

TRULIEVE CANNABIS CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

This management discussion and analysis of the financial condition and results of operations (“MD&A”) of Trulieve Cannabis Corp. and its subsidiaries (“Trulieve” or, the “Corporation”) is for the three and 12 months ended December 31, 2018. It is supplemental to, and should be read in conjunction with, the Corporation’s audited consolidated financial statements and the accompanying notes for the year ended December 31, 2018. The Corporation’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts presented in this MD&A are presented in United States dollars (“\$” or “US\$”), unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

Further information about the Corporation, its operations and other continuous disclosure documents, including the Corporation’s Annual Information Form, is available through filings with the securities regulatory authorities in Canada under the Corporation’s profile at www.sedar.com.

This MD&A was prepared as of April 10, 2019.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain “forward-looking statements” and certain “forward-looking information” as defined under applicable United States securities laws and Canadian securities laws. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates 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”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. 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 performance of the Corporation’s business and operations; the receipt and/or maintenance by the Corporation of required licenses and permits in a timely manner or at all; the intention to grow the business and operations of the Corporation; the expected growth in the number of the people using medical and/or adult use cannabis products; expectations of market size and growth in the United States; the competitive conditions and increasing competition of the cannabis industry; applicable laws, regulations and any amendments thereof; the competitive and business strategies of the Corporation; the Corporation’s operations in the United States, the characterization and consequences of those operations under federal United States law, and the framework for the enforcement of medical and adult use cannabis and cannabis-related offenses in the United States; the proposed acquisition of the balance of the outstanding membership interests of Leef Industries, LLC (“Leef Industries”); the completion of additional cultivation and production facilities; the general economic, financial market, regulatory and political conditions in which the Corporation operates; the United States regulatory landscape and enforcement related to cannabis, including political risks; anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; the enforceability of contracts; reliance on the expertise and judgment of senior management of the Corporation; proprietary intellectual property and potential infringement by third parties; the concentrated voting control of the Corporation by certain shareholders of the Corporation and the unpredictability caused by the capital structure; the management of growth; risks inherent in an agricultural business; risks relating to energy costs; risks associated to

cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; limited research and data relating to cannabis; the medical benefits, viability, safety, efficacy and social acceptance of cannabis; the availability of financing opportunities, risks associated with economic conditions, dependence on management; and other risks described in this MD&A and described from time to time in documents filed by the Corporation with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt and/or maintenance of required licenses and third party consents; and (ii) the success of the operations of the Corporation, are based on estimates prepared by the Corporation 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 this industry which the Corporation believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the current marijuana industry involves risks and uncertainties and are subject to change based on various factors. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks described above and other factors beyond the Corporation's control, as more particularly described under the heading "Risk Factors" in this MD&A. Consequently, all forward-looking statements made in this MD&A 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 Corporation. The cautionary statements contained or referred to in this MD&A should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation and/or persons acting on its behalf may issue. The Corporation 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 by law.

OVERVIEW OF THE CORPORATION

Business of Trulieve

Trulieve is a multi-state cannabis operator which currently operates under licenses in three states. Headquartered in Quincy, Florida, the Corporation is focused on being the brand leader for quality medical and recreational cannabis products and service in all markets it serves. As of February 2019, Trulieve employs over 1,700 people and is committed to providing patients a consistent and welcoming retail experience across Trulieve branded stores. Trulieve's experience in the vertically integrated market of Florida has given the Corporation the ability to scale and penetrate in all necessary business segments (cultivation, production, sales and distribution) which has provided the Corporation with the unique ability to secure and maintain the position of market leader in Florida and to inject that expertise effectively into other regulated market opportunities.

Trulieve, Inc., the Corporation's wholly-owned Florida subsidiary, is the first fully licensed medical cannabis company in Florida and the first company to reach scale. the Corporation has capitalized on its first mover advantage by capturing (on average) 67.4% market share in 2018 as reported by the Department (as defined herein) in milligrams dispensed since January 1, 2018. Today, Trulieve operates 26 of the 108 open dispensary locations throughout Florida and also services patients via home delivery service. Since opening and as of February 2019, Trulieve has served over 137,500 unique patients in the state of Florida.

