTICLE VI Guarantee

SECTION 6.01 Guarantee.

(a) To induce the Lenders to make the Loans and each other Secured Party to make credit available to or for the benefit of one or more Credit Parties, each Guarantor party to this Agreement hereby, jointly and severally, absolutely, unconditionally and irrevocably, guarantees, as primary obligor and not merely as surety, the full and punctual payment when due, whether at stated maturity or earlier, by reason of acceleration, mandatory prepayment or otherwise in accordance with any Credit Document, of all the Obligations of [the](#) Borrower and of the other Guarantors whether existing on the Original Closing Date or hereinafter incurred or created (the “*Guarantor Obligations*”, which in no event shall include any Excluded Hedging Obligations). The Guarantor Obligations shall include, without limitation, interest accruing at the then applicable rate provided herein after the maturity thereof and interest accruing at the then applicable rate provided herein after the commencement of any Insolvency Event relating to [the](#) Borrower or any other Credit Party, whether or not a claim for post-filing or post-petition interest is allowed or allowable in such proceeding, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with this Agreement or any other Credit Document, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including all fees and disbursements of counsel and other advisors retained by, or for the benefit of, the Agents or to the other Secured Parties that are required to be paid by [the](#) Borrower pursuant to the terms of any of the foregoing agreements) and all obligations and liabilities of such Guarantor that arise or may arise under or in connection with this Agreement or any other Credit Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including all fees and disbursements of counsel and other advisors retained by, or for the benefit of, the Agents or the other Secured Parties that are required to be paid by such Guarantor pursuant to the terms of any such Credit Document) whether or not claims for any such amounts are allowed or allowable in any Insolvency Event. Each Guarantor’s guarantee hereunder constitutes a guarantee of payment and not of collection. Each Guarantor acknowledges that it will derive a material benefit, directly or indirectly, from the making of the Loans to [the](#) Borrower hereunder.

(b) Any term or provision of this Agreement or any other Credit Document to the contrary notwithstanding, the maximum aggregate amount for which any Guarantor shall be liable under this guarantee shall not exceed the maximum amount for which such Guarantor can be liable without rendering the obligations of such Guarantor under this Agreement or any other Credit Document, as it relates to such Guarantor, subject to avoidance under Applicable Laws relating to fraudulent conveyance or fraudulent transfer (including the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act and Section 548 of title 11 of the United States Code or any applicable provisions of comparable Applicable Laws) (collectively, the “*Fraudulent Transfer Laws*”). Any analysis of the provisions of this Article VI for purposes of the Fraudulent Transfer Laws shall take into account the right of contribution established in Section 6.02 and, for purposes of such analysis, give effect to any discharge of intercompany debt as a result of any payment made under this Article VI.

(c) Each Guarantor agrees that the Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing this guarantee or affecting the rights and remedies of any Secured Party hereunder.

(d) This guarantee shall remain in full force and effect until the Termination Date occurs, notwithstanding that from time to time during the term of this Agreement no Guarantor Obligations may be outstanding.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by any Secured Party from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder, and each Guarantor shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Obligations or any payment received or collected from such Guarantor in respect of the Obligations), remain liable for the Obligations up to the maximum liability of such Guarantor hereunder until the Termination Date occurs.

SECTION 6.02 Guarantee Absolute and Unconditional. Each Guarantor waives to the fullest extent permitted by Applicable Law any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by any Secured Party upon this Agreement or acceptance of the guarantee contained in this Article VI. The Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Article VI and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Secured Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Article VI. Each Guarantor, to the fullest extent permitted by Applicable Law, waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Obligations. Each Guarantor waives, to the fullest extent permitted by law, any right such Guarantor may now have or hereafter acquire to revoke, rescind, terminate or limit (except as expressly provided herein) the guarantee set forth in this Article VI or any of its obligations hereunder. Each Guarantor understands and agrees, to the fullest extent permitted by Applicable Law, that the guarantee set forth in this Article VI shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity, enforceability or avoidability of this Agreement or any other Credit Document, any of the Guarantor Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by any Secured Party, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against any Secured Party, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or any Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower with respect to any Obligations, or of such Guarantor under this guarantee, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, any Secured Party may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Guarantor Obligations or any right of offset with respect thereto, and any failure by any Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of any Secured Party against any Guarantor. For the purposes hereof, “demand” shall include the commencement and continuance of any legal proceedings.

SECTION 6.03 Reinstatement. The guarantee set forth in this Article VI shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Guarantor Obligations is rescinded or must otherwise be restored or returned by any Secured Party, including, without limitation, upon the insolvency, bankruptcy, examinership, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, examiner, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

SECTION 6.04 Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent, for the benefit of the Lenders, without set-off or counterclaim in Dollars in accordance with Section 4.03(c).

SECTION 6.05 Taxes. Each payment of the Guarantor Obligations will be made by each Guarantor subject to the same provisions as are set forth in Section 4.04.

SECTION 6.06 Joint and Several (Canada). Notwithstanding the foregoing or any other provision contained herein or in any other Credit Document, if a "secured creditor" (as that term is defined under the *Bankruptcy and Insolvency Act* (Canada)) is determined by a court of competent jurisdiction not to include a Person to whom obligations are owed on a joint and several basis, then such Person's Obligations (and the Obligations of each other Canadian Credit Party), to the extent such Obligations are secured, shall be several obligations and not joint and several obligations.

ARTICLE VII
Representations, Warranties and Agreements

In order to induce the Lenders to enter into this Agreement and continue the Loans as provided for herein, the Credit Parties make the following representations and warranties to, and agreements with, the Lenders, all of which shall survive the execution and delivery of this Agreement and the making of the Loans:

SECTION 7.01 Status. Each Credit Party (a) is a duly organized or formed and validly existing limited liability company, unlimited liability company or other registered entity in good standing (or local law equivalent, if applicable) under the laws of the jurisdiction of its organization and has the corporate or other organizational power and authority to own its property and assets and to transact the business in which it is engaged and (b) has duly qualified and is authorized to do business and is in good standing (or local law equivalent, if applicable) in all other jurisdictions where it does business or owns assets, except, in the case of this clause (b), where the failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect.

SECTION 7.02 Power and Authority. Each Credit Party has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is a party and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of the Credit Documents to which it is a party. Each Credit Party has duly executed and delivered the Credit Documents to which it is a party and such Credit Documents constitute the legal, valid and binding obligation of such Credit Party, enforceable against each Credit Party that is a party thereto in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium, examinership, reorganization and other similar laws relating to or affecting creditors' rights generally and general principles of equity (whether considered in a proceeding in equity or law).

SECTION 7.03 No Violation. None of (a) the execution, delivery and performance by any Credit Party of the Credit Documents to which it is a party and compliance with the terms and provisions thereof, (b) the consummation of the Transactions, or (c) the consummation of the other transactions contemplated hereby or thereby on the relevant dates therefor will (i) contravene any applicable provision of any material Applicable Law of any Governmental Authority, other than U.S. Federal Cannabis Laws, (ii) result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of any Credit Party (other than Liens created under the Credit Documents) pursuant to, (A) the terms of any material indenture, loan agreement, lease agreement, mortgage or deed of trust, or (B) any other Material Contract, in the case of any of clauses (A) and (B) to which any Credit Party is a party or by which it or any of its property or assets is bound or (iii) violate any provision of the Organization Documents or Permit of any Credit Party, except with respect to any conflict, breach or contravention or default (but not creation of Liens) referred to in clause (ii), to the extent that such conflict, breach, contravention or default could not reasonably be expected to have a Material Adverse Effect.

SECTION 7.04 Litigation, Labor Controversies, etc. There is no pending or, to the knowledge of any Credit Party, threatened, litigation, action, proceeding or labor controversy (including without limitation, strikes, lockouts or slowdowns against the Credit Parties) (a) which could reasonably be expected to have a Material Adverse Effect, (b) which purports to affect the legality, validity or enforceability of any Credit Document or the Transactions or (c) relating to any Indebtedness or purported Indebtedness of any Credit Party in excess of \$5,000,000 for any such Indebtedness (except as described in Section (c) of Schedule 7.04). There is no outstanding judgment rendered by any court or tribunal against any Credit Party which could reasonably be expected to have a Material Adverse Effect.

SECTION 7.05 Use of Proceeds; Regulations U and X. The proceeds of the Loans are intended to be and shall be used solely for the purposes set forth in and permitted by Section 8.11. No Credit Party is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock, and no proceeds of the Loans will be used to purchase or carry margin stock or otherwise for a purpose which violates, or would be inconsistent with Regulation U or Regulation X.

SECTION 7.06 Approvals, Consents, etc. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person, and no consent or approval under any contract or instrument (other than (a) those that have been duly obtained or made and which are in full force and effect, or if not obtained or made, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (b) the filing of UCC financing statements and other equivalent filings for foreign jurisdictions, and (c) the filings or other actions necessary to perfect Liens under the Credit Documents) is required for the consummation of the Transactions or the due execution, delivery or performance by any Credit Party of any Credit Document to which it is a party, or for the due execution, delivery or performance of the Credit Documents, in each case by any of the Credit Parties party thereto. There does not exist any judgment, order, injunction or other restraint issued or filed with respect to the transactions contemplated by the Credit Documents, the consummation of the Transactions, the making of the Loans or the performance by the Credit Parties of their Obligations under the Credit Documents.

SECTION 7.07 Investment Company Act. No Credit Party or Subsidiary is, or will be after giving effect to the Transactions and the transactions contemplated under the Credit Documents, an "investment company" or a company "controlled" by a Person required to be registered as an "investment company", within the meaning of the Investment Company Act of 1940.

SECTION 7.08 Accuracy of Information. None of the factual information and data (taken as a whole) at any time furnished by any Credit Party, any of their respective Subsidiaries or any of their respective authorized representatives in writing to any Agent or any Lender (including all information contained in the Credit Documents) for purposes of or in connection with this Agreement or any of the Transactions contains any untrue statement of a material fact or omits to state any material fact necessary to make such information and data (taken as a whole) not materially misleading, in each case, at the time such information was provided in light of the circumstances under which such information or data was furnished; provided that, to the extent any such information was based upon or constitutes a forecast or projection, the Credit Parties represent only that such projections and forecasts reflect the best available estimates of future financial performance and the Credit Parties acted in good faith and utilized assumptions believed to be reasonable at the time made and due care in the preparation of such information, it being understood that (a) such projections and forecasts are as to future events and are not to be viewed as facts, and that actual results during the period or periods covered by any such projections and forecasts may differ significantly from the projected and forecasted results and such differences may be material and (b) forecasts and projections are subject to uncertainties and contingencies and no assurance can be given that any forecast or projection will be realized.

SECTION 7.09 Financial Condition; Financial Statements. The tax returns and financial statements delivered to the Administrative Agent present fairly in all material respects the financial position and results of operations of Parent and its Subsidiaries at the respective dates of such information and for the respective periods covered thereby, subject in the case of unaudited financial information, to changes resulting from normal year-end audit adjustments and to the absence of footnotes. The tax returns, financial statements and all of the balance sheets, all statements of income and of cash flow and all other financial information furnished pursuant to Section 8.01 have been and will for all periods following the Restatement Date be prepared in accordance with IFRS, consistently applied. All of the financial information to be furnished pursuant to Section 8.01 will present fairly in all material respects the financial position and results of operations of Parent and its Subsidiaries at the respective dates of such information and for the respective periods covered thereby, subject in the case of unaudited financial information, to changes resulting from normal year-end audit adjustments and to the absence of footnotes. None of the Credit Parties has any Indebtedness or other material obligations or liabilities, direct or contingent that, either individually or in the aggregate, has had or could reasonably be expected to have, a Material Adverse Effect.

SECTION 7.10 Tax Returns and Payments. Each Credit Party has timely filed or caused to be timely filed all material Tax returns and reports required to have been filed (and all such Tax returns are true complete and correct in all material respects) and has paid or caused to be paid all material Taxes required to have been paid by it that are due and payable, except Taxes (or any requirement to file Tax returns with respect thereto) that are being contested in good faith by appropriate proceedings and for which such Credit Party has set aside on its books adequate reserves in accordance with IFRS. There are no proposed or pending tax assessments, deficiencies, audits or other proceedings with respect to any material amount of Taxes except such assessments, deficiencies, audits or other proceedings that relate to Taxes that are being contested in good faith by appropriate proceedings and for which the Credit Party has set aside on its books adequate reserves in accordance with IFRS. None of the Credit Parties has ever “participated” in a “reportable transaction” within the meaning of Section 1.6011-4 of the Treasury Regulations. None of the Credit Parties is a party to any tax sharing or similar agreement. Except as permitted by Section 9.02(i), no Tax Lien has been filed and no material claim is being asserted, with respect to any such Tax, fee, or other charge.

SECTION 7.11 Compliance with ERISA: Canadian Pension Plans.

(a) Each Plan (and each related trust, insurance contract or fund) is in compliance with its terms and with ERISA, the Code and all Applicable Laws; no Reportable Event has occurred (or is reasonably expected to occur) with respect to any Pension Plan; each Plan (and each related trust, if any) that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service, and nothing has occurred subsequent to the issuance of such determination letter which would prevent, or cause the loss of, such qualification; no Plan is insolvent or in reorganization or in endangered or critical status within the meaning of Section 432 of the Code or Section 4241 or 4245 of Title IV of ERISA (or is reasonably expected to be insolvent or in reorganization), and no written notice of any such insolvency or reorganization has been given to any of the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate; no Pension Plan is, or is reasonably expected to be, in “at risk” status (as defined in Section 430 of the Code or Section 303 of ERISA); no Pension Plan (other than a Multiemployer Plan) has failed to satisfy the minimum funding standard of Section 412 of the Code or Section 302 of ERISA (whether or not waived in accordance with Section 412(c) of the Code or Section 302(c) of ERISA), or is reasonably expected to do so, and no Pension Plan has applied for or received a waiver of the minimum funding standard or an extension of any amortization period within the meaning of Section 412 of the Code or Section 302, 303 or 304 of ERISA; no failure to make any required installment under Section 430(j) of the Code with respect to any Pension Plan or to make any required contribution to a Multiemployer Plan when due has occurred; none of the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate has incurred (or is reasonably expected to incur) any liability to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 436(f), 4971, 4975 or 4980 of the Code or has been notified in writing that it will incur any liability under any of the foregoing Sections with respect to any Plan; no proceedings have been instituted (or are reasonably expected to be instituted) to terminate or to reorganize any Pension Plan or to appoint a trustee to administer any Pension Plan, and no written notice of any such proceedings has been given to any of the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate; no Lien imposed under the Code or ERISA on the assets of any of the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate exists (or is reasonably expected to exist) nor have the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate been notified in writing that such a Lien will be imposed on the assets of any of the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate on account of any Pension Plan; no action, suit, proceeding, hearing, audit or investigation with respect to the administration, operation or the investment of assets of any Plan (other than routine claims for benefits) is pending, expected or threatened; there has been no violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary or disqualified person with respect to any Plan for which any of the Credit Parties, any of their respective Subsidiaries or any ERISA Affiliate may be directly or indirectly liable; and none of the Credit Parties, any of their respective Subsidiaries nor any ERISA Affiliate has filed, or is considering filing, an application under the United States Internal Revenue Service Employee Plans Compliance Resolution System or the Department of Labor’s Voluntary Fiduciary Correction Program with respect to any Plan, except to the extent that a breach of any of the representations, warranties or agreements in this Section 7.11 could not result, individually or in the aggregate, in an amount of liability that would be reasonably expected to have a Material Adverse Effect. No Pension Plan (other than a Multiemployer Plan) has an Unfunded Current Liability that would, individually or when taken together with any other liabilities referenced in this Section 7.11, be reasonably expected to have a Material Adverse Effect. No employee welfare benefit plan within the meaning of §3(1) or §3(2)(B) of ERISA of any Credit Party or any of their respective Subsidiaries, provides benefit coverage subsequent to termination of employment except as required by Title I, Part 6 of ERISA or applicable state insurance laws. No liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA has been, or is reasonably expected to be, incurred, except as could not reasonably be expected to have a Material Adverse Effect. With respect to any Plan that is a Multiemployer Plan, the representations and warranties in this Section 7.11, other than any made with respect to (a) liability under Section 4201 or 4204 of ERISA or (b) liability for termination or reorganization of such Pension Plans under ERISA, are made to the best knowledge of the Credit Parties. To the extent applicable, each Foreign Plan has been maintained in compliance with its terms and with the requirements of any and all applicable requirements of Applicable Law and has been maintained, where required, in good standing with applicable regulatory authorities, except to the extent that the failure so to comply could not reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect. Neither any Credit Party nor any Subsidiary has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Plan in an amount of liability that would be reasonably expected to have a Material Adverse Effect. The present value of the accrued benefit liabilities (whether or not vested) under each Foreign Plan that is funded, determined as of the end of the most recently ended fiscal year of the Credit Party or Subsidiary, as applicable, on the basis of actuarial assumptions, each of which is reasonable, did not exceed the current value of the property of such Foreign Plan by an amount that would be reasonably expected to have a Material Adverse Effect.

(b) Except to the extent that a breach of any of the representations, warranties or agreements in this Section 7.11(b) would not result, individually or in the aggregate, in an amount of liability that would be reasonably expected to have a Material Adverse Effect, (i) the Canadian Pension Plans of the Credit Parties are duly registered under the Tax Act (Canada) (if such registration is required) and under all other applicable laws which require registration and no event has occurred which would reasonably be expected to cause the loss of such registered status, (ii) all obligations of each of the Credit Parties (including fiduciary, funding, investment and administration obligations) required to be performed in connection with its Canadian Pension Plans and the funding agreements therefor have been performed on a timely basis and in compliance with the terms of such plans and agreements, any applicable collective bargaining agreement and all laws, (iii) all employer and employee payments, contributions or premiums to be remitted, paid to or in respect of each Canadian Pension Plan have been paid or remitted in a timely fashion in accordance with the terms thereof, any funding agreement and all applicable laws, (iv) no Canadian Pension Termination Event has occurred or is reasonably expected to occur and (v) no action has been taken (including the enactment of any corporate resolution) by any Credit Party to terminate or wind up (in whole or in part) any Canadian Defined Benefit Plan nor has any such Canadian Defined Benefit Plan been terminated or wound-up prior to the date hereof. No Credit Party maintains, contributes or sponsors or has any liability with respect to any Canadian Defined Benefit Plan.

SECTION 7.12 Subsidiaries; Opco. Schedule 7.12 identifies, ~~as of the Third Amendment Effective Date,~~ the direct and indirect ownership interest of each of the Credit Parties, each Subsidiary thereof, each Opco, each Opco Mortgagor and each Person pledged pursuant to the Individual Pledge Agreement.

SECTION 7.13 Intellectual Property; Licenses, etc. Each Credit Party owns, or possesses the right to use, all of the trademarks, service marks, trade names, Internet domain names, copyrights and copyrightable works, patents, inventions, trade secrets, know-how, proprietary computer software, franchises, intellectual property licenses and other intellectual property rights, including all registrations and applications to register any of the foregoing and all rights to sue or recover at law or in equity for any past, present or future infringement, misappropriation, dilution, violation or other impairment thereof (collectively, the “IP Rights”) that are reasonably necessary for the operation of their respective businesses. The conduct and operations of the businesses of each Credit Party, to its knowledge, do not infringe, misappropriate, dilute, or otherwise violate in any material respect any intellectual property owned by any other Person, no other Person has challenged in writing or questioned any right, title or interest of any Credit Party in any IP Rights of such Credit Party, and no Credit Party has received a written challenge from any other Person contesting the use of any IP Rights owned by such Credit Party or the validity or enforceability of such IP Rights. No claim or litigation regarding any of the foregoing is pending or, to the knowledge of such Credit Party threatened. Schedule 7.13 is a complete and accurate list, as of the Third Amendment Effective Date, of (i) all IP Rights registered or pending registration with the United States Copyright Office or the United States Patent and Trademark Office or the Canadian Intellectual Property Office and owned by each Credit Party as of the Third Amendment Effective Date and (ii) all material license agreements or similar arrangements granting IP Rights of another Person to any Credit Party, other than software license agreement for “off-the-shelf” or “click-through” agreements. As of the Third Amendment Effective Date, none of the IP Rights owned by any Credit Party is subject to any licensing agreement, other than (i) non-exclusive licenses granted to customers in the ordinary business, or (ii) except as set forth on Schedule 7.13.

SECTION 7.14 Environmental Warranties.

(a) Except as set forth in Schedule 7.14:

(i) The Credit Parties, their Subsidiaries and their respective businesses, operations and Real Property are and have at all times during the Credit Parties’ or their Subsidiaries’ ownership, lease or operation thereof been in material compliance with, and the Credit Parties and their Subsidiaries have no material liability under, any applicable Environmental Law.

(ii) The Credit Parties and their Subsidiaries have obtained all material permits, licenses, certificates or authorizations required under Environmental Law (“**Environmental Permits**”) and necessary for the conduct of their businesses and operations, and the ownership, operation and use of their Real Property. The Credit Parties and their Subsidiaries are in material compliance with the terms and conditions of such Environmental Permits, and all such Environmental Permits are valid and in good standing.

(iii) There has been no Release or threatened Release or any handling, management, generation, treatment, storage or disposal of Hazardous Materials in, on, at, under, to, or from any Real Property presently or, to the knowledge of any Credit Party, formerly owned, leased or operated by any of the Credit Parties, their Subsidiaries or their respective predecessors in interest that has resulted in, or is reasonably expected to result in, material liability or obligations by any of the Credit Parties under Environmental Law or result in a material Environmental Claim.

(iv) There is no material Environmental Claim pending or, to the knowledge of the Credit Parties, threatened against any of the Credit Parties or their Subsidiaries, or relating to the Real Property currently or formerly owned, leased or operated by any of the Credit Parties or their Subsidiaries or relating to the operations of the Credit Parties or their Subsidiaries, and, to the knowledge of the Credit Parties, there are no actions, activities, circumstances, conditions, events or incidents that are reasonably likely to form the basis of a material Environmental Claim.

(v) No person with an indemnity, contribution or other obligation to any of the Credit Parties or their Subsidiaries relating to compliance with or liability under Environmental Law is in default with respect to any such indemnity, contribution or other obligation.

(vi) No Real Property owned, leased or operated by the Credit Parties or their Subsidiaries and, to the knowledge of the Credit Parties, no Real Property or facility formerly owned, leased or operated by any of the Credit Parties or any of their predecessors in interest is (i) listed or proposed for listing on the National Priorities List as defined in and promulgated pursuant to CERCLA or (ii) listed on the Comprehensive Environmental Response, Compensation and Liability Information System promulgated pursuant to CERCLA or (iii) included on any similar list maintained by any governmental or regulatory authority that indicates that any Credit Party or Subsidiary has or may have an obligation to undertake investigatory or remediation obligations under applicable Environmental Laws.

(vii) No Lien has been recorded or, to the knowledge of any Credit Party, threatened under any Environmental Law with respect to any Real Property of the Credit Parties or their Subsidiaries.

(b) None of the matters, individually or in the aggregate, disclosed in Schedule 7.14 could reasonably be expected to have a Material Adverse Effect.

(c) The Credit Parties and their Subsidiaries have made available to the Administrative Agent all material reports, assessments, audits, studies and investigations in the possession, custody or control of the Credit Parties and their Subsidiaries concerning Environmental Claims or compliance with or liability or obligation under Environmental Law, including those concerning the condition of the Real Property or the existence of Hazardous Materials at Real Property or facilities formerly owned, operated, leased or used by any of the Credit Parties, their Subsidiaries or their predecessors-in-interest.

Any reference to “Subsidiaries” in this Section 7.14 shall, with respect to any Subsidiary that is not a Credit Party, be true and correct in all material respects with respect to such Subsidiary except to the extent the failure of such representation to be true and correct in all material respects with respect to such Subsidiary could not reasonably be expected to result in a Material Adverse Effect.

SECTION 7.15 Ownership of Properties. Set forth on Schedule 7.15 is a list of all Real Property owned by any of the Credit Parties that constitutes Collateral and all Real Property leased by any of the Credit Parties, indicating in each case whether the respective property is owned or leased, the identity of the owner or lessor and the location of the respective property. Each Credit Party owns (a) in the case of owned Real Property constituting Collateral, good and valid fee simple title to such Real Property, (b) in the case of owned personal property, good and valid title to such personal property, and (c) in the case of leased Real Property or material leased personal property, valid and enforceable (except as may be limited by bankruptcy, insolvency, examinership, moratorium, fraudulent conveyance or other laws applicable to creditors’ rights generally and by generally applicable equitable principles, whether considered in an action at law or in equity) leasehold interests (as the case may be) in such leased property, in each case, free and clear in each case of all Liens or claims, except for Permitted Liens.

SECTION 7.16 No Default. None of the Credit Parties is in default or material breach under or with respect to, or a party to, any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. On the Third Amendment Effective Date, after giving effect to the Transactions, none of the Credit Parties is in default under or with respect to any Contractual Obligation in respect of Indebtedness.

SECTION 7.17 Solvency. On the Third Amendment Effective Date, after giving effect to the Transactions and the other transactions related thereto, Parent and its Subsidiaries, on a consolidated basis, are Solvent.

SECTION 7.18 Locations of Offices, Records and Collateral. The address of the principal place of business and chief executive office of each Credit Party is, and the books and records of each Credit Party and all of its Chattel Paper (as defined in the UCC) and records of Accounts (as defined in the UCC) are maintained exclusively in the possession of such Credit Party at, the address of such Credit Party specified in Schedule 7.18 (or, after the Third Amendment Effective Date, at such other address permitted by Section 5.3(a)(i) of the Security Agreement).

SECTION 7.19 Compliance with Laws and Permits; Authorizations.

(a) Each Credit Party and each of its Subsidiaries (a) is in material compliance with all Applicable Laws and Permits, including all applicable Canadian Cannabis Laws and U.S. State Cannabis Laws but excluding all U.S. Federal Cannabis Laws, and (b) has all requisite governmental licenses, Permits (including the Regulatory Licenses), authorizations, consents and approvals to operate its business as currently conducted, except in such instances in which (x) such requirement of Applicable Laws, Permits, government licenses, authorizations or approvals are being contested in good faith by appropriate proceedings diligently conducted or (y) the failure to have or comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No Credit Party has received any written notice that is outstanding or unresolved to the effect that its operations are not in material compliance with any Environmental Law or Permit or are the subject of any investigation by any Governmental Authority evaluating whether any cleanup or other action is needed to respond to a Release or impose further controls on any existing discharge of Hazardous Materials to the environment.

(b) No Credit Party, nor any Subsidiary, nor, to the knowledge of the Credit Parties and their Subsidiaries, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a Designated Jurisdiction. No Credit Party is engaged in any Restricted Cannabis Activities.

(c) The Credit Parties and their Subsidiaries have conducted their business in compliance, to the extent applicable, with the United States Foreign Corrupt Practices Act of 1977, Canadian Economic Sanctions and Export Control Laws and the anti-bribery and anti-corruption laws of any jurisdictions applicable to the Credit Parties and their Subsidiaries, and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

SECTION 7.20 No Material Adverse Effect. Since December 31, 2020, both immediately before and immediately after giving effect to the Transactions, (a) there has been no Material Adverse Effect, and (b) there has been no circumstance, event or occurrence, and no fact is known to the Credit Parties that could reasonably be expected to result in a Material Adverse Effect.

SECTION 7.21 Contractual or Other Restrictions. As of the Third Amendment Effective Date, no Credit Party or, with respect to clause (a) below, any of its Subsidiaries is a party to any agreement or arrangement or subject to any Applicable Law that limits its ability to (a) pay dividends to, or otherwise make Investments in or other payments to any Credit Party (except for such limitations set forth in the Credit Documents), (b) grant Liens in favor of the Collateral Agent or (c) perform the terms of the Credit Documents.

SECTION 7.22 Collective Bargaining Agreements. Set forth on Schedule 7.22 as of the Third Amendment Effective Date is a list of all collective bargaining or similar agreements between or applicable to any Credit Party and any union, labor organization or other bargaining agent in respect of the employees of any Credit Party.

SECTION 7.23 Insurance. The properties of each Credit Party are insured with financially sound and reputable insurance companies not Affiliates of any Credit Party against loss and damage in such amounts, with such deductibles and covering such risks as are customarily carried by Persons of comparable size and of established reputation engaged in the same or similar businesses and owning similar properties in the general locations where such Credit Party operates. As of the Third Amendment Effective Date, Schedule 7.23 sets forth all insurance policies maintained by or on behalf of the Credit Parties, other than as otherwise set forth on Schedule 7.23. As of the Third Amendment Effective Date, all premiums with respect thereto that are due and payable have been duly paid and no Credit Party has received or has knowledge of any notice of violation or cancellation thereof and each Credit Party has complied in all material respects with the requirements of such policy.

SECTION 7.24 Evidence of Other Indebtedness. Schedule 7.24 is a complete and correct list of each credit agreement, loan agreement, indenture, purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any commitment for any extension thereof to, any Credit Party outstanding on the Third Amendment Effective Date which will remain outstanding after the Third Amendment Effective Date (other than this Agreement and the other Credit Documents), in each case, in excess of \$1,000,000 and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement as of the Third Amendment Effective Date is correctly described in Schedule 7.24. As of the Third Amendment Effective Date, the aggregate principal amount of all Indebtedness of (and all commitments for extensions of credit to) the Credit Parties which is not disclosed on Schedule 7.24 by reason of the disclosure threshold set forth in the immediately preceding sentence does not exceed \$5,000,000.

SECTION 7.25 Deposit Accounts and Securities Accounts. Set forth in Schedule 7.25, as updated from time to time pursuant to Section 8.01(c), is a list of all of the deposit accounts and securities accounts of each Credit Party, including, with respect to each bank or securities intermediary at which such accounts are maintained by such Credit Party (a) the name and location of such Person and (b) the account numbers of the deposit accounts or securities accounts maintained with such Person.

SECTION 7.26 Absence of any Undisclosed Liabilities. There are no material liabilities of any Credit Party of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in any such liabilities, other than those liabilities provided for or disclosed in the most recent financial statements delivered pursuant to Section 8.01.

SECTION 7.27 Material Contracts and Regulatory Matters.

(a) Schedule 7.27(a), as updated from time to time pursuant to Section 8.01(c), sets forth all Material Contracts (other than Opco Agreements) of the Credit Parties. As of the Third Amendment Effective Date, all Material Contracts are in full force and effect and no defaults currently exist thereunder.

(b) The Credit Parties hold the applicable Regulatory Licenses material for such Credit Party to conduct its Business. Each cannabis Regulatory License of each Credit Party, and each other Regulatory License material to the conduct of such Credit Party's Business, is in full force and effect in all material respects and has not been revoked, suspended, cancelled, rescinded, terminated, modified and has not expired. There are no pending actions or actions threatened in writing by or before any Governmental Authority to revoke, suspend, cancel, rescind, terminate and/or materially adversely modify any Regulatory License. Schedule 7.27(b), as updated from time to time pursuant to Section 8.01(c), sets forth all Regulatory Licenses held by the Credit Parties.

(c) Schedule 7.27(c), as updated from time to time pursuant to Section 8.01(c), sets forth all Opco Agreements to which a Credit Party is a party. As of the Restatement Date, all Opco Requirements have been satisfied except as otherwise set forth on Schedule 7.27(c).

SECTION 7.28 Anti-Terrorism Laws. No Credit Party or any Subsidiary is in violation of any Applicable Law relating to terrorism or money laundering including the Canadian Anti-Money Laundering & Anti-Terrorism Legislation (“**Anti-Terrorism Laws**”), including the Patriot Act and Executive Order No. 13224 on Terrorism Financing, effective September 24, 2001 (the “**Executive Order**”). No Credit Party, Subsidiary or agent acting or benefiting in any capacity in connection with the Loans is (a) a Person that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order, (c) a Person with whom any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person who commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order, (e) a Person that is named as a “specially designated national and blocked person” on the most current list published by the United States Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list or (f) a Canadian Blocked Person. No Credit Party or Subsidiary or, to the Credit Parties’ knowledge, other agents acting or benefiting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in the preceding sentence, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in any property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Anti-Terrorism Laws. Notwithstanding the foregoing, the representations given in this Section 7.28 shall not be made by nor apply to any Person that qualifies as a corporation that is registered or incorporated under the laws of Canada or any province thereof and that carries on business in whole or in part in Canada within the meaning of Section 2 of the Foreign Extraterritorial Measures (United States) Order, 1992 passed under the *Foreign Extraterritorial Measures Act* (Canada) insofar as such representations would result in a violation of or conflict with the *Foreign Extraterritorial Measures Act* (Canada) or any similar law.

SECTION 7.29 Conduct of Business. As of the Third Amendment Effective Date, Schedule 7.29 sets forth all Sales Tracking Software of the Credit Parties and any bookkeeping or accounting software of the Credit Parties.

SECTION 7.30 Transactions with Affiliates. Except as set forth on Schedule 7.30, there are no existing or proposed agreements, arrangements, understandings or transactions between any Credit Party and any of the officers, members, managers, directors, stockholders, parents, holders of other Capital Stock, employees or Affiliates (other than Subsidiaries) of any Credit Party or any members of their respective immediate families, and none of the foregoing Persons are directly or indirectly indebted to or have any direct or indirect ownership, partnership, or voting interest in any Affiliate of any Credit Party or any Person with which any Credit Party has a business relationship or which competes with any Credit Party.

ARTICLE VIII
Affirmative Covenants

The Credit Parties hereby covenant and agree that on the Restatement Date and thereafter, until the Loans, together with interest, Fees and all other Obligations incurred hereunder (other than Unasserted Contingent Obligations) are paid in full in accordance with the terms of this Agreement:

SECTION 8.01 Financial Information, Reports, Notices and Information. The Credit Parties will furnish the Administrative Agent copies of the following financial statements, reports, notices and information:

(a) Quarterly Financial Statements. As soon as available and in any event within sixty (60) days after the end of each fiscal quarter of Parent, (i) unaudited (A) consolidated and consolidating balance sheets of Parent and its Subsidiaries as of the end of such fiscal quarter, and (B) consolidated and, if requested by the Administrative Agent, consolidating statements of income and cash flow of Parent and its Subsidiaries for such fiscal quarter, in each case, and for the period commencing at the end of the previous fiscal year of Parent and ending with the end of such fiscal quarter, including (in each of clause (A) and (B) (if applicable)), in comparative form (both in Dollar and percentage terms) the figures for the corresponding fiscal quarter in, and year-to-date portion of, the immediately preceding fiscal year of the Borrower, certified as complete and correct in all material respects by an Authorized Officer of the Borrower, subject to normal year-end adjustments and the absence of footnotes pursuant to the audit required under Section 8.01(b) (provided that such year-end adjustments and footnotes shall not be materially adverse, individually or in the aggregate, to any Agent or any Lender), and (ii) a management discussion and analysis (with reasonable detail and specificity) of the results of operations for the fiscal periods reported, including, in comparative form the figures for the corresponding fiscal quarter in, and year-to-date portion of, the immediately preceding fiscal year of the Borrower, and period commencing at the end of the previous fiscal year of the Borrower and ending with the end of such fiscal quarter.

(b) Annual Financial Statements. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Parent, copies of the consolidated and consolidating balance sheets of Parent and its Subsidiaries, and the related consolidated and consolidating statements of income and cash flows of Parent and its Subsidiaries for such fiscal year, setting forth in comparative form (both in Dollar and percentage terms) the figures for the immediately preceding fiscal year, such consolidated statements audited and certified without qualification, or exception as to the scope of such audit, by an independent public accounting firm reasonably acceptable to the Administrative Agent, together with a management discussion and analysis (with reasonable detail and specificity) of the results of operations for the fiscal periods reported.

(c) Compliance Certificates. Concurrently with the delivery of the financial information pursuant to clauses (a) and (b) above, a Compliance Certificate, executed by an Authorized Officer of the Borrower, (i) certifying that such financial information presents fairly in all material respects the financial condition, results of operations and cash flows of Parent and its Subsidiaries in accordance with IFRS at the respective dates of such information and for the respective periods covered thereby, subject in the case of unaudited financial information, to changes resulting from normal year-end audit adjustments and to the absence of footnotes, (ii) showing compliance with the Financial Performance Covenants and stating that no Default or Event of Default has occurred and is continuing (or, if a Default or an Event of Default has occurred, specifying the details of such Default or Event of Default and the actions taken or to be taken with respect thereto), (iii) in the case of each Compliance Certificate delivered concurrently with the financial information pursuant to clause (b) above, specifying any change in the identity of the Credit Parties as at the end of such fiscal year from the Credit Parties as of the Third Amendment Effective Date or the most recent fiscal year, as the case may be, and (iv) in the case of each Compliance Certificate delivered concurrently with the financial information pursuant to clause (b) above, including (A) updated Schedules 7.04, 7.12, 7.25, 7.27(a), 7.27(b) and 7.27(c) ~~of this Agreement~~ (if applicable), (B) a true, correct and complete organizational chart for Parent and its Subsidiaries and (C) true, complete and correct copies all amendments, consent letters, waivers or other modifications to a Credit Party's Organization Documents.

(d) Notices. The Credit Parties shall provide the Administrative Agent with a written notice promptly of the following (and in no event later than ten (10) Business Days after an Authorized Officer of any Credit Party becoming aware of any of the following, or such earlier date as set forth below):

(i) any pending or threatened (in writing) litigation, action, proceeding or other controversy which purports to affect the legality, validity or enforceability of any Credit Document, or any other document or instrument referred to in Section 9.07, which notice shall be signed by an Authorized Officer of Parent and shall specify the nature thereof, and what actions the applicable Credit Parties propose to take with respect thereto, together with copies of all relevant documentation;

(ii) the commencement of, or any material development in, any litigation, investigation, document request or proceeding affecting any Credit Party thereof, in which (A) the amount of damages claimed is \$1,000,000 (or its equivalent in another currency or currencies) or more (exclusive of any amounts covered by insurance (less any applicable deductible) so long as a written request for coverage has been submitted to the insurer and such insurer confirmed coverage in writing), (B) injunctive or similar relief is or may be sought and which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, (C) the relief sought is or may be an injunction or other stay of the performance of this Agreement or any other Credit Document or (D) the SEC or any other Governmental Authority is involved;

(iii) all final “management letters” and other significant written final reports submitted to the Credit Parties by their accountants in connection with each annual, interim or special audit or review of any type of the financial statements or related internal control systems, including any final comment letters delivered to management and all responses thereto, and true, complete and correct copies thereof;

(iv) (A) any Credit Party obtaining any cannabis Regulatory License following the Restatement Date or (B) any non-renewal of a cannabis Regulatory License or any other material Regulatory License;

(v) the results of any inspection or facility audit by any Governmental Authority to the extent such results are material and negative, and true, complete and correct copies thereof;

(vi) after receipt or delivery thereof, copies of any material and adverse notices that any Credit Party receives or delivers in connection with any leased real property at which any Credit Party conducts Business (excluding any such location at which only administrative office functions are conducted);

(vii) all material periodic and other reports, proxy statements and other materials filed by any Credit Party with the SEC, the CSA, the BCSC or the OSC, or with any national securities exchange, or distributed by Parent to its shareholders generally, as the case may be.