Due to its patient-first mantra, Trulieve has developed a suite of Trulieve branded products with over 155 stock keeping units (“**SKUs**”) including smokable flower, flower pods for vaporizing, concentrates, topicals, capsules, tinctures, and vape cartridges. This wide variety of products gives patients the ability to select the product that provides them with the most desired effect and delivery mechanism. Trulieve branded products are distributed across the Trulieve store platform as well as via home delivery.

The Corporation operates one medical and adult use dispensary in Palm Springs, California and is in the process of identifying possible locations and working with local municipalities to obtain the requisite permission and permitting to operate medical and adult use cannabis dispensaries in the Commonwealth of Massachusetts. The Corporation cannot predict the timing or grant of regulatory approvals.

DESCRIPTION OF THE UNITED STATES LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities (“**Staff Notice 51-352**”), below is a discussion of the federal and state-level United States regulatory regimes in those jurisdictions where the Corporation is currently directly involved, through its subsidiaries, in the cannabis industry. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Regulation of Cannabis in the United States Federally

The United States federal government regulates drugs through the Controlled Substances Act (the “**CSA**”), which places controlled substances, including cannabis, in one of five different schedules. Cannabis is classified as a Schedule I drug. As a Schedule I drug, the federal Drug Enforcement Agency (“**DEA**”) considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision.¹ The scheduling of marijuana as a Schedule I drug is inconsistent with what the Corporation believes to be many valuable medical uses for marijuana accepted by physicians, researchers, patients, and others. As evidence of this, the federal Food and Drug Administration (“**FDA**”) on June 25, 2018 approved Epidiolex (cannabidiol) (“**CBD**”) oral solution with an active ingredient derived from the cannabis plant for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first FDA-approved drug that contains a purified drug substance derived from the cannabis plant. In this case, the substance is CBD, a chemical component of marijuana that does not contain the intoxication properties of tetrahydrocannabinol (“**THC**”), the primary psychoactive component of marijuana. The Corporation believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered.²

¹ 21 U.S.C. 812(b)(1).

² See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.ntt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825>; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AggressiveBehavior.pdf>; and Fals-Steward, W. Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

The federal position is also not necessarily consistent with democratic approval of marijuana at the state government level in the United States. Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the United States. State laws regulating cannabis are in conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. Although the Corporation's activities are compliant with applicable Florida and California state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against the Corporation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and State law, the federal law shall apply.

Nonetheless, 33 states and the District of Columbia in the United States have legalized some form cannabis for medical use, while 10 states and the District of Columbia have legalized the adult use of cannabis for recreational purposes. As more and more states legalized medical and/or adult-use marijuana, the federal government attempted to provide clarity on the incongruity between federal prohibition under the CSA and these state-legal regulatory frameworks. Until 2018, the federal government provided guidance to federal law enforcement agencies and banking institutions through a series of United States Department of Justice (“DOJ”) memoranda. The most recent such memorandum was drafted by former Deputy Attorney General James Cole on August 29, 2013 (the “**Cole Memorandum**”).³

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

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

The Cole Memorandum was seen by many state-legal marijuana companies as a safe harbor – albeit an imperfect one – for their licensed operations that were conducted in full compliance with all applicable state and local regulations.

³ See James M. Cole, *Memorandum for All United States Attorneys* (Aug. 29, 2013), available at <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>.

On January 4, 2018, former United States Attorney General Sessions rescinded the Cole Memorandum by issuing a new memorandum to all United States Attorneys (the “**Sessions Memo**”). Rather than establish national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under state law, the Sessions Memo instructs that “[i]n deciding which marijuana activities to prosecute... with the [DOJ’s] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions.” Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

In the absence of a uniform federal policy, as had been established by the Cole Memorandum, numerous United States Attorneys with state-legal marijuana programs within their jurisdictions have announced enforcement priorities for their respective offices. For instance, Andrew Lelling, United States Attorney for the District of Massachusetts, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office’s marijuana enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds. Other United States attorneys provided less assurance, promising to enforce federal law, including the CSA in appropriate circumstances.