(viii) the discharge or withdrawal or resignation by Credit Parties’ independent accountants; and

(ix) any warning document, letter, notice or request for information from, or any investigation by, any Governmental Authority that would have a material and negative impact on any cannabis Regulatory License or any other material Regulatory License or the ability of the Credit Parties to conduct all or any material portion of their business, or which reveals that the Credit Parties are engaged in a Restricted Cannabis Activity.

(e) Defaults. As soon as possible and in any event within three (3) Business Days after an Authorized Officer of any Credit Party obtains knowledge thereof, notice from an Authorized Officer of the Borrower of the occurrence of any event that constitutes a Default or an Event of Default, which notice shall specify the nature thereof, the period of existence thereof and what action the applicable Credit Parties propose to take with respect thereto.

(f) Material Adverse Effect. Prompt notice (and in any event within three (3) Business Days) of any event, to the extent such event has had, or could reasonably be expected to result in, a Material Adverse Effect.

(g) Bankruptcy, etc. Immediately upon becoming aware thereof, notice (whether involuntary or voluntary) of the bankruptcy, insolvency, examinership, receivership, reorganization of any Credit Party or Subsidiary, or the appointment of any trustee, assignee, receiver, interim receiver, monitor or similar estate fiduciary in connection with or anticipation of any such occurrence, or the taking of any step by any Person in furtherance of any such action or occurrence.

(h) Deposit Accounts, Securities Accounts and Investment Property. Within three (3) Business Days after written request by the Administrative Agent, all monthly (or other, periodic) bank (or other financial intermediary) statements of account with respect to all securities accounts, deposit accounts and investment property of the Credit Parties not previously provided to the Collateral Agent.

(i) Other Information. With reasonable promptness, such other information (financial or otherwise) as any Agent on its own behalf or at the request of any Lender may reasonably request in writing from time to time.

(j) Notices and Financial Statements Posted on EDGAR or SEDAR or with the CSE. The financial statements required to be delivered pursuant to clauses (a) or (b) of this Section 8.01 shall be deemed delivered by publicly filing quarterly and annual financial statements with EDGAR, SEDAR or the CSE and notifying the Administrative Agent of such filing. Any notices required to be provided to the Administrative Agent or Lenders pursuant to this Agreement shall be deemed provided by publicly filing such notice with EDGAR, SEDAR or the CSE and notifying the Administrative Agent of such filing.

SECTION 8.02 Books, Records and Inspections. The Credit Parties will, and will cause each of their respective Subsidiaries to, maintain proper books of record and account, in which entries that are full, true and correct in all material respects and are in conformity with IFRS (subject to normal year-end adjustments pursuant to the audit required under Section 8.01(b) (provided that such year-end adjustments shall not be materially adverse, individually or in the aggregate, to any Agent or any Lender)), consistently applied shall be made of all material financial transactions and matters involving the assets and business of the Credit Parties or such Subsidiary, as the case may be. The Credit Parties will permit the Administrative Agent, one additional Lender on behalf of all Lenders, and their respective representatives and independent contractors, to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Credit Parties; provided that such visits or inspections shall be at reasonable times during normal business hours, upon reasonable advance notice to the Credit Parties, but not more often than two (2) times per year (except that none of the limitations in this proviso shall apply if an Event of Default then exists). Any information obtained by the Administrative Agent pursuant to this Section 8.02 may be shared with the Collateral Agent or any Lender upon the request of such Secured Party. The Administrative Agent shall give the Credit Parties the opportunity to participate in any discussions with the Credit Parties' independent public accountants.

SECTION 8.03 Maintenance of Insurance. The Credit Parties, except as otherwise set forth on Schedule 7.23, will, and will cause each of their respective Subsidiaries to, at all times maintain in full force and effect, with insurance companies that such Credit Parties believe (in their reasonable business judgment) are financially sound and reputable at the time the relevant coverage is placed or renewed, insurance in at least such amounts and against at least such risks (and with such risk retentions) as are usually insured against in the same general area by companies engaged in businesses similar to those engaged in by such Credit Parties; and will furnish to the Collateral Agent for further delivery to the Lenders, upon written request from the Collateral Agent, information presented in reasonable detail as to the insurance so carried, including (i) endorsements to (A) all “All Risk” policies naming the Collateral Agent, on behalf of the Secured Parties, as lender loss payee and (B) all general liability and other liability policies naming the Collateral Agent, on behalf of the Secured Parties, as additional insured and (ii) legends providing that no cancellation, material reduction in amount or material change in insurance coverage thereof shall be effective until at least thirty (30) days (ten (10) days with respect to failure to pay premium) after receipt by the Collateral Agent of written notice thereof.

SECTION 8.04 Payment of Taxes. The Credit Parties will timely pay and discharge, and will cause each of their respective Subsidiaries to timely pay and discharge, all Taxes, assessments and governmental charges or levies imposed upon them or upon their income or profits, or upon any properties belonging to it, prior to the date on which such Tax, assessment or governmental charge is due, and all lawful claims that, if unpaid, could reasonably be expected to become a Lien having priority over the Collateral Agent’s Liens (other than Permitted Liens) or an otherwise material Lien upon any properties of the Credit Parties or any of their respective Subsidiaries; provided that none of the Credit Parties or any of their respective Subsidiaries shall be required to pay any such Tax, assessment, charge, levy or claim that is being contested in good faith and by proper proceedings that stays execution and as to which such Credit Party has maintained adequate reserves with respect thereto in accordance with IFRS.

SECTION 8.05 Maintenance of Existence; Compliance with Laws, etc. Each Credit Party will, and will cause its Subsidiaries to (a) preserve and maintain in full force and effect its organizational existence (except in a transaction permitted by Section 9.03); provided that a Credit Party may, upon ten (10) days prior written notice to the Administrative Agent, make a change in its legal form if such Credit Party determines in good faith that such action is in the best interests of the Credit Party and is not materially disadvantageous to the Secured Parties, and the Administrative Agent has not objected to such change during such ten (10) day period (such objection not to be made on an unreasonable basis); provided, further, that any requirements under any Credit Document with respect to such change shall be promptly satisfied, and (b) preserve and maintain its good standing under the laws of its state or jurisdiction of incorporation, organization or formation, and each state or other jurisdiction where such Person is qualified, or is required to be so qualified, to do business as a foreign entity, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect. Each Credit Party will, and will cause its Subsidiaries to, comply in all material respects with all Applicable Laws, rules, regulations and orders, including without limitation compliance with safety regulations applicable to such Credit Party or such Subsidiary, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 8.06 Environmental Compliance.

(a) Each Credit Party will, and will cause its Subsidiaries to, comply in all material respects with all Environmental Laws and Environmental Permits applicable to their business, operations and Real Property; obtain and maintain in full force and effect all material Environmental Permits applicable to its business, operations and Real Property; and conduct all response, investigation, remediation, cleanup or monitoring activity required by any governmental or regulatory authority or any applicable Environmental Laws, and in accordance with, the requirements of any governmental or regulatory authority and applicable Environmental Laws.

(b) Each Credit Party will, and will cause its Subsidiaries to, do or cause to be done all things required by Environmental Laws to prevent any Release of Hazardous Materials in, on, at, under, to or from any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries except in full compliance with applicable Environmental Laws or an Environmental Permit, and ensure that there shall be no Hazardous Materials in, on, at, under or from any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries except those that are present, used, stored, handled and managed in material compliance with applicable Environmental Laws.

(c) Each Credit Party will, and will cause its Subsidiaries to, undertake all actions, including response, investigation, remediation, cleanup or monitoring actions, necessary, at the sole cost and expense of the Credit Parties, (i) to address any Release of Hazardous Materials in, on, at, under, to or from any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries as required pursuant to Environmental Law or the requirements of any governmental or regulatory authority; (ii) to address as may be required by Environmental Law any environmental conditions relating to any Credit Party, Subsidiary, or their respective business or operations or to any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries pursuant to any reasonable written request of the Administrative Agent and, except for information and documents to the extent covered by attorney client privilege or attorney work product doctrine, share with the Administrative Agent all data, information and reports generated or prepared in connection therewith; (iii) to keep any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries free and clear of all Liens and other encumbrances pursuant to any Environmental Law, whether due to any act or omission of any Credit Party, Subsidiary or any other person; and (iv) to promptly notify the Administrative Agent in writing of: (1) any material Release or threatened Release of Hazardous Materials in, on, at, under, to, or from any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries, except those that are pursuant to and in compliance with the terms and conditions of an Environmental Permit, (2) any material non-compliance with, or violation of, any Environmental Law applicable to any Credit Party or Subsidiary, any Credit Party's or Subsidiary's business and any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries, (3) any Lien pursuant to Environmental Law imposed on any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries, (4) any response, investigation, remediation, cleanup or monitoring activity at any Real Property owned, leased or operated by any of the Credit Parties or their Subsidiaries required to be undertaken pursuant to Environmental Law, and (5) any notice or other communication received by any Credit Party from any person or governmental or regulatory authority relating to any material Environmental Claim or material liability or potential liability of any Credit Party or Subsidiary pursuant to any Environmental Law.

(d) If a Default caused by reason of a breach of Section 7.14 or this Section 8.06 shall have occurred and is not reasonably curable within ten (10) days or shall be continuing for more than thirty (30) days without the Credit Parties commencing activities reasonably likely to cure such Default, the Credit Parties shall, at the written request of the Administrative Agent, (i) provide to the Administrative Agent within forty-five (45) days after such request, at the expense of the Credit Parties, an environmental assessment report regarding the matters which are the subject of such Default, including, where appropriate, any soil and/or groundwater sampling, prepared by a nationally recognized environmental consulting firm reasonably acceptable to the Administrative Agent and in the form and substance reasonably acceptable to the Administrative Agent and evaluating the presence or absence of Hazardous Materials and the estimated cost of any compliance or response action to address such Default and findings; (ii) promptly undertake all actions required by applicable Environmental Law to address any non-compliance with or violation of Environmental Law; (iii) promptly undertake all response actions required by Environmental Laws to address any recognized environmental conditions identified in the environmental assessment report to the reasonable satisfaction of the Administrative Agent; and (iv) permit the Administrative Agent and its representatives to have access to all Real Property and all facilities owned, leased or operated by any of the Credit Parties and their Subsidiaries which are the subject of such Default for the purpose of conducting such environmental audits and testing as is reasonably necessary, including subsurface sampling of soil and groundwater, the cost for which shall be payable by the Credit Parties.

SECTION 8.07 ERISA; Canadian Pension Plans.

(a) As soon as possible and, in any event, within ten (10) days after any Credit Party, any of its Subsidiaries or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following events, the Borrower will deliver to the Agents and each Lender a certificate of an Authorized Officer of the Borrower setting forth the full details as to such occurrence and the action, if any, that such Credit Party, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices (required, proposed or otherwise) given to or filed with or by such Credit Party, such Subsidiary, such ERISA Affiliate, the PBGC, a Plan participant (other than notices relating to an individual participant's benefits) or the Plan administrator with respect thereto: (i) the institution of any steps by any Person to terminate any Pension Plan; (ii) the failure to make a required contribution to any Pension Plan if such failure is sufficient to give rise to a Lien under Sections 303(k) or 4068 of ERISA or under Section 430(k) of the Code; (iii) the taking of any action with respect to a Pension Plan which could result in the requirement that any Credit Party furnish a bond or other security to the PBGC or such Pension Plan; (iv) the occurrence of any event with respect to any Plan which could result in the incurrence by any Credit Party of any material liability, fine or penalty, notice thereof and copies of all documentation relating thereto; (v) that a Reportable Event has occurred (except to the extent that the Borrower has previously delivered to the Agents and Lenders a certificate and notices (if any) concerning such event pursuant to the next clause hereof); (vi) that a contributing sponsor (as defined in Section 4001(a)(13) of ERISA) of a Pension Plan subject to Title IV of ERISA is subject to the advance reporting requirement of PBGC Regulation Section 4043.61 (without regard to subparagraph (b)(1) thereof), and an event described in subsection .62, .63, .64, .65, .66, .67 or .68 of PBGC Regulation Section 4043 is reasonably expected to occur with respect to such Plan within the following 30 days; (vii) that a failure to satisfy the minimum funding standard within the meaning of Section 430 of the Code or Section 303 of ERISA (whether or not waived in accordance with Section 412(c) of the Code or Section 302(c) of ERISA) has occurred (or is reasonably likely to occur) or an application may be or has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412, 430 or 431 of the Code or Section 302, 303 or 304 of ERISA with respect to a Pension Plan; (viii) that a Pension Plan having any material Unfunded Current Liability has been or is to be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA (including the giving of written notice thereof); (ix) that a Pension Plan has an Unfunded Current Liability that has or will result in a Lien under ERISA or the Code; (x) that proceedings may be or have been instituted to terminate a Pension Plan having an Unfunded Current Liability (including the giving of written notice thereof); (xi) that a proceeding may be or has been instituted against a Credit Party, a Subsidiary thereof or an ERISA Affiliate pursuant to Section 515 of ERISA to collect a delinquent contribution to a Pension Plan; (xii) that the PBGC has notified any Credit Party, any Subsidiary thereof or any ERISA Affiliate of its intention to appoint a trustee to administer any Pension Plan; (xiii) that any Credit Party, any Subsidiary thereof or any ERISA Affiliate has failed to make a required installment or other payment pursuant to Section 412 of the Code with respect to a Pension Plan; (xiv) that any Credit Party, any Subsidiary thereof or any ERISA Affiliate has incurred or will incur (or has been notified in writing that it will incur) any material liability (including any indirect, contingent or secondary liability) to or on account of a Plan pursuant to Section 409, 502(i), 502(l), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 436(f), 4971, 4975 or 4980 of the Code; or (xv) that any Credit Party, any Subsidiary thereof or any ERISA Affiliate may be directly or indirectly liable for a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary or disqualified person with respect to any Plan.

(b) Promptly following any request therefor, copies of any documents described in Section 101(k) of ERISA that any Credit Party, any of its Subsidiaries or any ERISA Affiliate may request with respect to any Plan, any notices described in Section 101(l) of ERISA that any Credit Party, any of its Subsidiaries or any ERISA Affiliate may request with respect to any Plan and any information that any Credit Party, any of its Subsidiaries or any ERISA Affiliate may request with respect to any Multiemployer Plan in connection with Section 4221(e) of ERISA; provided, that if any Credit Party, any of its Subsidiaries or any ERISA Affiliate has not requested such documents or notices from the administrator or sponsor of the applicable Plan, the applicable Credit Party, the applicable Subsidiary(ies) or the ERISA Affiliate(s) shall promptly make a request for such documents or notices from such administrator or sponsor and shall provide copies of such documents and notices promptly after receipt thereof.

(c) The Canadian Credit Parties shall cause each of its Canadian Pension Plans to be duly qualified and administered in all material respects in compliance with, as applicable, the pensions benefit laws of the particular province and all other Applicable Laws (including regulations, orders and directives), and the terms of the Canadian Pension Plan and any agreements relating thereto. The Canadian Credit Parties shall ensure that: (i) all contribution amounts and any special catch up payments owing under any Canadian Pension Plan are current and not in arrears; (ii) no Canadian Pension Plan has a material solvency deficiency, (iii) each of them does not engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Canadian Pension Plan that could reasonably be expected to result in a material liability, and (iv) each of them, without the consent of the Agent, shall not, nor shall they permit, the wind up and/or termination of any Canadian Pension Plan that would result in a material liability of it to any Canadian Pension Plan.

SECTION 8.08 Maintenance of Properties. Each Credit Party will maintain, preserve, protect and keep its properties and assets in good repair, working order and condition (ordinary wear and tear excepted and subject to casualty, condemnation and dispositions permitted pursuant to Section 9.04), and make necessary repairs, renewals and replacements thereto and will maintain and renew as necessary all licenses, Permits (including the Regulatory Licenses) and other clearances necessary to use and occupy such properties and assets, in each case so that the business carried on by such Person may be properly conducted at all times, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Each Credit Party will (a) perform and observe all the material terms and provisions of each Material Contract to be performed or observed by it, (b) perform and observe all the material requirements of each Regulatory License to be performed or observed by it, (c) maintain each such Material Contract and each Regulatory License in full force and effect (except to the extent such Person shall have entered into a replacement of any such Material Contract or Regulatory License substantially concurrently with the expiration or termination thereof, on terms that are not materially adverse (taken as a whole) to the rights of any Credit Party or their Subsidiaries, or any Secured Party), and (d) enforce each such Material Contract and each Regulatory License in accordance with its terms.

SECTION 8.09 Reserved.

SECTION 8.10 Additional Borrowers and Guarantors.

(a) If the closing of the Potential Acquisition occurs, concurrently therewith cause to be delivered to the Administrative Agent each of the following, as applicable, in each case reasonably acceptable to the Administrative Agent and, as applicable, duly executed by the parties thereto: (i) a joinder agreement with respect to this Agreement from each Subsidiary created or acquired pursuant to the Potential Acquisition, pursuant to which such Subsidiary shall become a Borrower, together with other Credit Documents reasonably requested by the Administrative Agent, including all Security Documents and other documents reasonably requested by the Administrative Agent to establish and preserve the Lien of the Collateral Agent in all Collateral of such Subsidiary, subject to any limitations on Collateral set forth in the Security Agreement; (ii) with respect to each parcel of Real Property owned by such Subsidiary or for which ownership is obtained by a Credit Party pursuant to the Potential Acquisition, (A) a valid first-priority Mortgage, (B) an appraisal by an independent appraiser selected by the Administrative Agent, with each such appraisal being procured at Borrowers' expense and in form and substance reasonably acceptable to the Administrative Agent, (C) an ALTA Policy for Title Insurance issued by a title company reasonably acceptable to the Administrative Agent, in form and substance reasonably acceptable to the Administrative Agent, or marked commitment therefor, without a survey or other exception unless acceptable to the Administrative Agent, (D) an environmental site assessment, (E) a zoning report, zoning endorsement, zoning conformation from the applicable Governmental Authority or similar document, in each case, confirming such Real Property is zoned for the business conducted by the applicable Person on such Real Property, and (F) if such Real Property is in a flood zone, a flood notification form signed by the owner of such Real Property and evidence that flood insurance is in place for the buildings and their contents located thereon; (iii) UCC financing statements, Documents (as defined in the UCC), and original collateral (including pledged Capital Stock, other securities and Instruments (as defined in the UCC) and such other documents and agreements as may be reasonably requested by the Administrative Agent, all as necessary or desirable to establish and maintain a valid, perfected Lien in all Collateral in which such Subsidiary has an interest consistent with the terms of the Credit Documents (and subject to any limitations on Collateral set forth therein); (iv) if reasonably requested by the Administrative Agent, an opinion of counsel to such Subsidiary addressed to the Administrative Agent and the Lenders, in form and substance reasonably consistent with the opinion letters delivered by counsel for the Borrower on the Third Amendment Effective Date or covering matters relating to the applicable Mortgage; provided, that, to the extent U.S. Federal Cannabis Laws change following the Third Amendment Effective Date in a manner allowing for the issuance of a legal opinion in customary form for a non-cannabis company, such opinion letter shall be in such customary form and otherwise acceptable to the Administrative Agent; (v) current copies of the Organization Documents of such Subsidiary, resolutions of the Board of Directors, partners, or appropriate committees thereof (and, if required by such Organization Documents or applicable law, of the shareholders, members or partners) of such Person authorizing the actions and the execution and delivery of documents described in this Section 8.10(a), all certified by an appropriate officer as the Administrative Agent may elect; and (vi) updated Schedules 7.12, 7.15, 7.25, 7.27(a), 7.27(b) and 7.27(c) reflecting the consummation of the Potential Acquisition.