Former United States Attorney General Sessions resigned on November 7, 2018. He was replaced by William Barr on February 14, 2019. It is unclear what specific impact this development will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated “I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum.”⁴ Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

The Corporation believes it is too soon to determine if any prosecutorial effects will be undertaken by the rescission of the Cole Memorandum, or if Attorney General Barr will reinstitute the Cole Memorandum or a similar guidance document for United States attorneys. The sheer size of the cannabis industry, in addition to participation by State and local governments and investors, suggests that a large-scale enforcement operation would possibly create unwanted political backlash for the Department of Justice and the Trump administration.

As an industry best practice, despite the recent rescission of the Cole Memorandum, the Corporation abides by the following standard operating policies and procedures to ensure compliance with the guidance provided by the Cole Memorandum:

1. ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
2. ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);
3. implement policies and procedures to ensure that cannabis products are not distributed to minors;
4. implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

⁴ *Questions for the Record William P. Barr Nominee to be United States Attorney General*, available at <https://www.judiciary.senate.gov/imo/media/doc/Barr%20Responses%20to%20Booker%20QFRs1.pdf>.

5. implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
6. ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and
7. ensure that its products 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 impaired driving.

In addition, the Corporation frequently conducts background checks to ensure that the principals and management of its operating subsidiaries 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 cultivation, manufacturing or distribution of cannabis. The Corporation will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See “*Risk Factors*.”

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has passed a so-called “rider” provision in the FY 2015, 2016, 2017 and 2018 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The rider is known as the “Rohrabacher-Farr” Amendment after its original lead sponsors (it is also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce-Leahy” Amendment, but it is referred to in this MD&A as “**Rohrabacher-Farr**”). Most recently, the Rohrabacher-Farr Amendment (now known colloquially as the “Joyce-Leahy Amendment” after its most recent sponsors) was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019. In signing the Act, President Trump issued a signing statement noting that the Act “provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories,” and further stating “I will treat this provision consistent with the President’s constitutional responsibility to faithfully execute the laws of the United States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed.

There is a growing consensus among marijuana businesses and numerous congressmen and congresswomen that guidance is not law and temporary legislative riders, such as the Rohrabacher-Farr Amendment, are an inappropriate way to protect lawful medical marijuana businesses. Numerous bills have been introduced in Congress in recent years to decriminalize aspects of state-legal marijuana trades. For fiscal year 2019, the strategy amongst the bipartisan Congressional Marijuana Working Group in Congress, is to introduce numerous marijuana-related appropriations amendments in the Appropriations Committee in both the House and Senate, similar to the strategy employed in fiscal year 2018. The amendments will include protections for marijuana-related businesses in states with medical and adult-use marijuana laws, as well as protections for financial institutions that provide banking services to state-legal marijuana businesses. The Corporation also has observed that each year more congressmen and congresswomen sign on and co-sponsor marijuana legalization bills. These include the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end federal marijuana prohibition, Congressman Blumenauer and Senator Wyden have introduced the three-bill package, Path to Marijuana Reform, which would fix the so-called Internal Revenue Service 280E provision that provides tax burdens for marijuana businesses, eliminate civil asset forfeiture and federal criminal penalties for marijuana businesses complying with state law, reduce barriers to banking, de-schedule

marijuana from the federal list of controlled substances, and tax and regulate marijuana.⁵ Senator Booker has also introduced the Marijuana Justice Act, which would de-schedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion. Colorado Republican Senator Cory Gardner has reportedly secured a probable assurance from President Trump that Trump would sign a bill to allow states to legalize and regulate marijuana without federal intervention.⁶

In light of all of this, it was anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco. Given current political trends, however, the Corporation considers these developments unlikely in the near-term. For the time being, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission nor the continued passage of the Rohrabacher-Farr Amendment has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state law sanctions such sale and disbursement. If the United States federal government begins to enforce United States federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected.

Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance.

Due to the CSA categorization of marijuana as a Schedule I drug, federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the United States Currency and Foreign Transactions Reporting Act of 1970 (the "**Bank Secrecy Act**"). Therefore, under the Bank Secrecy Act, 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 charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states that have legalized medical and/or adult-use marijuana, the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**"), in 2014, issued guidance to prosecutors of money laundering and other financial crimes (the "**FinCEN Guidance**"). The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that business is legal in their state and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;

⁵ Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-path-marijuana-reform>.

⁶ Mark. K. Matthews, *Donald Trump would "probably" support legalizing Colorado's marijuana industry – through bid by Cory Gardner and Elizabeth Warren*, THE DENVER POST (June 8, 2018), available at <https://www.denverpost.com/2018/06/08/colorado-marijuana-industry-sanctioning-donald-trump/>.

3. Requesting from state licensing and enforcement authorities available information about the business and related parties;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult-use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Because most banks and other financial institutions are unwilling to provide any banking or financial services to marijuana businesses, these businesses can be forced into becoming "cash-only" businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not increased banks' willingness to provide services to marijuana businesses. This is because, as described above, 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 marijuana business they accept as a customer.

The few state-chartered banks and/or credit unions that have agreed to work with marijuana businesses are limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those state-chartered banks and credit unions that do have customers in the marijuana industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance.

Unlike the Cole Memorandum, however, the FinCEN Guidance from 2014 has not been rescinded. The Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, has publicly stated that the Department was not informed of any plans to rescind the Cole Memorandum. Secretary Mnuchin stated that he does not have a desire to rescind the FinCEN Guidance.⁷

As an industry best practice and consistent with its standard operating procedures, the Corporation adheres to all customer due diligence steps in the FinCEN Guidance.

In the United States, a bill has been tabled in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. This bill has not been passed and there can be no assurance with that it will be passed in its current form or at all. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and

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

regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

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

CBD is a product that often is derived from hemp, which contains only trace amounts of THC, the psychoactive substance found in marijuana. On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018 (popularly known as the “**2018 Farm Bill**”) into law.⁸ Until the 2018 Farm Bill became law hemp and products derived from it, such as CBD, fell within the definition of “marijuana” under the CSA and the DEA classified hemp as a Schedule I controlled substance because hemp is part of the cannabis plant.⁹

The 2018 Farm Bill defines hemp as the plant *Cannabis sativa* L. and any part of the plant with a delta-9 THC concentration of not more than 0.3 percent by dry weight, and removes hemp from the CSA. The 2018 Farm Bill also allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and otherwise meets the definition of hemp removed from the CSA. The introduction of hemp and products derived from it, such as CBD, in foods, beverages, and dietary supplements has not – except in limited circumstances – been approved by the FDA. FDA expects to engage in rulemaking on this subject.

Regulation of the Medical Cannabis Market in Florida

In 2014, the Florida Legislature passed the Compassionate Use Act (the “**CUA**”) which was a low-THC (CBD) law, allowing cannabis containing less than 0.8% THC to be sold to patients diagnosed with severe seizures or muscle spasms and cancer. The CUA created a competitive licensing structure and originally allowed for one vertically integrated license to be awarded per five regions of the State. The CUA set forth the criteria for applicants as well as the minimum qualifying criteria which included the requirement to hold a nursery certificate for a minimum of 400,000 plants and to be a registered nursery for at least 30 continuous years. The CUA also created a state registry to track dispensations. In 2016, the Florida Legislature passed the Right to Try Act (the “**RTA**”), which expanded the State’s medical cannabis program to allow for full potency THC products to be sold as “medical cannabis” to patients with a terminal condition that had been diagnosed by two physicians.