(b) ~~SECTION 8.10 Additional Borrowers. Concurrently with the acquisition or creation of any Subsidiary in connection with a Permitted Acquisition funded, in whole or in part, with the proceeds of Incremental Advance Loans. If the closing of the Vireo Acquisition occurs, concurrently therewith~~ cause to be delivered to the Administrative Agent each of the following, as applicable, in each case reasonably acceptable to the Administrative Agent and, as applicable, duly executed by the parties thereto: ~~(a)~~ (i) a joinder agreement with respect to this Agreement from each Subsidiary created or acquired pursuant to the Vireo Acquisition, pursuant to which such Subsidiary shall become a Guarantor (such Subsidiaries, the “Vireo Guarantors”), together with other Credit Documents reasonably requested by the Administrative Agent, including all Security Documents and other documents reasonably requested by the Administrative Agent to establish and preserve the Lien of the Collateral Agent in all Collateral of such Subsidiary, subject to any limitations on Collateral set forth in the Security Agreement; ~~(b, the Vireo Credit Documents or the Vireo Intercreditor Agreement;~~ (ii) with respect to each parcel of Real Property owned by such Subsidiary or for which ownership is obtained by a Credit Party pursuant to the Vireo Acquisition and which has previously been pledged as collateral to the Vireo Collateral Agent, (A) a valid second-priority Mortgage, (B) an appraisal by an independent appraiser selected by the Administrative Agent, with each such appraisal being procured at Borrowers’ expense and in form and substance reasonably acceptable to the Administrative Agent, (C) an ALTA Policy for Title Insurance issued by a title company reasonably acceptable to the Administrative Agent, in form and substance reasonably acceptable to the Administrative Agent, or marked commitment therefor, without a survey or other exception unless acceptable to the Administrative Agent, (D) if reasonably requested by the Administrative Agent, an environmental site assessment, (E) if reasonably requested by the Administrative Agent, a zoning report, zoning endorsement, zoning conformation from the applicable Governmental Authority or similar document, in each case, confirming such Real Property is zoned for the business conducted by the applicable Person on such Real Property, and (F) if reasonably requested by the Administrative Agent, if such Real Property is in a flood zone, a flood notification form signed by the owner of such Real Property and evidence that flood insurance is in place for the buildings and their contents located thereon; ~~(iii)~~ (iii) UCC and PPSA, as applicable, financing statements, Documents (as defined in the UCC), ‘documents of title’ (as defined in the PPSA) and original collateral (including pledged Capital Stock, other securities and Instruments (as defined in the UCC and PPSA, as applicable)) and such other documents and agreements as may be reasonably requested by the Administrative Agent, all as necessary or desirable to establish and maintain a valid, perfected Lien in all Collateral in which such Subsidiary has an interest consistent with the terms of the Vireo Credit Documents ~~executed on the Signing Date or the Restatement Date~~ (and subject to any limitations on Collateral set forth therein or in the Vireo Credit Documents or the Vireo Intercreditor Agreement); ~~(eiv)~~ (eiv) if reasonably requested by the Administrative Agent, an opinion of counsel to such Subsidiary addressed to the Administrative Agent and the Lenders, in form and substance reasonably consistent with the opinion letters delivered by counsel for the ~~Borrowers on the Restatement Date~~ Borrower on the Third Amendment Effective Date or covering matters relating to the applicable Mortgage; provided, that, to the extent U.S. Federal Cannabis Laws change following the Restatement/Third Amendment Effective Date in a manner allowing for the issuance of a legal opinion in customary form for a non-cannabis company, such opinion letter shall be in such customary form and otherwise acceptable to the Administrative Agent; ~~(dv)~~ (dv) current copies of the Organization Documents of such Subsidiary, resolutions of the Board of Directors, partners, or appropriate committees thereof (and, if required by such Organization Documents or applicable law, of the shareholders, members or partners) of such Person authorizing the actions and the execution and delivery of documents described in this Section 8.10(b), all certified by an appropriate officer as the Administrative Agent may elect; and (vi) updated Schedules 7.12, 7.15, 7.25, 7.27(a), 7.27(b) and 7.27(c) reflecting the consummation of the Vireo Acquisition.

SECTION 8.11 Use of Proceeds. The proceeds of the Loans shall be used (a) if such Loans are 2020 Loans, 2021 Loans or Initial Restatement Loans, for general working capital purposes, Permitted Acquisitions or any other corporate or limited liability company purpose and to pay the transaction fees, costs and expenses incurred directly in connection with the Transactions ~~and,~~ (b) if such Loans are Incremental Advance Loans, for Capital Expenditures, the acquisition and fees of cannabis Regulatory Licenses, the Vireo Acquisition, other Permitted Acquisitions (including previously consummated Permitted Acquisitions, Capital Expenditures and including any payment obligations deriving from any Permitted Acquisitions, such as earn-outs or payments under promissory notes related thereto), reasonable, out-of-pocket costs and expenses associated ~~therewith~~ with any of the foregoing in this clause (b) and such other uses as otherwise may be permitted by the Incremental Advance Lenders and (c) if such Loans are Second Incremental Term Loan Loans, as permitted under the Joinder Agreement for the Second Incremental Term Loans.

SECTION 8.12 Further Assurances.

(a) The Credit Parties will, and will cause each Opco Mortgagor and Vireo Guarantor to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, Mortgages and other documents), which may be required under any Applicable Law, or which the Collateral Agent may reasonably request, in order to grant, preserve, protect and perfect the validity, enforceability, priority and non-avoidability of the security interests created or intended to be created by any Credit Document, subject to the existence of Permitted Liens, all at the sole cost and expense of the Borrower.

(b) Notwithstanding anything herein to the contrary, if the Collateral Agent determines that the cost of creating or perfecting any Lien on any property is excessive in relation to the practical benefits afforded to the Lenders thereby, then such property may be excluded from the Collateral for all purposes of the Credit Documents.

SECTION 8.13 Access to Sales, Accounts Receivable and Securities and Bank Accounts.

(a) Promptly upon request by the Administrative Agent, the Credit Parties shall establish and deliver to the Collateral Agent a Control Agreement with respect to each of their respective securities accounts and deposit accounts except for Excluded Accounts; provided, that, if any Credit Party is unable to obtain a Control Agreement with respect to any such account, such Credit Party shall move such account to a depository bank that is able to provide a Control Agreement and, until such Control Agreement is delivered to the Collateral Agent, all cash maintained in such account, or to be maintained in such replacement account, shall be held in an existing deposit account that is already subject to a Control Agreement. The Credit Parties shall not allow any Collections to be deposited to any accounts other than those listed on Schedule 7.25 which are subject to a Control Agreement; provided that so long as no Event of Default has occurred and is continuing, the Credit Parties may establish new deposit accounts, commodities accounts or securities accounts so long as, prior to or concurrently with the time such account is established: (i) the Credit Parties have delivered to the Agents an amended Schedule 7.25 including such account and (ii) the Credit Parties have delivered to the Collateral Agent a Control Agreement with respect to such account to the extent such account is not an Excluded Account. No more than twenty-five percent (25%) of the cash of the Credit Parties shall be maintained at any time in Excluded Accounts described in clause (iv) of the defined term "Excluded Accounts". No more than ten percent (10%) of the cash of the Credit Parties shall be maintained at any time in Excluded Accounts described in clauses (i) through (iii) of the defined term "Excluded Accounts".

(b) Each Control Agreement shall provide, among other things, that (i) upon notice (a "**Notice of Control**") from the Collateral Agent, the bank, securities intermediary or other financial institution party thereto will comply with instructions of the Collateral Agent directing the disposition of funds or other financial assets in the account without further consent by the applicable Credit Party; provided that the Collateral Agent agrees not to issue a Notice of Control unless an Event of Default has occurred and is then continuing, and (ii) the bank, securities intermediary or other financial institution party thereto has no rights of setoff or recoupment or any other claim against the account subject thereto, other than for payment of its service fees and other charges directly related to the administration of such account and for returned checks or other items of payment. In the event the Collateral Agent issues a Notice of Control under any Control Agreement, all Collections or other amounts subject to such Control Agreement shall be transferred as directed by the Collateral Agent and used to pay the Obligations in the manner set forth in Section 4.02(d).

(c) If, notwithstanding the provisions of this Section 8.13, after the occurrence and during the continuance of an Event of Default, the Credit Parties receive or otherwise have dominion over or control of any Collections or other amounts, the Credit Parties shall hold such Collections and amounts in trust for the Collateral Agent and shall not commingle such Collections with any other funds of any Credit Party or other Person or deposit such Collections in any account other than those accounts set forth on Schedule 7.25 as amended as of such date.

SECTION 8.14 Lender Meeting. The Chief Financial Officer of the Parent will, upon the request of the Administrative Agent or a Lender, participate in a teleconference or videoconference with the Agents and the Lenders once each year, or more often as determined by any Agent if an Event of Default or a Default under Section 10.01(i) shall have occurred and be continuing, and otherwise as frequently as may be requested by the Administrative Agent or Required Lenders.

SECTION 8.15 Post-Closing Covenants. The Credit Parties shall comply with the requirements set forth on Schedule 8.15 in accordance with the terms thereof.

SECTION 8.16 Sanctions; Anti-Corruption Laws.

(a) No Credit Party shall (or shall permit any Subsidiary to) directly or indirectly, use any Loan or the proceeds of any Loan, or lend, contribute or otherwise make available such Loan or the proceeds of any Loan to any Person, to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as Lender, Agent, Arranger or otherwise) of Sanctions.

(b) No Credit Party shall (or shall permit any Subsidiary to) directly or indirectly, use any Loan or the proceeds of any Loan for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the Canadian Economic Sanctions and Export Control Laws or and the anti-bribery and anti-corruption laws of any jurisdictions applicable to the Credit Parties and their Subsidiaries.

(c) Notwithstanding the foregoing, the covenants in this Section 8.18 shall not be made by nor apply to any Person that qualifies as a corporation that is registered or incorporated under the laws of Canada or any province thereof and that carries on business in whole or in part in Canada within the meaning of Section 2 of the Foreign Extraterritorial Measures (United States) Order, 1992 passed under the *Foreign Extraterritorial Measures Act* (Canada) insofar as such covenants would result in a violation of or conflict with the *Foreign Extraterritorial Measures Act* (Canada) or any similar law.

SECTION 8.17 Regulatory Matters. The Credit Parties shall, and shall cause their Subsidiaries to, maintain in good standing and keep effective all Regulatory Licenses except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 8.18 Opco Requirements. Each Credit Party shall promptly, and in any event (x) with respect to each Restatement Date Opco, on or prior to the Restatement Date, enter into an Opco Management Agreement and (y) with respect to any Opco Management Agreement or other agreement with an Opco entered into after the Restatement Date, within ten (10) days of entering into such agreement:

(a) cause each Opco to be a party to an Opco Management Agreement; provided, that each such Opco Management Agreement shall be freely assignable by the Credit Party that is party thereto without any further consent of any other Person (including the Opco party thereto) and shall be in form and substance reasonably acceptable to the Administrative Agent;

(b) cause each owner of the Capital Stock of each Opco to enter into an Opco Option Agreement (unless Applicable Law prohibits the execution and delivery of such an agreement); provided, that each such Opco Option Agreement shall (i) be freely assignable by the Credit Party that is party thereto without any further consent of any other Person (including the owner of the Capital Stock of the Opco party thereto), (ii) provide the Credit Party that is party thereto the irrevocable right to purchase or transfer, or cause the purchase or transfer of, the ownership of the Capital Stock issued by the applicable Opco to any other Person duly qualified to hold such Capital Stock under Applicable Law for nominal or no consideration (which right may be further set forth in the applicable Opco Management Agreement) and (iii) be in form and substance reasonably acceptable to Administrative Agent; and

(c) cause each Opco Agreement to be in form and substance reasonably expected to comply with all Applicable Law.

ARTICLE IX
Negative Covenants

The Credit Parties hereby covenant and agree that until the Loans, together with interest, Fees and all other Obligations incurred hereunder (other than Unasserted Contingent Obligations) are paid in full in accordance with the terms of this Agreement:

SECTION 9.01 Limitation on Indebtedness. No Credit Party will, directly or indirectly, create, incur, issue, assume, guarantee, suffer to exist or otherwise become directly or indirectly liable, contingently or otherwise with respect to any Indebtedness, except for:

(a) Indebtedness in respect of the Obligations;

(b) Indebtedness existing as of the Restatement Date which is identified on Schedule 7.24 and which is not otherwise permitted by this Section 9.01, and any Refinancing Indebtedness in respect of such Indebtedness;

(c) unsecured Indebtedness (i) incurred in the ordinary course of business of such Credit Party in respect of open accounts extended by suppliers on normal trade terms in connection with purchases of goods and services which are not overdue for a period of more than ninety (90) days or, if overdue for more than ninety (90) days, as to which a dispute exists and adequate reserves in conformity with IFRS have been established on the books of such Credit Party and (ii) in respect of performance, surety or appeal bonds provided in the ordinary course of business and consistent with past practice, but excluding (in each case) Indebtedness incurred through the borrowing of money or Contingent Liabilities in respect thereof;

(d) Indebtedness (i) evidencing the deferred purchase price of newly acquired property or incurred to finance the acquisition of software, furniture, fixtures or equipment of such Credit Party (pursuant to purchase money mortgages or otherwise, whether owed to the seller or a third party) used in the ordinary course of business of such Credit Party (provided that such Indebtedness is incurred within sixty (60) days of the acquisition of such property), and (ii) constituting Capitalized Lease Obligations; provided that the principal amount of such Indebtedness under clauses (i) and (ii) shall not exceed \$2,500,000 in the aggregate at any one time outstanding;

(e) Guarantee Obligations incurred by any Credit Party (i) in respect of Indebtedness incurred by any Credit Party after the Restatement Date to the extent such Indebtedness so guaranteed is permitted hereunder or (ii) on behalf of any Non-Credit Party Subsidiary in an aggregate amount not to exceed \$2,500,000 at any one time outstanding; provided that with respect to any Indebtedness incurred that is required to be subordinated to the Obligations, Guarantee Obligations of such subordinated Indebtedness shall also be subordinated to the Obligations on substantially the same terms as such subordinated Indebtedness;

(f) Hedging Obligations permitted pursuant to Section 9.11;

(g) unsecured Indebtedness of (i) any Credit Party owing to any other Credit Party and (ii) any Credit Party owing to any Subsidiary that is not a Credit Party, so long as such Indebtedness is subject to a subordination agreement (or evidenced by a note which includes subordination terms) in form and substance satisfactory to the Collateral Agent;

(h) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(i) Indebtedness in respect of netting services, overdraft protection and otherwise in connection with deposit accounts or similar accounts incurred in the ordinary course of business;

(j) Indebtedness owed to any Person providing worker's compensation, health, disability or other employee benefits or property, casualty or liability insurance to any Credit Party or Subsidiary incurred in connection with such Person providing such benefits or insurance pursuant to customary reimbursement or indemnification obligations to such Person;

(k) Indebtedness in respect of surety bonds, performance bonds and similar instruments issued and incurred in the ordinary course of business;

(l) Indebtedness relating to judgments, including appeal bonds, or awards not constituting an Event of Default under Section 10.01(g);

(m) Indebtedness for reimbursement obligations with respect to letters of credit for the account of any Credit Party intended to provide security for payment obligations in the ordinary course of business in an aggregate amount not exceeding \$5,000,000;

(n) the Pennsylvania Mortgage Debt;

(o) any Permitted Third-Party Mortgage Debt;

(p) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;

(q) customary obligations or undertakings constituting the incurrence of Indebtedness attributable to (but not incurred to finance) the exercise of appraisal rights or the settlement of any claims or actions with respect to any acquisitions or dispositions consummated in accordance with the terms hereof;

(r) deferred purchase price obligations in the form of contractual obligations and earnouts and other similar contingent obligations, in each case, incurred by a Credit Party in connection with a Permitted Acquisition;

(s) Indebtedness representing deferred compensation or other employment benefits owed to directors, officers, members of management or employees (in their capacities as such) of a Credit Party incurred in connection with such Credit Party's employment programs, in each case, incurred in the ordinary course of business;

(t) Indebtedness of any Credit Party consisting of the financing of insurance premiums in the ordinary course of business;

(u) Permitted Subordinated Indebtedness of any Credit Party so long as the Payment Conditions are satisfied prior to the incurrence of any such Permitted Subordinated Indebtedness;

(v) Indebtedness that may be deemed to exist pursuant to customary agreements providing for indemnification or purchase price adjustments in connection with Dispositions permitted under Section 9.04; ~~and~~

(w) other Indebtedness of any Credit Party; provided that the aggregate principal amount of such Indebtedness permitted by this clause (w) shall not exceed, at any time outstanding, the greater of (xi) 5% of the Total Assets of the Credit Parties and (vii) \$5,000,000; and

(x) if the Vireo Acquisition closes, the Guarantee Obligations incurred by any Credit Party under the Vireo Credit Documents, so long as the Vireo Guarantors have guaranteed the Obligations as provided in Section 8.10(b).

SECTION 9.02 Limitation on Liens. No Credit Party will, directly or indirectly, create, incur, assume or suffer to exist any Lien upon any Real Property constituting Collateral or any personal property or assets of any kind (tangible or intangible, but excluding the Capital Stock of any Subsidiary that is not a Credit Party) of any such Credit Party (including its Capital Stock), whether now owned or hereafter acquired, except for the following (collectively, the “**Permitted Liens**”):

(a) Liens securing payment of the Obligations;

(b) Liens existing as of the Restatement Date and disclosed in Schedule 9.02 securing Indebtedness permitted under Section 9.01(b), and Refinancing Indebtedness in respect of such Indebtedness; provided that no such Lien shall encumber any additional property and the amount of Indebtedness secured by such Lien shall not be increased or its term extended from that existing on the Restatement Date (as such Indebtedness may be permanently reduced subsequent to the Restatement Date) except to the extent permitted by Section 9.01(b);

(c) Liens securing Indebtedness of the type permitted under Section 9.01(d); provided that (i) such Lien is granted within ninety (90) days after such Indebtedness is incurred, (ii) the Indebtedness secured thereby does not exceed the lesser of the cost and the fair market value of the applicable ~~property, improvements~~ software, furniture, fixtures or equipment at the time of such acquisition (or construction) and (iii) such Lien secures only the assets that are the subject of the Indebtedness referred to in such clause and the proceeds thereof;

(d) Liens arising by operation of law in favor of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for amounts not yet overdue or being diligently contested in good faith by appropriate proceedings that stay execution of such Lien and for which adequate reserves in accordance with IFRS shall have been established on its books;

(e) Liens incurred or deposits made in the ordinary course of business in connection with worker’s compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, bids, leases or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety, appeal or performance bonds;

(f) judgment Liens in existence for less than ninety (90) days after the entry thereof, or with respect to which execution has been bonded, stayed or the payment of which is covered in full by insurance, and which judgment Liens do not otherwise result in an Event of Default under Section 10.01(g);

(g) easements, rights-of-way, zoning restrictions, minor defects or irregularities in title and other similar encumbrances not interfering in any material respect with the value or use of the property to which such Lien is attached;

(h) servicing agreements, development agreements, site plan agreements, and other similar agreements (in each case, other than obligations representing Indebtedness for borrowed money) with Governmental Authorities pertaining to the use or development of assets, provided each is complied with in all material respects and does not materially interfere with the use of such assets in the operation of the business;

(i) Liens for Taxes, assessments or other governmental charges or levies not yet due and payable, or that are being diligently contested in good faith by appropriate proceedings that stays execution and for which adequate reserves in accordance with IFRS shall have been established on its books;

(j) Liens arising in the ordinary course of business by virtue of any contractual, statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies covering deposit or securities accounts (including funds or other assets credited thereto) or other funds maintained with a depository institution or securities intermediary, so long as the applicable provisions of Section 8.13 have been complied with, in respect of such deposit accounts;

(k) any interest or title of a lessor, licensor or sublessor under any lease, license or sublease (and precautionary UCC filings with respect thereto) entered into by any such Credit Party in the ordinary course of its business and covering only the assets so leased, licensed or subleased;

(l) Liens solely on any cash earnest money deposits made by such Person in connection with any letter of intent or purchase agreement relating to an Investment or other transaction permitted hereunder;

(m) Liens of sellers of goods to such Person arising under Article II of the Uniform Commercial Code or similar provisions of Applicable Law (including the rights of suppliers under Section 8.1 of the Bankruptcy and Insolvency Act (Canada)) in the ordinary course of business, covering only the goods sold or securing only the unpaid purchase price of such goods and related expenses to the extent such Indebtedness is permitted hereunder;

(n) Liens on insurance policies and the proceeds thereof securing the financing of premiums with respect thereto to the extent such financing is permitted under Section 9.01(t);

(o) Any encumbrance with respect to the Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement to the extent permitted under Section 9.05;

(p) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds, letters of credit and other obligations of a like nature, in each case in the ordinary course of business;

(q) Liens securing the Permitted Third-Party Mortgage Debt so long as (i) such Liens encumber only the applicable Permitted Third-Party Mortgaged Property and (ii) the applicable Mortgage shall remain of record and be junior in priority to, and only to, the first Lien of the holder of such Permitted Third-Party Mortgage Debt, provided that if such holder will not permit such Mortgage to continue to encumber such Permitted Third-Party Mortgaged Property, after the Collateral Agent has, in the Collateral Agent's reasonable judgment, been part of the discussion and negotiation process with respect to such Permitted Third-Party Mortgage Debt and the Collateral Agent's proposed second Lien on such Permitted Third-Party Mortgaged Property, the Collateral Agent shall release and terminate such Mortgage;

(r) Liens securing the Pennsylvania Mortgage Debt, so long as (i) the Pennsylvania Mortgage Intercreditor Agreement is in full force and effect and (ii) the Pennsylvania Mortgaged Property shall be subject to a second-priority mortgage in favor of the Collateral Agent (subject only to the Lien securing the Pennsylvania Mortgage Debt);

(s) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(t) any interest or title of a lessor under any operating lease or operating sublease entered into by a Credit Party in the ordinary course of its business;

(u) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other assets relating to such letters of credit and products and proceeds thereof to the extent the obligations so secured are permitted by [Section 9.01\(m\)](#);

(v) Liens securing Permitted Subordinated Indebtedness;

(w) Canadian Statutory Liens; ~~and~~

(x) Liens on assets (not constituting Collateral) not otherwise permitted above and securing Indebtedness and other obligations in an amount not exceeding the greater of ~~(xi)~~ 5% of the Total Assets of the Parent and its Subsidiaries and ~~(yii)~~ \$1,000,000 at any time outstanding-; ~~and~~

(y) [if the Vireo Acquisition closes, Liens in favor of the Vireo Collateral Agent on the Collateral of the Credit Parties securing the Vireo Debt, so long as \(i\) the Vireo Intercreditor Agreement is in full force and effect and \(ii\) the Collateral of the Vireo Guarantors shall be subject to a Lien in favor of the Collateral Agent as provided in Section 8.10\(b\).](#)

Notwithstanding anything to the contrary set forth in this [Section 9.02](#), in no event shall any Credit Party create, incur, assume or suffer to exist any Lien (other than Canadian Statutory Liens, Liens in favor of the Collateral Agent pursuant to the Credit Documents, and Liens described in [Sections 9.02\(f\)](#), [9.02\(i\)](#), [9.02\(r\)](#) ~~and~~ [9.02\(v\)](#) ~~and~~ [9.02\(y\)](#)) upon the rights of any Credit Party under any Regulatory License or any accounts receivable, Collections or proceeds arising thereunder or with respect thereto.

SECTION 9.03 [Consolidation, Merger, etc.](#) No Credit Party will liquidate or dissolve itself, consolidate, [combine](#) or amalgamate with any other Person, merge into or with any other Person or dispose all or substantially all of its assets (or any division thereof); [provided](#) that (a) any Credit Party may liquidate or dissolve voluntarily into, and may merge or amalgamate with and into, another Credit Party (so long as in such a transaction involving Parent, Parent is the surviving entity), (b) all or substantially all of the assets or Capital Stock of any Credit Party may be purchased or otherwise acquired by another Credit Party (so long as in such a transaction involving Parent, Parent is the surviving entity), (c) any Credit Party may merge into, [combine with](#) or amalgamate with any other Person as long as the surviving Person is or becomes a Credit Party (so long as in such a transaction involving Parent, Parent is the surviving entity) and (d) a Credit Party may Dispose of its assets as permitted under [Section 9.04](#).

SECTION 9.04 Permitted Dispositions. No Credit Party will make a Disposition of any Real Property constituting Collateral or any personal property or assets of any kind (tangible or intangible, but excluding the Capital Stock of any Subsidiary that is not a Credit Party), or enter into any agreement to make any such Disposition to any Person in one transaction or a series of related transactions unless such Disposition:

(a) is in the ordinary course of its business and is of obsolete, surplus or worn out property or property no longer used in its business;

(b) is made as a consequence of any loss, damage, distribution or other casualty or any condemnation or taking of such assets by eminent domain proceedings;

(c) is of personal property for fair market value and the following conditions are met:

(i) the aggregate amount of Dispositions pursuant to this clause (c) during any fiscal year shall not exceed \$15,000,000,

(ii) immediately prior to and immediately after giving effect to such Disposition, no Event of Default or Material Default shall have occurred and be continuing or would result therefrom, and

(iii) no less than eighty percent (80%) of the consideration received for such sale, transfer, lease, contribution or conveyance is received in cash;

(d) is a sale of Inventory (as defined in the UCC or PPSA, as applicable) in the ordinary course of business;

(e) is the [***] JV Disposition;

(f) is a sale or disposition of equipment or fixed assets to the extent that such equipment or fixed asset is exchanged for credit against the purchase price of similar replacement equipment or fixed asset, or the proceeds of such Dispositions are reasonably promptly applied to the purchase price of similar replacement equipment or fixed asset, all in the ordinary course of business;

(g) is an abandonment, failure to renew, or other Disposition in the ordinary course of business of any intellectual property that is not material to the conduct of the business of any Credit Party;

(h) is otherwise permitted by Section 9.03;

(i) is by (i) any Credit Party to any other Credit Party or (ii) any Credit Party to a Non-Credit Party Subsidiary; provided that the aggregate amount of Dispositions made pursuant to the preceding clause (ii) shall not exceed \$2,500,000 in any fiscal year;

(j) consists of the granting of Permitted Liens;

(k) consists of cash or Cash Equivalents;

(l) is a sale or discount of accounts receivable (or a promissory note evidencing accounts receivable or the settlement thereof) arising in the ordinary course of business in connection with the collection thereof;

(m) consists of the leasing (pursuant to leases entered into in the ordinary course of business) or licensing of real or personal property in the ordinary course of business;

(n) consists of a surrender or waiver of contract rights or a settlement, release or surrender of contract, tort or other claims, in each case, in the ordinary course of business;

(o) consists of a Disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements and the transfer of assets as part of the consideration for Investment in a joint venture permitted under Section 9.05;

(p) consists of Dispositions made in connection with the unwinding of Hedging Obligations permitted under Section 9.11 or a sale and leaseback transaction permitted under Section 9.08;

(q) consists of charitable donations made in the ordinary course of business, to the extent such assets are not material to the ability of the Credit Parties to conduct the Business;

(r) is a Disposition of Real Property to a Governmental Authority that results from a condemnation;

(s) is a Disposition set forth on Schedule 9.04;

(t) consists of licenses, sublicenses, leases or subleases granted to third parties in the ordinary course of business (but limited, in the case of licenses of intellectual property, to non-exclusive licenses) so long as such licenses, sublicenses, leases or subleases (i) do not interfere with the business of the Credit Parties and (ii) are not materially adverse to the interests of the Secured Parties;

(u) are Dispositions of Opco Agreements to third parties on an arms' length basis;

(v) are Dispositions constituting Restricted Payments permitted under Section 9.06; or

(w) are Dispositions required to be made pursuant to Applicable Law.

Notwithstanding anything to the contrary set forth in this Section 9.04, in no event shall any Credit Party sell, transfer, assign or otherwise dispose of, other than in connection with the grant of a Lien in favor of the Collateral Agent pursuant to the Credit Documents, the Liens described in Section 9.02(w) and the Dispositions permitted under clauses (h) and (s) above, any of its rights under or in respect of any Material Contract listed in part II of Schedule 7.27(a) or any of its rights under or in respect of any Regulatory License, any accounts receivable, any Collections or any proceeds arising thereunder or with respect thereto.

SECTION 9.05 Investments. No Credit Party will purchase, make, incur, assume or permit to exist any Investment in any other Person, except:

(a) Investments existing as of the Third Amendment Effective Date and identified in Schedule 9.05;

(b) Investments in cash and Cash Equivalents;

(c) Hedging Obligations permitted by Section 9.11;

(d) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case, in the ordinary course of business;

(e) Investments by way of contributions to capital or purchases of Capital Stock by (i) any Credit Party in any of its respective Subsidiaries that are Credit Parties, and (ii) any Credit Party in any Non-Credit Party Subsidiary, provided that the aggregate amount of Investments made pursuant to the preceding clause (ii) shall not exceed \$5,000,000 at any time;

(f) Investments constituting (i) accounts receivable arising, (ii) trade debt granted, or (iii) deposits or prepayments made in connection with the purchase price of goods or services, in each case in the ordinary course of business;

(g) Investments consisting of the right of a Credit Party to receive the deferred portion of the sales price owed to such Credit Party in connection with any Disposition permitted under [Section 9.04](#);

(h) Investments consisting of an arm's-length loan to an entity in connection with a Permitted Acquisition to fund ongoing operations of the Person to be acquired (or whose assets are being acquired) prior to the consummation of such Permitted Acquisition, so long as (i) such loan is evidenced by a promissory note issued by the recipient of such loan, (ii) such loan and any and all related obligations are fully secured by a perfected Lien in favor of the maker of such loan, (iii) the purchase agreement under which such Permitted Acquisition will be consummated has been executed and delivered to the applicable Governmental Authority, (iv) at the time of such loan, no event or circumstance exists which, to the knowledge of the Credit Parties, would result in the conditions to closing not being satisfied during the designated time period and in accordance with such purchase agreement, and (v) the aggregate amount of all loans made pursuant to this clause (h) (excluding any such loans in connection with Permitted Acquisitions being funded with the proceeds of Incremental Advance Loans) shall not exceed \$2,500,000 at any time;

(i) intercompany Indebtedness permitted pursuant to [Section 9.01\(g\)](#);

(j) the maintenance of deposit accounts in the ordinary course of business so long as the applicable provisions of [Section 8-158.13](#) have been complied with in respect of such deposit accounts;

(k) Guarantee Obligations to the extent permitted by [Section 9.01\(e\)](#) or [9.01\(p\)](#);

(l) Investments consisting of loans made in lieu of Restricted Payments which are otherwise permitted under [Section 9.06](#);

(m) deposits, prepayments and other credits to suppliers and deposits in connection with lease obligations, taxes, insurance and similar items, in each case made in the ordinary course of business, securing contractual obligations of a Credit Party and constituting a Permitted Lien;

(n) Investments made with the proceeds of the issuance of Capital Stock by Parent (other than Disqualified Capital Stock) after the Restatement Date so long as (i) such issuance of Capital Stock does not result in a Change of Control and (ii) such Investment is made contemporaneously with the issuance of such Capital Stock;

(o) Permitted Acquisitions; and

(p) other Investments in an aggregate amount equal to the sum of (i) \$10,000,000, *minus* (ii) the aggregate amount of Investments, determined at the time of making such Investment, made in reliance on this clause (p) from and after the Restatement Date, *plus* (iii) the aggregate amount of cash received by any Credit Party in respect of any Investment made in reliance on this clause (p) (including in the form of dividends, distributions, repayments and similar amounts) from and after the Restatement Date; provided, that in no event shall the amount added pursuant to the forgoing clause (iii) for any Investment exceed the amount that had been subtracted pursuant to the forgoing clause (ii) for such Investment.

Notwithstanding the foregoing:

(x) no Investment otherwise permitted under clauses (e)(ii), (g), (h), (l), (n), (o) or (p) of this Section 9.05 shall be permitted to be made if, at the time of making any such Investment, any Event of Default or Material Default has occurred and is continuing or would result therefrom;

(y) any Investment that constitutes an acquisition of all of the Capital Stock of any Person or all or substantially all of the assets of any Person (or a division thereof) must be a Permitted Acquisition to comply with this Section 9.05; and

(z) no Investment otherwise permitted under this Section 9.05 shall be permitted unless such Investment is made entirely with cash (except for Investments under clauses (d), (f), (j), (k) and (n)) or, as provided in clause (n) above, Capital Stock of Parent that is not Disqualified Capital Stock.

SECTION 9.06 Restricted Payments. No Credit Party will make any Restricted Payment, or make any deposit for any Restricted Payment, other than:

(a) Restricted Payments by any Credit Party to pay dividends with respect to its Capital Stock payable solely in additional shares of such Capital Stock (other than Disqualified Capital Stock);

(b) Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans, in each case to the extent permitted thereunder, for management or employees of any Credit Party; provided, that the aggregate amount of Restricted Payments made under this clause (b) does not exceed \$2,500,000 in any calendar year;

(c) Permitted Subordinated Debt Payments so long as the Payment Conditions are satisfied; and

(d) Restricted Payments of cash actually paid in an aggregate amount not to exceed 50% of Consolidated EBITDA as of the last day of the most recently ended period of four fiscal quarters; provided, that, no Restricted Payment otherwise permitted under this Section 9.06 shall be permitted unless such Restricted Payment is made entirely with cash (except for Restricted Payments under clause (a)); and provided, further, that no Restricted Payment otherwise permitted under clause (b) or (d) shall be permitted to be made if, at the time of making any such Restricted Payment, any Event of Default or Material Default has occurred and is continuing or would result therefrom; provided, however, Parent may pay any dividend permitted under clause (d) within 30 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of this Agreement (including the other provisions of this Section 9.06) so long as the aggregate amount of such dividend does not exceed 12.50% of Consolidated EBITDA as of the last day of the most recently ended period of four fiscal quarters.

SECTION 9.07 Prepayments and Modification of Certain Agreements. No Credit Party will:

(a) Except as expressly permitted by Section 9.06, make any payment on account of Indebtedness that has been contractually subordinated in right of payment to the Obligations if such payment is not permitted at such time under the subordination terms and conditions applicable thereto.

(b) Consent to any amendment, supplement, waiver or other modification of, or enter into any forbearance from exercising any rights with respect to the terms or provisions contained in (i) any Organization Documents, in each case, other than any amendment, supplement, waiver, termination, modification or forbearance that is not materially adverse to the Secured Parties, (ii) any document, agreement or instrument evidencing or governing any Permitted Subordinated Indebtedness unless such amendment, supplement, waiver or other modification is permitted under the terms of the subordination agreement applicable thereto, or (iii) any other Material Contract or any Regulatory License, in each case, other than any amendment, supplement, waiver or modification that is not materially adverse to the Secured Parties.

SECTION 9.08 Sale and Leaseback. No Credit Party will enter into any agreement or arrangement providing for the sale or transfer by it of any Real Property constituting Collateral or any personal property or assets (now owned or hereafter acquired) to a Person and the subsequent lease or rental of such property or other similar property from such Person.

SECTION 9.09 Transactions with Affiliates. No Credit Party will enter into or cause or permit to exist any arrangement, transaction or contract (including for the purchase, lease or exchange of property or the rendering of services) with any Affiliate (other than arrangements, transactions or contracts solely among the Credit Parties) except (a) on fair and reasonable terms no less favorable to such Credit Party than it could obtain in an arm's-length transaction with a Person that is not an Affiliate, (b) any transaction expressly permitted under Section 9.01(g), Section 9.03, Section 9.04(g), Section 9.04(q), Section 9.04(t), Section 9.05(e), Section 9.05(i), Section 9.05(k), Section 9.05(l) or Section 9.06, (c) any transactions solely among Credit Parties, or among any Credit Party and any Vireo Guarantor, to the extent otherwise permitted by this Agreement; (d) so long as it has been approved by Parent's Board of Directors in accordance with Applicable Law, (i) customary fees to, and indemnifications of, non-officer directors of the Credit Parties and (ii) the payment of reasonable and customary compensation and indemnification arrangements and benefit plans for officers and employees of the Credit Parties in the ordinary course of business; and (e) transactions with Non-Credit Party Subsidiaries or joint ventures for the purchase or sale of goods, equipment and services entered into in the ordinary course of business and to the extent such transactions are not materially adverse to the Secured Parties.

SECTION 9.10 Restrictive Agreements, etc. Except as set forth on Schedule 9.10, no Credit Party will ~~not~~ enter into any agreement (other than a Credit Document) prohibiting:

(a) the creation or assumption of any Lien in favor of the Collateral Agent on the Collateral, whether now owned or hereafter acquired;

(b) the ability of such PersonCredit Party to amend or otherwise modify any Credit Document or waive, consent to or otherwise deviate from any provision under any Credit Document; or

(c) the ability of such PersonCredit Party to make any payments, directly or indirectly, to the Borrower, including by way of dividends, advances, repayments of loans, reimbursements of management and other intercompany charges, expenses and accruals or other returns on investments.

The foregoing prohibitions shall not apply to restrictions of the types described above (which do not prohibit the Credit Parties from complying with or performing the terms of this Agreement and the other Credit Documents) which are contained in the Pennsylvania Mortgage Documents or the Vireo Credit Documents.

SECTION 9.11 Hedging Agreements. No Credit Party will enter into any Hedging Agreement other than Permitted Currency Hedging Agreements.

SECTION 9.12 Changes in Business and Fiscal Periods.

(a) No Credit Party will (i) engage in any business activity other than the Business; or (ii) modify or change its fiscal year, its fiscal quarter or its method of accounting other than (A) a change in the method of accounting in connection with a Change in Accounting Principles, (B) as may be required to conform to IFRS or (C) to the extent consented to by the Administrative Agent (such consent not to be unreasonably withheld, conditioned or delayed) or (iii) alter each of its, or each of their Subsidiaries', fiscal quarters to end on dates other than as consistent with a December 31 fiscal-year end and the Borrower's past practice.