In November of 2016, the Florida Medical Marijuana Legalization ballot initiative (the “**Initiative**”) to expand the medical cannabis program under the RTA was approved by 71.3% of voters, thereby amending the Florida constitution. The Initiative is now Article X, Section 29 of the Florida Constitution. The Initiative added 10 medical conditions to the list of conditions for which the use of medical cannabis is permitted in Florida. The Initiative also provided for the implementation of state-issued medical cannabis identification cards. In 2017, the Florida Legislature passed legislation implementing the constitutional amendment and codifying the changes set forth in the constitution. The 2017 law provides for another four licenses to be issued for every 100,000 active qualified patients added to the registry and initially limited license holders to a maximum of 25 dispensary locations with the ability to purchase additional dispensary locations from

⁸ H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), <https://www.congress.gov/bills/115th-congress/house-bill/2/text>.

⁹ See, e.g., 21 C.F.R. § 1308.35.

one another and for an additional five locations to be allowed by the State for every 100,000 active qualified patients added to the registry. The 2017 legislation's cap on dispensing facilities expires on April 1, 2020.

Trulieve License

Under Florida law, a licensee is required to cultivate, process and dispense medical cannabis. Licenses are issued by the Florida Department of Health, Office of Medical Marijuana Use (the "**Department**") and may be renewed biennially. Trulieve, Inc. received its most recent license renewal on June 13, 2018 and is classified as a Medical Marijuana Treatment Center ("**MMTC**") under Florida law.

In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown.

Under its license, the Corporation is permitted to sell cannabis to those patients who are entered into the State's electronic medical marijuana use registry by a qualified physician and possess a state-issued medical marijuana identification card. The physician determines patient eligibility as well as the routes of administration (e.g. topical, oral, inhalation) and number of milligrams per day a patient is able to obtain under the program. The physician may order a certification for up to three 70-day supply limits of marijuana, following which the certification expires and a new certification must be issued by a physician. The number of milligrams dispensed, the category of cannabis (either low-THC or medical cannabis) and whether a delivery device such as a vaporizer has been authorized is all recorded in the registry for each patient transaction.

The Corporation is authorized to sell a variety of products and currently offers over 155 SKUs in various product categories for sale. Edible products were authorized by the Florida Legislature in 2017 pending rulemaking by the Department. The Department has held workshops regarding edibles but has not yet drafted the contemplated regulations. Hydrocarbon extracted products are also contemplated in the 2017 law and are awaiting rulemaking by the Department.

Dispensaries may be located in any location throughout the State of Florida as long as the local government has not issued a prohibition against MMTC dispensaries in their respective municipality. Provided there is not a ban, the Corporation may locate a dispensary in a site zoned for a pharmacy so long as the location is greater than 500 feet from a public or private elementary, middle, or secondary school. Pursuant to section 381.986, Florida Statutes (2017), the State provides for a limitation of 25 dispensary locations per MMTC with an additional five locations per MMTC authorized once the registry reaches 100,000 active patients. Prior to the 2017 amendment of the law, the number of locations an MMTC could open was not limited. The Corporation filed a claim in the Court for the Second Judicial Circuit in Leon County (the "Court") asking the Court to disregard the dispensary locations the Corporation had open and/or applied for prior to the limitation becoming effective. On February 4, 2019, Trulieve announced that it had won its lawsuit in the trial court. The Court ruled that Trulieve may open an additional 14 dispensary locations based on previous vesting and, in the alternative, the statutory caps placed on the number of dispensaries allowed across the state were not only unconstitutionally added after Amendment 2 had been approved by voters, but were adversely impacting patient access. The Corporation has settled its challenge with the Florida Department of Health. Trulieve's 14 dispensaries that were established before the statewide cap was enacted are now excluded from the statutory cap. The Corporation currently has 26 approved dispensaries operating in the State of Florida. In addition, the Corporation's license allows the Corporation to deliver products directly to patients.

Florida Reporting Requirements

The Department is to establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the Department to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when marijuana seeds are planted, when marijuana plants are harvested and destroyed and when cannabis is transported, sold, stolen, diverted, or lost. Each medical marijuana treatment center shall use the seed-to-sale tracking system established by the department or

integrate its own seed-to-sale tracking system with the seed-to-sale tracking system established by the department. Additionally, the Department also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to the provision of required data or proof of key events to said system in order to retain its license. Florida requires all MMTCs to abide by representations made in their original application to the State of Florida. Any changes or expansions must be requested via an amendment or variance process.

Florida Licensing Requirements

Licenses issued by the Department may be renewed biennially so long as the licensee continues to meet the requirements of the Florida Statute 381.986 and pays a renewal fee. License holders can only own one license within the State of Florida. MMTC's can operate up to a maximum of 25 dispensaries throughout the State with an additional five locations granted with every 100,000 additional patients added to the registry provided, however, as noted above, Trulieve's 14 dispensaries that were established before the statewide cap was enacted are now excluded from the statutory cap. Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture & Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the Department, the applicant must post a performance bond of up to US \$5 million, which may be reduced to US \$2 million once the licensee has served 1,000 patients (which Trulieve has accomplished).

Regulation of the Medical Cannabis Market in Massachusetts

The Commonwealth of Massachusetts has authorized the cultivation, possession and distribution of marijuana for medical purposes by certain licensed Massachusetts marijuana businesses. The Medical Use of Marijuana Program (the "**MUMP**") registers qualifying patients, personal caregivers, Registered Marijuana Dispensaries ("**RMDs**"), and RMD agents. The MUMP was established by Chapter 369 of the Acts of 2012, "An Act for the Humanitarian Medical Use of Marijuana", following the passage of the Massachusetts Medical Marijuana Initiative, Ballot Question 3, in the 2012 general election. Additional statutory requirements governing the MUMP were enacted by the Legislature in 2017 and codified at G.L. c. 94I, et. seq. (the "**Massachusetts Medical Act**"). RMD Certificates of Registration are vertically integrated licenses in that each RMD Certificate of Registration entitles a license holder to one cultivation facility, one processing facility and one dispensary locations. There is a limit of three RMD licenses per person/entity.

The Commonwealth of Massachusetts Cannabis Control Commission (the "**CCC**") regulations, 935 CMR 501.000 et seq. (the "**Massachusetts Medical Regulations**"), provide a regulatory framework that requires RMDs to cultivate, process, transport and dispense medical cannabis in a vertically integrated marketplace. Patients with debilitating medical conditions qualify to participate in the program, including conditions such as cancer, glaucoma, positive status for human immunodeficiency virus (HIV), acquired immune deficiency virus (AIDS), hepatitis C, amyotrophic lateral sclerosis (ALS), Crohn's disease, Parkinson's disease, and multiple sclerosis (MS) when such diseases are debilitating, and other debilitating conditions as determined in writing by a qualifying patient's healthcare provider. The CCC assumed control of the MUMP from the Department of Public Health on December 23, 2018.

Massachusetts Licensing Requirements (Medical)

The Massachusetts Medical Regulations delineate the licensing requirements for RMDs in Massachusetts. Licensed entities must demonstrate the following: (i) they are licensed and in good standing with the Secretary of the Commonwealth of Massachusetts; (ii) no executive, member or any entity owned or controlled by such executive or member directly or indirectly controls more than three RMD licenses; (iii) vaporizers must be made available for sale; (iv) an RMD may not cultivate and dispense medical cannabis from more than two locations statewide; (v) dispensary agents must be registered with the Massachusetts Cannabis Control Commission; (vi) an RMD must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vii) one executive of an RMD must register with the Massachusetts Department of Criminal Justice Information Services on behalf of the entity as an organization user of the Criminal Offender Record Information (iCORI) system; (viii) the RMD applicant has at least \$500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (ix) payment of the required application fee.

In an RMD application, an applicant must also demonstrate or include: (i) the name, address date of birth and resumes of each executive of the applicant and of the members of the entity; (ii) proof of liability insurance coverage in compliance with statutes; (iii) detailed summary of the business plan for the RMD; (iv) an operational plan for the cultivation of marijuana including a detailed summary of policies and procedures; and (v) a detailed summary of the operating policies and procedures for the operations of the RMD including security, prevention of diversion, storage of marijuana, transportation of marijuana, inventory procedures, procedures for quality control and testing of product for potential contaminants, procedures for maintaining confidentiality as required by law, personnel policies, dispensing procedures, record keeping procedures, plans for patient education and any plans for patient or personal caregiver home delivery. An RMD applicant must also demonstrate that it has (i) a successful track record of running a business; (ii) a history of providing healthcare services or services providing marijuana for medical purposes in or outside of Massachusetts; (iii) proof of compliance with the laws of the Commonwealth of Massachusetts; (iv) complied with the laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background.