(b) No Credit Party, no officer of any Credit Party and, other than non-Affiliate stockholders of Parent, no stockholder of a Credit Party shall engage in the Business except through the Credit Parties, their Subsidiaries and, to the extent substantially consistent with their operations as of the Restatement Date or, if acquired or formed after such date, as of the date of acquisition or formation, the Opcos.

SECTION 9.13 Financial Covenants. The Credit Parties will not permit:

(a) Liquidity. Liquidity (i) to average less than \$20,000,000 during any fiscal quarter or (ii) to be, as of the last day of each fiscal quarter, less than \$25,000,000.

(b) Consolidated EBITDA. Consolidated EBITDA for any fiscal quarter, as of the last day of each fiscal quarter, to be less than \$20,000,000.

(c) Consolidated Fixed Charge Coverage Ratio. The Consolidated Fixed Charge Coverage Ratio for any Applicable Fiscal Period, as of the last day of each fiscal quarter, to be less than 1.50:1.00.

SECTION 9.14 Canadian Defined Benefit Plans. None of the Credit Parties shall, without the consent of the Agent, maintain, administer, contribute or have any liability in respect of any Canadian Defined Benefit Plan or acquire an interest in any Person if such Person sponsors, maintains, administers or contributes to, or has any liability in respect of any Canadian Defined Benefit Plan.

ARTICLE X
Events of Default

SECTION 10.01 Listing of Events of Default. Each of the following events or occurrences described in this Section 10.01 shall constitute an "Event of Default":

(a) Non-Payment of Obligations. The Borrower shall default in the payment of:

(i) any principal of any Loan when such amount is due; or

(ii) any interest on any Loan for more than five (5) calendar days from the date when due; provided, that no more than two (2) such delinquent interest payments shall occur during the term of this Agreement; or

(iii) any fee described in Article III or any other monetary Obligation.

(b) Breach of Representations or Warranties. Any representation or warranty by any Credit Party, Opcos Mortgagor, Pledgor or Vireo Guarantor made or deemed to be made in any Credit Document (including any certificates delivered pursuant to Article V), is or shall be incorrect in any material respect when made or deemed to have been made.

(c) Non-Performance of Certain Covenants and Obligations. Any Credit Party shall default in the due performance or observance of any of its obligations under Section 8.01, Section 8.02, Section 8.03, Section 8.04, Section 8.05 (solely with respect to such Credit Party's existence in its jurisdiction of organization), Section 8.10, Section 8.11, Section 8.12, Section 8.13, Section 8.15, Section 8.16, Section 8.27, Article IX (other than Sections 9.07(b)(i) or 9.07(b)(iii)) or Article XIII, or any Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor shall default in the due performance or observance of its obligations under any covenant applicable to it under any Security Document.

(d) Non-Performance of Other Covenants and Obligations. Any Credit Party shall default in the due performance or observance of any of its obligations under Section 8.05 (solely with respect to such Credit Party's maintenance of good standing in its jurisdiction of organization), Section 8.06, Section 8.07, Section 8.14, Section 8.18 or Sections 9.07(b)(i) or 9.07(b)(iii), and in each case such default shall continue unremedied for a period of more than ten (10) days after the occurrence thereof.

(e) Non-Performance of Other Covenants and Obligations. Any Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor shall default in the due performance and observance of any obligation contained in any Credit Document executed by it (other than as specified in Sections 10.01(a), 10.01(b), 10.01(c), or 10.01(d)), and in each case such default shall continue unremedied for a period of more than twenty (20) days after the Administrative Agent delivers to such Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor notice thereof.

(f) Default on Other Indebtedness. (i) a default shall occur in the payment of any amount when due (subject to any applicable grace or cure period), whether by acceleration or otherwise, of any principal or stated amount of, or interest or fees on, any Indebtedness (other than the Obligations) of any Credit Party having a principal or stated amount, individually or in the aggregate, in excess of \$2,500,000, or a default shall occur in the performance or observance of any obligation or condition with respect to any such Indebtedness if the effect of such default is to accelerate the maturity of such Indebtedness, (ii) any Indebtedness of any Credit Party having a principal or stated amount, individually or in the aggregate, in excess of \$2,500,000 shall otherwise be required to be prepaid, redeemed, purchased or defeased, or require an offer to purchase or defease such Indebtedness to be made, prior to its expressed maturity ~~or~~, (iii) an Event of Default (as defined in the Pennsylvania Mortgage Credit Agreement) shall occur or (iv) an Event of Default (as defined in the Vireo Credit Agreement) shall occur; provided, that an Event of Default under clauses (i) or (ii) of this clause (f) caused by the occurrence of a breach or default with respect to Indebtedness in excess of the \$2,500,000 shall be cured for purposes of this Agreement upon the Person asserting such breach or default waiving such breach or default in writing or such Person delivering written notice to the applicable Credit Party that such breach or default has been cured in accordance with the terms of such Indebtedness if, at the time of such waiver or such cure neither the Administrative Agent nor the Lenders has exercised any remedies with respect to such Event of Default.

(g) Judgments; Fines. Any final, non-appealable judgment, order for the payment of money, fines, settlements or enforcement penalties, in an amount individually or in the aggregate in excess of \$5,000,000 (exclusive of any amounts covered by insurance (less any applicable deductible) so long as a written request for coverage has been submitted to the insurer and such insurer confirmed coverage in writing) shall be rendered against any Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor and such judgment, order, fine, settlement or penalty shall not have been vacated or discharged or stayed or bonded pending appeal within thirty (30) days after the entry thereof or enforcement proceedings shall have been commenced by any creditor upon such judgment or order.

(h) Plans. Any of the following events shall occur with respect to any Plan or Canadian Pension Plan, as applicable:

(i) the institution of any steps by any Credit Party, any ERISA Affiliate or any other Person to terminate or partially terminate a Plan of any Credit Party or any Subsidiary of any Credit Party if, as a result of such termination or partial termination, any Credit Party or Subsidiary of any Credit Party could be required to make a contribution to such Plan, or could reasonably be expected to incur a liability or obligation to such Plan, in excess of \$2,500,000 in the aggregate;

(ii) there is or arises any potential withdrawal liability under Section 4201 of ERISA, if any Credit Party or any ERISA Affiliate were to completely or partially withdraw from one or more Multiemployer Plans, in excess of \$2,500,000, in the aggregate;

(iii) a contribution failure occurs with respect to any Plan sufficient to give rise to a Lien under Sections 303(k) or 4068 of ERISA or Section 430(k) of the Code; or

(iv) a Canadian Pension Termination Event occurs or exists or a Lien arises in respect of a Canadian Pension Plan (save for contribution amounts not yet due) which results in a liability or obligation of a Canadian Credit Party to such Canadian Pension Plan in excess of \$2,500,000 in the aggregate.

(i) Bankruptcy, Insolvency, etc. Any Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor shall:

(i) become insolvent or generally fail to pay, or admit in writing its inability or unwillingness generally to pay, its debts as they become due;

(ii) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, interim receiver, sequestrator, examiner, monitor or other custodian for any substantial part of the assets or other property of any such Person, or make a general assignment for the benefit of creditors;

(iii) in the absence of such application, consent or acquiesce to or permit or suffer to exist, the appointment of a trustee, receiver, interim receiver, sequestrator, examiner, monitor or other custodian for a substantial part of the property of any thereof, and such trustee, receiver, interim receiver, sequestrator, examiner, monitor or other custodian shall not be discharged within sixty (60) days; provided that each Credit Party hereby expressly authorizes each Secured Party to appear in any court conducting any relevant proceeding during such 60-day period to preserve, protect and defend their rights under the Credit Documents;

(iv) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law or any dissolution, examinership, winding up or liquidation proceeding, in respect thereof, and, if any such case or proceeding is not commenced by such Person, such case or proceeding shall be consented to or acquiesced in by such Person, or shall result in the entry of an order for relief or shall remain for sixty (60) days undismissed; provided that each Credit Party hereby expressly authorizes each Secured Party to appear in any court conducting any such case or proceeding during such 60-day period to preserve, protect and defend their rights under the Credit Documents; or

(v) take any action authorizing, or in furtherance of, any of the foregoing.

(j) Impairment of Security, etc. Any Credit Document or any Lien granted thereunder shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of any Credit Party, Opco Mortgagor, Pledgor or Vireo Guarantor party thereto with respect to Collateral in an aggregate amount in excess of \$1,000,000, or any Credit Party, Opco Mortgagor, Pledgor, Vireo Guarantor or any other Person shall, directly or indirectly, contest or limit in any manner such effectiveness, validity, binding nature or enforceability; or, except as permitted under any Credit Document or the Vireo Credit Document, as applicable, any Lien (subject only to Permitted Liens) securing any Obligation shall, in whole or in part, cease to be a perfected Lien with respect to Collateral in an aggregate amount in excess of \$1,000,000 (other than as a result of voluntary and intentional discharge of the Lien by the Collateral Agent or the Vireo Collateral Agent, as applicable).

(k) Change of Control. Any Change of Control shall occur.

(l) Hedging Agreement. Any Credit Party shall (i) default in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment due on early termination of, any Hedging Agreement, in each case beyond the period of grace, if any, provided in such Hedging Agreement, or (ii) default in the observance or performance of any other agreement or condition relating to any such Hedging Agreement, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the counterparty of such Hedging Agreement (or a trustee or agent on behalf of such holder or beneficiary) to cause, after the giving of notice if required or the elapse of any grace period, a liquidation, acceleration or early termination of such Hedging Agreement resulting in a payment of more than \$1,000,000 owed by such Credit Party to such counterparty.

(m) Restraint of Operations; Loss of Assets. If any Credit Party is enjoined, restrained, or in any way prevented by court order or other Governmental Authority from continuing to conduct all or any material part of its business affairs or if any material portion of any Credit Party's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any third Person and the same is not discharged before the earlier of sixty (60) days after the date it first arises or 5 days prior to the date on which such property or asset is subject to forfeiture by such Credit Party.

(n) Material Adverse Effect. Any Material Adverse Effect shall occur.

(o) Regulatory Licenses. If any Regulatory License ceases to be valid, subsisting and in good standing or if any Permit material to the business of Credit Parties is withdrawn, cancelled, suspended or adversely amended in a manner which, in each case, could reasonably be expected to result in a Material Adverse Effect.

(p) Change in Cannabis Law; Restricted Cannabis Activity. If a Change in Cannabis Law shall occur, or if any Credit Party shall engage in any Restricted Cannabis Activity.

SECTION 10.02 Remedies Upon Event of Default. If any Event of Default under Section 10.01(i) shall occur for any reason, whether voluntary or involuntary, all of the outstanding principal amount of the Loans and other Obligations shall automatically be due and payable and any commitments shall be terminated, in each case, without further notice, demand or presentment. If any Event of Default (other than any Event of Default under Section 10.01(i)) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Administrative Agent may, and upon the direction of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare all or any portion of the outstanding principal amount of the Loans and other Obligations to be due and payable and any commitment shall be terminated, whereupon the full unpaid amount of such Loans and other Obligations that shall be so declared due and payable shall be and become immediately due and payable, in each case, without further notice, demand or presentment. The Lenders and the Collateral Agent shall have all other rights and remedies available at law or in equity or pursuant to any Credit Documents.

ARTICLE XI
The Agents

SECTION 11.01 Appointment. Each Lender (and, if applicable, each other Secured Party) hereby appoints Chicago Atlantic as its Collateral Agent under and for purposes of each Credit Document, and hereby authorizes the Collateral Agent to act on behalf of such Lender (or if applicable, each other Secured Party) under each Credit Document, and, in the absence of other written instructions from the Lenders pursuant to the terms of the Credit Documents received from time to time by the Collateral Agent, to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Collateral Agent by the terms hereof and thereof, together with such powers as may be incidental thereto. Each Lender (and, if applicable, each other Secured Party) hereby appoints Chicago Atlantic as its Administrative Agent under and for purposes of each Credit Document and hereby authorizes the Administrative Agent to act on behalf of such Lender (or, if applicable, each other Secured Party) under each Credit Document and, in the absence of other written instructions from the Lenders pursuant to the terms of the Credit Documents received from time to time by the Administrative Agent, to exercise such powers hereunder and thereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof and thereof, together with such powers as may be incidental thereto. Each Lender (and, if applicable, each other Secured Party) hereby designates and appoints each Agent as the agent of such Lender. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender or other Secured Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against any Agent. Anything contained in any of the Credit Documents to the contrary notwithstanding, the Borrower, the Administrative Agent, the Collateral Agent and each Secured Party hereby agree that (i) no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce the Security Agreement or any other Security Documents, it being understood and agreed that all powers, rights and remedies hereunder may be exercised solely by the Agents, on behalf of the Secured Parties in accordance with the terms hereof and all powers, rights and remedies under the Security Documents may be exercised solely by the Agents, and (ii) in the event of a foreclosure by any of the Agents on any of the Collateral pursuant to a public or private sale or other disposition, any Agent or any Lender may be the purchaser or licensor of any or all of such Collateral at any such sale or other disposition and each Agent, as agent for and representative of the Secured Parties (but not any Lender or Lenders in its or their respective individual capacities unless the Required Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations (including Obligations owed to any other Secured Party) as a credit on account of the purchase price for any Collateral payable by such Agent at such sale or other disposition.

For the purposes of holding any hypothec granted pursuant to the laws of the Province of Quebec to secure the prompt payment and performance of any and all Obligations by any Credit Party, each of the Lenders (and, if applicable, each other Secured Party) hereby irrevocably appoints and authorizes the Collateral Agent and, to the extent necessary, ratifies the appointment and authorization of the Collateral Agent, to act as the hypothecary representative of the present and future creditors as contemplated under Article 2692 of the Civil Code of Quebec (in such capacity, the “Hypothecary Representative”), and to enter into, to take and to hold on their behalf, and for their benefit, any hypothec, and to exercise such powers and duties that are conferred upon the Hypothecary Representative under any related deed of hypothec. The Hypothecary Representative shall: (i) have the sole and exclusive right and authority to exercise, except as may be otherwise specifically restricted by the terms hereof, all rights and remedies given to the Hypothecary Representative pursuant to any such deed of hypothec and applicable law, and (ii) benefit from and be subject to all provisions hereof with respect to Agents *mutatis mutandis*, including, without limitation, all such provisions with respect to the liability or responsibility to and indemnification by the Lenders and the Credit Parties. Any Person who becomes a Lender (and, if applicable, each other Secured Party) shall, by its execution of an Assignment and Acceptance, be deemed to have consented to and confirmed the Hypothecary Representative as the Person acting as hypothecary representative holding the aforesaid hypothecs as aforesaid and to have ratified, as of the date it becomes a Lender (and, if applicable, each other Secured Party), all actions taken by the Hypothecary Representative in such capacity. The substitution of Agent pursuant to the provisions of this Section 11 also constitutes the substitution of the Hypothecary Representative. Agent, acting as the Hypothecary Representative, shall have the same rights, powers, immunities, indemnities and exclusions from liability as are prescribed in favor of Agents in this Agreement, which shall apply *mutatis mutandis* to Agents acting as Hypothecary Representative.

SECTION 11.02 Delegation of Duties. Each Agent may execute any of its duties under this Agreement and the other Credit Documents by or through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

SECTION 11.03 Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys in fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Credit Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence, bad faith or willful misconduct) or (b) responsible in any manner to any of the Lenders or any other Secured Party for any recitals, statements, representations or warranties made by any Credit Party or any officer thereof contained in this Agreement or any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Credit Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document or for any failure of any Credit Party or other Person to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of any Credit Party. The Administrative Agent shall not be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Competitors. Without limiting the generality of the foregoing, the Administrative Agent shall not (a) be obligated to ascertain, monitor or inquire as to whether any Lender or Participant or prospective Lender or Participant is a Competitor or (b) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, to any Competitor.

SECTION 11.04 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Credit Parties), independent accountants and other experts selected by such Agent. The Agents may deem and treat the payee of any note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agents. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all or other requisite Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Credit Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans and all other Secured Parties.

SECTION 11.05 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder, except with respect to any Default or Event of Default in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. The Collateral Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Collateral Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that an Agent receives such a notice, such Agent shall give notice thereof to the other Agent and the Lenders. Each Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement); provided that unless and until each Agent shall have received such directions, the Agents may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as such Agent shall deem advisable in the best interests of the Secured Parties.

SECTION 11.06 Non-Reliance on Agents and Other Lenders. Each Lender (and, if applicable, each other Secured Party) expressly acknowledges that neither the Agents, the Arranger, nor any of their respective officers, directors, employees, agents, attorneys in fact or Affiliates have made any representations or warranties to it and that no act by any Agent or Arranger hereafter taken, including any review of the affairs of a Credit Party or any Affiliate of a Credit Party, shall be deemed to constitute any representation or warranty by any Agent or Arranger to any Lender or any other Secured Party. Each Lender (and, if applicable, each other Secured Party) represents to the Agents and the Arranger that it has, independently and without reliance upon any Agent, Arranger or any other Lender or any other Secured Party, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Credit Parties and their Affiliates and made its own decision to make its Loans hereunder. Each Lender (and, if applicable, each other Secured Party) also represents that it will, independently and without reliance upon any Agent, Arranger or any other Lender or any other Secured Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Credit Parties and their Affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by any Agent or Arranger hereunder, the Agents and Arranger shall not have any duty or responsibility to provide any Lender or any other Secured Party with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Credit Party or any Affiliate of a Credit Party that may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys in fact or Affiliates.

SECTION 11.07 Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Credit Parties and without limiting the obligation of the Credit Parties to do so), ratably according to their respective Total Credit Exposure in effect on the date on which indemnification is sought under this Section 11.07 (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Total Credit Exposure immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Credit Documents, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence, bad faith or willful misconduct. The agreements in this Section 11.07 shall survive the payment of the Loans and all other amounts payable hereunder.

SECTION 11.08 Agent in Its Individual Capacity. Each Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Credit Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it, each Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender", "Lenders", "Secured Party" and "Secured Parties" shall include each Agent in its individual capacity.

SECTION 11.09 Successor Agents. Either Agent may resign as Agent upon twenty (20) days' notice to the Lenders, such other Agent and the Borrower. If either Agent shall resign as such Agent in its applicable capacity under this Agreement and the other Credit Documents, then the Required Lenders shall appoint a successor agent, which successor agent shall (unless an Event of Default shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of such Agent in its applicable capacity, and the term "Administrative Agent" or "Collateral Agent", as the case may be, shall mean such successor agent effective upon such appointment and approval, and the former Agent's rights, powers and duties as Agent in its applicable capacity shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Loans. If no applicable successor agent has accepted appointment as such Agent in its applicable capacity by the date that is twenty (20) days following such retiring Agent's notice of resignation, such retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of such Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Agent's resignation as the Administrative Agent or the Collateral Agent, as applicable, the provisions of this Article XI shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Agent under this Agreement and the other Credit Documents. Notwithstanding the foregoing, Chicago Atlantic may resign as either or both Agents, and choose a successor for each applicable capacity, without notice to, or the consent of, the other Agent, the Lenders (including Required Lenders) or the Borrower if such successor is an Affiliate of Chicago Atlantic, and the Lenders and the Borrower are deemed to have consented to any such resignation and choice of successor prior to the effectiveness of this sentence.

SECTION 11.10 Agents Generally. Except as expressly set forth herein, no Agent shall have any duties or responsibilities hereunder in its capacity as such. No Arranger shall have any obligations or duties whatsoever in such capacity under this Agreement or any other Credit Document and shall incur no liability hereunder or thereunder in such capacity, but all such persons shall have the benefit of the indemnities provided for hereunder.

SECTION 11.11 Restrictions on Actions by Secured Parties; Sharing of Payments.

(a) Each of the Lenders agrees that it shall not, without the express written consent of the Collateral Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the written request of the Collateral Agent, set off against the Obligations, any amounts owing by such Lender to any Credit Party or any deposit accounts of any Credit Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so in writing by the Collateral Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings to enforce any Credit Document against any Credit Party or to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral.

(b) Subject to Section 12.08(a), if, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations, except for any such proceeds or payments received by such Lender from the Agents pursuant to the terms of this Agreement, or (ii) payments from the Agents in excess of such Lender's pro rata share of all such distributions by Agents, such Lender promptly shall (A) turn the same over to the Collateral Agent, in kind, and with such endorsements as may be required to negotiate the same to the Collateral Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (B) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their pro rata shares; provided that to the extent that such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

(c) The benefit of the provisions of the Credit Documents directly relating to the Collateral or any Lien granted thereunder shall extend to and be available to any Secured Party that is not an Agent or a Lender as long as, by accepting such benefits, such Secured Party agrees, as among the Agents and all other Secured Parties, that such Secured Party is bound by (and, if requested by any Agent, shall confirm such agreement in a writing in form and substance acceptable to the such Agent) this Article XI, including Sections 11.11(a) and (b), and the decisions and actions of the Agents and the Required Lenders (or, where expressly required by the terms of this Agreement, a greater proportion of the Lenders) to the same extent a Lender is bound; provided that, notwithstanding the foregoing, (i) except as set forth specifically herein, each Agent and each Lender shall be entitled to act in its sole discretion, without regard to the interest of such Secured Party, regardless of whether any Obligation to such Secured Party thereafter remains outstanding, is deprived of the benefit of the Collateral, becomes unsecured or is otherwise affected or put in jeopardy thereby, and without any duty or liability to such Secured Party or any such Obligation and (ii) except as specifically set forth herein, such Secured Party shall not have any right to be notified of, consent to, direct, require or be heard with respect to, any action taken or omitted in respect of the Collateral or under any Credit Document.

(d) Without limitation of any other provision in this Agreement, if at any time the Administrative Agent makes a payment hereunder in error to any Lender, whether or not in respect of an Obligation due and owing by the Borrower at such time, where such payment is a Rescindable Amount, then in any such event, such Lender receiving a Rescindable Amount severally agrees to repay to the Administrative Agent forthwith on demand the Rescindable Amount received by such Lender in immediately available funds in the currency so received, with interest thereon, for each day from and including the date such Rescindable Amount is received by it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. Each Lender irrevocably waives any and all defenses, including any "discharge for value" (under which a creditor might otherwise claim a right to retain funds mistakenly paid by a third party in respect of a debt owed by another) or similar defense to its obligation to return any Rescindable Amount. The Administrative Agent shall inform each Lender promptly upon determining that any payment made to such Lender comprised, in whole or in part, a Rescindable Amount.

SECTION 11.12 Agency for Perfection. The Collateral Agent hereby appoints each other Secured Party as its agent and as sub-agent for the other Secured Parties (and each Secured Party hereby accepts such appointment) for the purpose of perfecting all Liens with respect to the Collateral, including with respect to assets which, in accordance with Article VIII or Article IX, as applicable, of the Uniform Commercial Code of any applicable state can be perfected only by possession or control. Should any Secured Party obtain possession or control of any such Collateral, such Secured Party shall notify the Collateral Agent thereof, and, promptly upon the Collateral Agent's request therefor shall deliver possession or control of such Collateral to the Collateral Agent and take such other actions as agent or sub-agent in accordance with the Collateral Agent's instructions to the extent, and only to the extent, so authorized or directed by the Collateral Agent.

SECTION 11.13 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of any Credit Party or Subsidiary, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments or this Agreement;

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement;

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84- 14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of any Credit Party or Subsidiary, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Credit Document or any documents related hereto or thereto).

ARTICLE XII

Miscellaneous

SECTION 12.01 Amendments and Waivers. Neither this Agreement nor any other Credit Document, nor any terms hereof or thereof, may be amended, supplemented, modified or waived except in accordance with the provisions of this Section 12.01. The Required Lenders may, or, with the prior written consent of the Required Lenders, the Administrative Agent may, from time to time, enter into with the relevant Credit Party or Credit Parties written amendments, supplements or modifications hereto and to the other Credit Documents for the purpose of adding any provisions to this Agreement or the other Credit Documents or changing in any manner the rights of the Lenders or the Credit Parties hereunder or thereunder, waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences or consent to any acts or omissions of the Credit Parties hereunder or under any other Credit Document that, but for such consent, would constitute a Default or Event of Default hereunder or thereunder; provided that no such waiver, amendment, supplement, modification, consent or waiver shall directly or indirectly:

(i) (A) reduce or forgive any portion of any Loan or extend the final scheduled maturity date of any Loan or reduce the stated interest rate (provided that only the consent of the Required Lenders shall be necessary to waive any obligation of the Borrower to pay interest at the "default rate" or amend Section 2.09(c)); or (B) reduce or forgive any portion or extend the date for the payment, of any interest or fee payable hereunder (other than as a result of waiving the applicability of any post-default increase in interest rates and other than as a result of a waiver or amendment of any mandatory prepayment of Loans (which shall not constitute an extension, forgiveness or postponement of any date for payment of principal, interest or fees));

(ii) amend or modify any provisions of Section 4.02(d) or any other provision that provides for the *pro rata* nature of disbursements by or payments to Lenders, in each case without the written consent of each Lender;

(iii) amend, modify or waive any provision of this Section 12.01 or reduce the percentages specified in the definitions of the term "Required Lenders" or consent to the assignment or transfer by any Credit Party of its rights and obligations under any Credit Document to which it is a party (except as permitted pursuant to Section 9.03), in each case without the written consent of each Lender directly and adversely affected thereby;

(iv) increase the aggregate amount of any Commitment of any Lender without the consent of such Lender;

(v) amend, modify or waive any provision of Article XI without the written consent of the then-current Collateral Agent and Administrative Agent; or

(vi) release all or substantially all of the Guarantors, or release any Liens in favor of the Agents or Lenders on all or substantially all of the Collateral under the Security Documents (except as expressly permitted thereby and in Section 12.18), in each case without the prior written consent of each Lender.

SECTION 12.02 Notices and Other Communications; Facsimile Copies.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder or under any other Credit Document shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Credit Parties or the Agents, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 12.02 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrower and the Agents.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, five (5) Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of Section 12.02(c)), when delivered; provided that notices and other communications to the Agents pursuant to Article II shall not be effective until actually received by such Person.

(b) Effectiveness of Facsimile Documents and Signatures. Credit Documents may be transmitted and/or signed by facsimile or other electronic communication. The effectiveness of any such documents and signatures shall have the same force and effect as manually signed originals and shall be binding on all Credit Parties, the Agents and the Lenders.

(c) Reliance by Agents and Lenders. The Agents and the Lenders shall be entitled to rely and act upon any notices purportedly given by or on behalf of any Credit Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. All telephonic notices to either Agent may be recorded by such Agent, and each of the parties hereto hereby consents to such recording.

SECTION 12.03 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Credit Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

SECTION 12.04 Survival of Representations and Warranties. All representations and warranties made hereunder and in the other Credit Documents shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

SECTION 12.05 Payment of Expenses and Taxes; Indemnification. The Borrower agrees, (a) to pay or reimburse the Agents and Arranger for all their reasonable out-of-pocket costs and expenses incurred in connection with due diligence in respect of the transactions contemplated by this Agreement, the development, preparation and execution of, and any amendment, supplement, or modification to, this Agreement and the other Credit Documents, including in connection with an initial syndication, and any other documents prepared in connection herewith or therewith, and the consummation, monitoring, oversight and administration of the transactions contemplated hereby and thereby, including the reasonable fees, disbursements and other charges of counsel retained by, or for the benefit of, the Agents, (b) to pay or reimburse each Lender and the Agents for all their reasonable out-of-pocket costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Credit Documents and any such other documents, or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans, and including the reasonable fees, disbursements and other charges of counsel to each Lender and of counsel retained by or for the benefit of the Agents, (c) to pay, indemnify, and hold harmless each Lender and the Agents from any and all Other Taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Credit Documents and any such other documents, (d) to pay or reimburse the Collateral Agent for all reasonable fees, costs and expenses incurred in exercising its rights under Section 8.16 and (e) to pay, indemnify and hold harmless each Lender, Arranger and the Agents and their respective Related Parties from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, and reasonable out-of-pocket costs, expenses or disbursements of any kind or nature whatsoever, including reasonable fees, disbursements and other charges of counsel, with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Credit Documents and any such other documents, including any of the foregoing relating to the violation of, noncompliance with or liability under, any Environmental Law or any actual or alleged presence of Hazardous Materials applicable to the operations of each Credit Party, any of their respective Subsidiaries or any of their Real Property (all the foregoing in this clause (e), collectively, the “*Indemnified Liabilities*”); provided that the Credit Parties shall not have any obligation hereunder to the Agents, Arranger or any Lender nor any of their Related Parties with respect to Indemnified Liabilities (i) to the extent that any such claimed Indemnified Liability is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from (x) any of the Agent’s, Arranger’s, any Lender’s, or any of their Related Parties’ bad faith, gross negligence or willful misconduct or (y) a material breach of such he Agent’s, Arranger’s, any Lender’s, or any of their Related Parties’ obligations hereunder or under any other Credit Document or (ii) with respect to any dispute solely among or between the Agents, Arranger, any Lender, or any of their Related Parties that does not arise out of any act or omission of any Credit Party or any its Subsidiaries. The agreements in this Section 12.05 shall survive repayment of the Loans and all other amounts payable hereunder and termination of this Agreement. The indemnification provisions of this Section 12.05 shall not apply with respect to Taxes other than Taxes that represent losses, claims and damages arising from a non-Tax loss, claim or damage and Other Taxes. To the fullest extent permitted by Applicable Law, neither any Agent, Lender or Credit Party shall assert, and each Agent, Lender and Credit Party hereby waives, any claim against any such other party and their respective Related Parties, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Credit Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, the Loans or the use of the proceeds thereof. No Lender, Arranger, Agent nor any of their respective Related Parties shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Credit Documents or the transactions contemplated hereby or thereby.

SECTION 12.06 Successors and Assigns; Participations and Assignments; Replacement of Lender.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) except as set forth in Section 9.03, no Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Credit Party without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 12.06. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section 12.06) and, to the extent expressly contemplated hereby, the Related Parties of each of the Agents and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement. Notwithstanding anything to the contrary herein, (x) any Lender shall be permitted to pledge or grant a security interest in all or any portion of such Lender's rights hereunder including, but not limited to, any Loans (without the consent of, or notice to or any other action by, any other party hereto) to secure the obligations of such Lender or any of its Affiliates to any Person providing any loan, letter of credit or other extension of credit to or for the account of such Lender or any of its Affiliates and any agent, trustee or representative of such Person and (y) the Agents shall be permitted to pledge or grant a security interest in all or any portion of their respective rights hereunder or under the other Credit Documents, including, but not limited to, rights to payment (without the consent of, or notice to or any other action by, any other party hereto), to secure the obligations of such Agent or any of its Affiliates to any Person providing any loan, letter of credit or other extension of credit to or for the account of such Agent or any of its Affiliates and any agent, trustee or representative of such Person.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments or the Loans at the time owing to it) to a Person that is not a Competitor (or, during the continuance of any Event of Default, to any Person) with the prior written consent (which consent, in each case, shall not be unreasonably withheld, conditioned or delayed) of the Administrative Agent and the Borrower; provided that (x) no consent of the Administrative Agent or the Borrower shall be required for an assignment to a Lender, a Controlled Affiliate of a Lender or an Approved Fund and the withholding of consent by the Administrative Agent to an assignment to any Affiliate of the Borrower shall be deemed to be not unreasonable; provided, further, that no consent of the Borrower shall be needed for any assignment occurring during the continuance of an Event of Default; and (y) the Borrower shall be deemed to have consented to any assignment pursuant to the terms of this Section 12.06 unless it shall object thereto by written notice to the Administrative Agent within ten days after having received notice thereof.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, a Controlled Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, the amount of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$1,000,000, unless the Administrative Agent otherwise consents, which consent, in each case, shall not be unreasonably withheld or delayed; provided, however, that contemporaneous assignments to a single assignee made by Controlled Affiliates or related Approved Funds and contemporaneous assignments by a single assignor to Controlled Affiliates or related Approved Funds shall be aggregated for purposes of meeting the minimum assignment amount requirement stated above;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement as to the Loans so assigned; provided that this paragraph shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect its Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500; provided that only one such fee shall be payable in connection with simultaneous assignments to two or more Approved Funds;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;
and

(E) unless consented to by the Required Lenders, no assignment may be made to a Credit Party or an Affiliate of a Credit Party.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(v) of this Section 12.06, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.10, 4.04 and 12.05). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.06 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section 12.06.

(iv) The Administrative Agent, acting for this purpose on behalf of the Borrower (but not as an agent, fiduciary or for any other purposes), shall maintain a copy of each Assignment and Acceptance delivered to it and a register in the United States for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). Further, the Register shall contain the name and address of the Administrative Agent and the lending office through which each such Person acts under this Agreement. The entries in the Register shall be conclusive absent manifest error, and the Credit Parties, the Agents and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register, as in effect at the close of business on the preceding Business Day, shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder) and any written consent to such assignment required by paragraph (b)(i) of this Section 12.06, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless and until it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of [the](#) Borrower or the Agents, sell participations to one or more banks or other entities (each, a “*Participant*”) in all or a portion of such Lender’s rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender’s obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) [the](#) Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement and (D) no such Participant may be a Credit Party or an Affiliate of a Credit Party. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and, as between such Lender, the Credit Parties, the Agents and the other Lenders, to approve any amendment, modification, consent or waiver of any provision of this Agreement or any other Credit Document; provided that, notwithstanding the foregoing, such agreement or instrument may provide that (x) if such Participant is an Affiliate of such Lender, the Participant may, as between itself and such Lender (but not as between such Lender, the Agents, the Credit Parties and the other Lenders), approve any amendment, modification, consent or waiver of any provision of this Agreement or any other Credit Document and (y) such Lender will not, without the consent of the Participant agree to any amendment, modification, consent or waiver described in clause (i) of the first proviso to [Section 12.01](#). Subject to paragraph (c)(ii) of this [Section 12.06](#), [the](#) Borrower agrees that each Participant shall be entitled to the benefits of [Sections 2.09, 2.10 and 4.04](#) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this [Section 12.06](#). To the extent permitted by law, each Participant also shall be entitled to the benefits of [Section 12.08\(a\)](#), as though it were a Lender; provided that such Participant agrees to be subject to [Section 12.08\(a\)](#) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under [Sections 2.09, 2.10 or 4.04](#) than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, (A) unless the sale of the participation to such Participant is made with [the](#) Borrower’s prior written consent, and (B) except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of [Section 4.04\(b\)](#) that are greater than the applicable Lender unless [the](#) Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of [the](#) Borrower, to comply with [Section 4.04\(a\)](#) and [Section 4.04\(c\)](#) as though it were a Lender.

(iii) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of [the](#) Borrower, maintain at one of its offices in the United States a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under the Credit Documents (the “*Participant Register*”). The entries in the Participant Register shall be conclusive absent manifest error, and the Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement. No Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant’s interest in any commitments, loans, letters of credit or its other obligations under any Credit Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. For the avoidance of doubt, the Administrative Agent (in its capacity as [the](#) Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(d) Nothing herein is intended to prevent, impair, limit or otherwise restrict the ability of a Lender to collaterally assign or pledge all or any portion of its interests in the Loans and the other rights and benefits under the Credit Documents to an unaffiliated third party lender of such Lender (each such Person, a “*Collateral Assignee*”); provided that unless and until the Borrower receives notification from a Collateral Assignee of such assignment directing payments to be made to such Collateral Assignee, any payment made by the Borrower for the benefit of such Lender in accordance with the terms of the Credit Documents shall satisfy the Borrower’s obligations thereunder to the extent of such payment. Any such Collateral Assignee, upon foreclosure of its security interests in the Loans pursuant to the terms of such assignment and in accordance with Applicable Law, shall succeed to all the interests of or shall be deemed to be a Lender, with all the rights and benefits afforded thereby, and such transfer shall not be deemed to be a transfer for purposes of and otherwise subject to the provisions of this Section 12.06. Notwithstanding the foregoing, Lender shall remain responsible for all obligations and liabilities arising hereunder or under any other Credit Document, and, except as otherwise expressly set forth in any applicable pledge or assignment, nothing herein is intended or shall be construed to impose any obligations upon or constitute an assumption by a Collateral Assignee thereof.

SECTION 12.07 Pledge of Loans. The Credit Parties hereby acknowledge that the Lenders and their Affiliates may pledge the Loans as collateral security for loans to the Lenders or their Affiliates. The Credit Parties shall, to the extent commercially reasonable, cooperate with the Lenders and their Affiliates to effect such pledges at the sole cost and expense of such Lender. Notwithstanding the foregoing, no pledge shall release the Lender party thereto from any of its obligations hereunder.

SECTION 12.08 Adjustments; Set-off

(a) If any Lender (a “*Benefited Lender*”) shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 10.01(i), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender’s Loans or interest thereon, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender’s Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The foregoing provisions of this Section 12.08 shall not apply to payments made and applied in accordance with the terms of this Agreement and the other Credit Documents.

(b) After the occurrence and during the continuance of an Event of Default, to the extent consented to by the Administrative Agent, in addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower or any other Credit Party, any such notice being expressly waived by the Credit Parties to the extent permitted by Applicable Law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final, but excluding deposit accounts used solely to fund payroll or employee benefits, or deposit accounts that consist of cash collateral subject to Permitted Liens), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower, as the case may be. Each Lender agrees promptly to notify the Borrower and the Agents after any such set-off and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such set-off and application.

SECTION 12.09 Counterparts. This Agreement and the other Credit Documents may be executed by one or more of the parties thereto on any number of separate counterparts (including by facsimile or other electronic transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Any signature page delivered by telecopy machine or transmitted electronically in Portable Document Format (“.pdf”) shall be valid and binding to the same extent as an original signature page. Any party who delivers such a signature page agrees to later deliver an original counterpart to any party who requests it. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower, the Collateral Agent and the Administrative Agent.

SECTION 12.10 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 12.11 Integration. This Agreement and the other Credit Documents represent the agreement of the Credit Parties, the Agents and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by any party hereto or thereto relative to the subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

SECTION 12.12 GOVERNING LAW. THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS (UNLESS EXPRESSLY PROVIDED OTHERWISE THEREIN) AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF ILLINOIS, WITHOUT REFERENCE TO CONFLICTS OF LAW PROVISIONS WHICH WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

SECTION 12.13 Submission to Jurisdiction; Waivers. Each party hereto hereby irrevocably and unconditionally:

(a) submits, for itself and its property, to the exclusive jurisdiction of any state court of the State of Illinois sitting in Cook County and of the United States District Court of the Northern District of Illinois, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Credit Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Illinois State court or, to the extent permitted by Applicable Laws, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Applicable Laws. Nothing in this Agreement or any other Credit Document or otherwise shall affect any right that the Administrative Agent, the Collateral Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against any Credit Party or its properties in the courts of any jurisdiction in connection with the exercise of any rights under any Security Document or the enforcement of any judgment;

(b) consents that any such action or proceeding shall be brought in such courts, and agrees not to plead or claim and waives, to the fullest extent permitted by Applicable Laws, any objection that it may now or hereafter have to the venue of any such action or proceeding arising out of or relating to this Agreement or any other Credit Document in any court referred to in Section 12.13(a). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the applicable party at its respective address set forth in Schedule 12.02 or on Schedule 1.01 or at such other address of which the Agents shall have been notified pursuant thereto. Nothing in this Agreement or any other Credit Document will affect the right of any party to this Agreement to serve process in any other manner permitted by Applicable Law;

(d) waives, to the maximum extent not prohibited by law, all rights of rescission, setoff, counterclaims, and other defenses in connection with the repayment of the Obligations; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 12.13 any special, exemplary, punitive or consequential damages.

SECTION 12.14 Acknowledgments. Each Credit Party hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) neither the Agents, Arranger, nor any Lender has any fiduciary relationship with or duty to the Credit Parties arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between any Agent, Arranger and Lenders, on one hand, and the Credit Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Credit Parties and the Lenders.

SECTION 12.15 WAIVERS OF JURY TRIAL. THE CREDIT PARTIES, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 12.16 Confidentiality. Each Agent and Lender shall hold all non-public information relating to any Credit Party or any Subsidiary of any Credit Party obtained pursuant to the requirements of this Agreement or in connection with such Lender's evaluation of whether to become a Lender hereunder ("**Confidential Information**") confidential in accordance with its customary procedure for handling confidential information of this nature and (in the case of a Lender that is a bank) in accordance with safe and sound banking practices; provided that Confidential Information may be disclosed by any Agent or Lender:

(a) as required or requested by any governmental or regulatory agency or representative thereof;

(b) pursuant to legal or regulatory process;

(c) in connection with the enforcement of any rights or exercise of any remedies by such Agent or Lender under this Agreement or any other Credit Document or any action or proceeding relating to this Agreement or any other Credit Document;

(d) to such Agent's or Lender's attorneys, professional advisors, accountants, independent auditors, clients, service providers or Affiliates who will be informed of the confidential nature of such information,

(e) in connection with:

(i) the establishment of any special purpose funding vehicle with respect to the Loans,

(ii) any pledge permitted under Section 12.08;

(iii) any prospective assignment of, or participation in, its rights and obligations pursuant to Section 12.06, to prospective assignees or Participants, as the case may be (it being understood that each such Persons will be informed of the confidential nature of such information and shall have been instructed to keep such information confidential on the same terms as this Section 12.16); and

(iv) any actual or proposed credit facility for loans, letters of credit or other extensions of credit to or for the account of such Agent or Lender or any of its Affiliates, to any Person providing or proposing to provide such loan, letter of credit or other extension of credit or any agent, trustee or representative of such Person (it being understood that each such Persons will be informed of the confidential nature of such information and shall have been instructed to keep such information confidential on the same terms as this Section 12.16); or

(f) to any rating agency;

(g) with the consent of the Borrower;

(h) to the extent required, or to the extent counsel to the Agents or to any Lender reasonably determines is required to be disclosed in connection with any public filing by Agents or such Lender;

(i) in connection with the Promotional Rights (as defined below);
provided that in the case of clause (e) hereof, the Person to whom Confidential Information is so disclosed is advised of and has been directed to comply with the provisions of this Section 12.16.

Notwithstanding the foregoing, Agents and each Lender shall have the right to publicize, for general marketing and related promotional purposes, with the prior written consent of the Borrower, which consent cannot be unreasonably conditioned, withheld, or delayed, their relationship to the Borrower and the fact that they have extended the Loan to the Borrower (the "**Promotional Rights**") and, in connection therewith, the Borrower hereby grants to each Agent and each Lender a royalty free, non-exclusive limited license to use the Borrower's name, trade name, trademarks, logos, trade dress and other identifying intellectual property, now existing or hereafter acquired, in any literature, advertisements, websites, promotional or other marketing materials now or hereafter used by such Agent or Lender.

Notwithstanding the foregoing, no Agent or Lender shall have any obligation to keep information confidential if such information: (i) is or becomes public from a source other than an Agent or a Lender, or one of an Agent's or a Lender's Affiliates, consultants or legal or financial advisors in breach of this Agreement, (ii) is, was or becomes known on a non-confidential basis (to the best of such Agent's or Lender's knowledge after reasonable inquiry) to or discovered by an Agent or Lender, Lenders or any of their Affiliates, consultants or legal or financial advisors independently from communications by or on behalf of any Credit Party, or (iii) is independently developed by an Agent without use of such confidential information, provided that, the source of such information was not known to be bound by a confidentiality agreement with (or subject to any other contractual, legal or fiduciary obligation of confidentiality to) the relevant Credit Party.

EACH LENDER ACKNOWLEDGES THAT CONFIDENTIAL INFORMATION (AS DEFINED IN THIS SECTION 12.16) FURNISHED TO IT PURSUANT TO THIS AGREEMENT MAY INCLUDE MATERIAL NON-PUBLIC INFORMATION CONCERNING THE BORROWER AND ITS RELATED PARTIES OR THEIR RESPECTIVE SECURITIES, AND CONFIRMS THAT IT HAS DEVELOPED COMPLIANCE PROCEDURES REGARDING THE USE OF MATERIAL NON-PUBLIC INFORMATION AND THAT IT WILL HANDLE SUCH MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH THOSE PROCEDURES AND APPLICABLE LAW, INCLUDING FEDERAL AND STATE SECURITIES LAWS.

ALL INFORMATION, INCLUDING WAIVERS AND AMENDMENTS, FURNISHED BY THE CREDIT PARTIES OR ANY AGENT PURSUANT TO, OR IN THE COURSE OF ADMINISTERING, THIS AGREEMENT WILL BE SYNDICATE-LEVEL INFORMATION, WHICH MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION ABOUT THE CREDIT PARTIES AND THEIR RELATED PARTIES OR THEIR RESPECTIVE SECURITIES. ACCORDINGLY, EACH LENDER REPRESENTS TO THE CREDIT PARTIES AND THE AGENTS THAT IT HAS IDENTIFIED IN ITS ADMINISTRATIVE QUESTIONNAIRE A CREDIT CONTACT WHO MAY RECEIVE INFORMATION THAT MAY CONTAIN MATERIAL NON-PUBLIC INFORMATION IN ACCORDANCE WITH ITS COMPLIANCE PROCEDURES AND APPLICABLE LAW.

SECTION 12.17 Press Releases, etc. Each party to this Agreement will not, and will not permit any of its respective Subsidiaries, directly or indirectly, to publish any press release or other similar public disclosure or announcements (including any marketing materials) regarding this Agreement, the other Credit Documents, or any of the Transactions, without the consent of the Administrative Agent and the Parent, which consent shall not be unreasonably withheld; provided, however, that the Borrower shall be permitted to publicly disclose the foregoing if required to do so under U.S. and Canadian securities laws.

SECTION 12.18 Releases of Guarantees and Liens. (a) Notwithstanding anything to the contrary contained herein or in any other Credit Document, the Collateral Agent is hereby irrevocably authorized by each Secured Party (without requirement of notice to or consent of any Secured Party) to take any action requested by the Borrower having the effect of releasing any Liens on Collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Credit Document or that has been consented to in accordance with Section 12.01 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as (i) the Loans and the other Obligations (other than Unasserted Contingent Obligations) shall have been paid in full and (ii) the Commitments have been terminated, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Collateral Agent and each Credit Party under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

(c) Upon request by the Collateral Agent at any time, the Required Lenders will confirm in writing the Collateral Agent's authority to release its interest in particular types or items of property, or to release any guarantee obligations pursuant to this Section 12.18. In each case as specified in this Section 12.18, the Collateral Agent will (and each Lender irrevocably authorizes the Collateral Agent to), at the Borrower's expense, execute and deliver to the applicable Credit Party such documents as such Credit Party may reasonably request to evidence the release of such item of Collateral or guarantee obligation from the assignment and security interest granted under the Security Documents, in each case in accordance with the terms of the Credit Documents and this Section 12.18.

SECTION 12.19 USA Patriot Act. Each Lender hereby notifies each Credit Party that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "*Patriot Act*"), it is required to obtain, verify and record information that identifies the Credit Parties, which information includes the name and address of each Credit Party and other information that will allow such Lender to identify each Credit Party in accordance with the Patriot Act. Each Credit Party agrees to provide all such information to the Lenders upon request by any Agent at any time, whether with respect to any Person who is a Credit Party on the Restatement Date or who becomes a Credit Party thereafter.

Without limiting the foregoing, the Credit Parties further acknowledge that, pursuant to the Canadian Anti-Money Laundering & Anti-Terrorism Legislation and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" laws (collectively, including any guidelines or orders thereunder, "AML Legislation"), the Lenders may be required to obtain, verify and record information regarding the Credit Parties and their respective directors, authorized signing officers, direct or indirect shareholders or other Persons in control of the Credit Parties, and the transactions contemplated hereby. The Borrower shall (and shall cause each Credit Party to) promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or any prospective assignee or Participant of any Lender, in order to comply with any applicable AML Legislation, whether now or hereafter in existence. If Agent has ascertained the identity of any Credit Party or any authorized signatories of any Credit Party for the purposes of applicable AML Legislation, then Agent, (i) shall be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a "written agreement" in such regard between each Lender and Agent within the meaning of the applicable AML Legislation; and (ii) shall provide to each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

SECTION 12.20 No Fiduciary Duty. Each Credit Party agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, the Credit Parties, on the one hand, and the Agents, the Arranger, the Lenders and their respective Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Agents, the Arranger, the Lenders or their respective Affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications.

SECTION 12.21 Authorized Officers. The execution of any certificate requirement hereunder by an Authorized Officer shall be considered to have been done solely in such Authorized Officer's capacity as an officer of the applicable Credit Party (and not individually). Notwithstanding anything to the contrary set forth herein, the Secured Parties shall be entitled to rely and act on any certificate, notice or other document delivered by or on behalf of any Person purporting to be an Authorized Officer of a Credit Party and shall have no duty to inquire as to the actual incumbency or authority of such Person.

SECTION 12.22 Judgment Currency. (a) The obligations of the Credit Parties hereunder and under the other Credit Documents to make payments in a specified currency (the “**Obligation Currency**”) shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by a Secured Party of the full amount of the Obligation Currency expressed to be payable to it under this Agreement or another Credit Document. If, for the purpose of obtaining or enforcing judgment against any Credit Party in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the “**Judgment Currency**”) an amount due in the Obligation Currency, the conversion shall be made, at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the Business Day immediately preceding the date on which the judgment is given (such Business Day being hereinafter referred to as the “**Judgment Currency Conversion Date**”).

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrower covenants and agrees to pay, or cause to be paid, or remit, or cause to be remitted, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining any rate of exchange or currency equivalent for this Section 12.23, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

SECTION 12.23 Subordination of Intercompany Indebtedness. The Credit Parties hereby agree that all present and future Indebtedness of any Credit Party to any other Credit Party (“**Intercompany Indebtedness**”) shall be subordinate and junior in right of payment and priority to the Obligations, and each Credit Party agrees not to make, demand, accept or receive any payment in respect of any present or future Intercompany Indebtedness, including any payment received through the exercise of any right of setoff, counterclaim or cross claim, or any collateral therefor, unless and until such time as the Obligations shall have been indefeasibly paid in full; provided that, so long as no Event of Default or Material Default shall have occurred and be continuing and no Event of Default or Material Default shall be caused thereby and such Indebtedness is expressly permitted hereunder, the Credit Parties may make and receive such payments in respect of Intercompany Indebtedness as shall be customary in the ordinary course of the Credit Parties’ business. Without in any way limiting the foregoing, in any Insolvency Event, or any receivership, liquidation, reorganization, dissolution or other similar proceedings relative to any Credit Party or to its businesses, properties or assets, the Lenders shall be entitled to receive payment in full of all of the Obligations before any Credit Party shall be entitled to receive any payment in respect of any present or future Intercompany Indebtedness.

SECTION 12.24 Public Lenders. Each Credit Party agrees that the Administrative Agent may, but shall not be obligated to, make the Communications available to the Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the “**Platform**”). The Platform is provided “as is” and “as available.” The Borrower hereby acknowledges that (a) the Administrative Agent may, but shall not be obligated to, make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, the “**Borrower Materials**”) by posting Borrower Materials on the Platform and (b) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a “**Public Lender**”). the Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders by the Administrative Agent through the Platform shall be clearly and conspicuously marked “PUBLIC” by the Borrower which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States federal and state securities laws and Canadian securities laws (provided, however, that to the extent such Borrower Materials constitute Confidential Information, they shall be treated as set forth in Section 12.16); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated as “Public Investor;” and (z) the Administrative Agent shall be entitled to treat any Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not marked as “Public Investor.” Notwithstanding the foregoing, the following Borrower Materials shall be deemed to have been marked “PUBLIC”, unless the Borrower notifies the Administrative Agent promptly that any such document contains material non-public information: (1) the Credit Documents and (2) any financial statements delivered by the Borrower pursuant to Section 8.01(a) or 8.01(b).

SECTION 12.25 Reserved.

SECTION 12.26 Original Issue Discount. The Credit Parties, the Administrative Agent and the Lenders, as applicable, agree (i) that the Notes are debt for federal income Tax purposes, (ii) that the Notes issued to the Lenders constitute a single debt instrument for purposes of Sections 1271 through 1275 of the Code and the Treasury Regulations thereunder (pursuant to Treasury Regulations Section 1.1275-2(c)), that such debt instrument is issued with original issue discount (“OID”), and that such debt instrument is described in Treasury Regulations Section 1.1272-1(c)(2) and therefore is governed by the rules set out in Treasury Regulations Section 1.1272-1(c), including Section 1.1272-1(c)(5), and is not governed by the rules set out in Treasury Regulations Section 1.1275-4, (iii) that the Lenders shall have thirty (30) days to review and approve any calculation by the Credit Parties regarding the amount of OID for any accrual period on the Notes, such approval not to be unreasonably withheld, (iv) not to file any Tax Return, report or declaration inconsistent with the foregoing, unless otherwise required by applicable law and (v) any such OID shall constitute principal for all purposes under this Agreement.

SECTION 12.27 Tax Treatment. The Borrower and Lenders agree that the Loans are indebtedness of the Borrower for U.S. federal income Tax purposes. Each party to this Agreement agrees not to take any Tax position inconsistent with such Tax characterization and shall not report the transactions arising under this Agreement in any manner other than the issuance of debt obligations on all applicable Tax returns unless otherwise required by a final determination within the meaning of Section 1313(a) of the Code (or a similar final determination under state or local Applicable Law).

ARTICLE XIII
Additional Covenants and Agreements

SECTION 13.01 Cannabis Laws. The Agents and Credit Parties acknowledge that although Canadian Cannabis Laws and certain U.S. State Cannabis Laws have legalized the cultivation, distribution, sale, transfer and possession of cannabis and related products, (a) the nature and scope of U.S. Federal Cannabis Laws may result in circumstances where activities permitted under Canadian Cannabis Laws and U.S. State Cannabis Laws may contravene U.S. Federal Cannabis Laws and (b) engagement in Restricted Cannabis Activities may contravene U.S. Federal Cannabis Laws. Accordingly, for the purpose hereof, each representation, covenant and other provision hereof relating to compliance with Applicable Law will be subject to the following: (i) engagement in any activity that is permitted by Canadian Cannabis Laws or U.S. State Cannabis Laws but contravenes U.S. Federal Cannabis Laws, and in respect of which the applicable Governmental Authority has agreed, or are bound by Applicable Law (e.g., the proposed Secure and Fair Enforcement (SAFE) Banking Act (H.R. 1595) and the proposed Clarifying Law Around Insurance of Marijuana (CLAIM) Act (H.R. 4074 and Senate Bill 2201)), to forego or have otherwise suspended prosecution and enforcement of such U.S. Federal Cannabis Laws will not, in and of itself, be deemed to be non-compliance with Applicable Law; (ii) engagement in any Restricted Cannabis Activity will be deemed to be non-compliance with Applicable Law; and (iii) if any Change in Cannabis Law results in the business activities of any Credit Party becoming Restricted Cannabis Activities, such Change in Cannabis Law will be deemed to have had a Material Adverse Effect. Nothing contained in this Agreement shall require Credit Parties to violate any provision of the Canadian Cannabis Law or U.S. State Cannabis Law or its attending regulations, as applicable.

SECTION 13.02 Amendment and Restatement. This Agreement amends and restates, but does not extinguish and is not a novation or an accord and satisfaction of, the Original Credit Agreement, and any indebtedness outstanding thereunder shall be deemed to be outstanding under this Agreement. All commitments to extend credit under the Original Credit Agreement shall be irrevocably terminated upon the effectiveness of this Agreement. Nothing in this Agreement shall be deemed to release or otherwise adversely affect any Lien, mortgage or security interest securing any indebtedness outstanding under the Original Credit Agreement or any rights of the Agents or any Lender against any guarantor, surety or other party primarily or secondarily liable for such indebtedness. The Credit Parties hereby acknowledge and agree that all Liens securing the "Obligations" under, and as defined in, the Original Credit Agreement are hereby ratified, renewed, and extended to secure the Obligations (as defined in this Agreement).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK - SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

VERANO HOLDINGS CORP.

By: _____
Name: George P. Archos
Title: Chief Executive Officer

[***] _____
By: its Manager, [***]
By: its Manager, [***]

By: _____
Name: George Archos
Title: Chief Executive Officer

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By: its Manager, [***]
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Title: Chief Executive Officer

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Title: Chief Executive Officer

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Name: George Archos
Title: Chief Executive Officer

Signature Page to Credit Agreement

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Name: George Archos
Title: Chief Executive Officer

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Name: George Archos
Title: Chief Executive Officer

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By:

Name: George Archos

Title: Director

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Name: George Archos

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Title: Chief Executive Officer

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Title: Chief Executive Officer

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By: its sole member, [***]
By: its Manager, [***]

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Name: George Archos
Title: Chief Executive Officer

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By: _____
Name: George Archos
Title: Authorized Person

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By: _____
Name: George Archos
Title: Chief Executive Officer

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Name: George Archos
Title: Manager

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By: _____
Name: George Archos
Title: Trustee

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Name: George Archos
Title: Manager

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Name: George Archos
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Name: George Archos
Title: Authorized Person

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Title: Chief Executive Officer

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Title: Trustee

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By:

Name: George Archos

Title: Chief Executive Officer

Signature Page to Credit Agreement

ADMINISTRATIVE AGENT AND COLLATERAL AGENT:

CHICAGO ATLANTIC ADMIN, LLC

By: _____

Name: Andreas Bodmeier

Title: Authorized Person

Signature Page to Credit Agreement

LENDERS:

CHICAGO ATLANTIC CREDIT OPPORTUNITIES, LLC

By: _____

Name: Andreas Bodmeier

Title: Authorized Person

Signature Page to Credit Agreement

CHICAGO ATLANTIC REAL ESTATE FINANCE, INC.

By: _____

Name: Andreas Bodmeier

Title: Authorized Person

Signature Page to Credit Agreement

CHICAGO ATLANTIC CREDIT COMPANY, LLC

By: _____

Name: Andreas Bodmeier

Title: Authorized Person

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AFC GAMMA, INC.

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