Upon the determination by the CCC that an RMD applicant has responded to the application requirements in a satisfactory fashion, the RMD applicant is required to pay the applicable registration fee and shall be issued a provisional certificate of registration (“PCR”). Trulieve’s wholly owned subsidiary, Life Essence, Inc. (“**Life Essence**”), holds the following PCRs.

Massachusetts Licenses (Medical)

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Life Essence	Provisional RMD Certificate of Registration	Holyoke, MA	12/6/19	Dispensary Cultivation/Product Manufacturing
Life Essence	RMD Provisional Certificate of Registration	Northampton, MA Holyoke, MA	12/6/19	Dispensary Cultivation/Product Manufacturing
Life Essence	RMD Provisional Certificate of Registration	Cambridge, MA Holyoke, MA	12/6/19	Dispensary Cultivation/Product Manufacturing

Thereafter, the CCC shall review architectural plans for the building of the RMD's cultivation facility and/or dispensing facilities, and shall either approve, modify or deny the same. Once approved, the RMD provisional license holder shall construct its facilities in conformance with the requirements of the Massachusetts Regulations. Once the CCC completes its inspections and issues approval for an RMD of its facilities, the CCC shall issue a final certificate of registration ("FCR") to the RMD applicant. FCRs are valid for one year, and shall be renewed by filing the required renewal application no later than sixty days prior to the expiration of the certificate of registration.

PCRs and FCRs in Massachusetts are renewed annually. Before expiry, licensees are required to submit a renewal application. While renewals are granted annually, 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 license, Life Essence, Inc. would expect to receive the applicable renewed license in the ordinary course of business.

Massachusetts Dispensary Requirements (Medical)

A RMD is to follow its written and approved operation procedures in the operation of its dispensary locations. A RMD shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on RMD premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that a RMD must comply with. More specifically, a RMD is to comply with all local requirements regarding siting, provided however that if no local requirements exist, a RMD shall not be sited within a radius of five hundred feet of a school, daycare center, or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed RMD. The Massachusetts Regulations require that RMDs limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. A RMD may only dispense to a registered qualifying patient who has a current valid certification.

Massachusetts Security and Storage Requirements (Medical)

A RMD is to implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the RMD. These measures must include: (i) allowing only registered qualifying patients, caregivers, dispensary agents, authorized persons, or approved outside contractors access to the RMD facility; (ii) preventing individuals from remaining on the premises of a RMD if they are not engaging in activities that are permitted; (iii) disposing of marijuana or byproducts in compliance with law; (iv) establishing limited access areas accessible only to authorized personnel; (v) storing finished marijuana in a secure locked safe or vault; (vi) keeping equipment, safes, vaults or secured areas securely locked; (vii) ensuring that the outside perimeter of the RMD is sufficiently lit to facilitate surveillance; and (viii) ensuring that landscaping or foliage outside of the RMD does not allow a person to conceal themselves. A RMD shall also utilize a security/alarm system that: (i) monitors entry and exit points and windows and doors, (ii) includes a panic/duress alarm, (iii) includes system failure notifications, (iv) includes 24-hour video surveillance of safes, vaults, sales areas, areas where marijuana is cultivated, processed or dispensed, and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The RMD must also maintain a backup alarm system with the capabilities of the primary system, and both systems are to be maintained in good working order and are to be inspected and tested on regular intervals.

Massachusetts Transportation Requirements (Medical)

Marijuana or marijuana-infused products (“MIPs”) may only be transported by dispensary agents on behalf of a RMD: (i) between separately-owned RMDs in compliance with 935 CMR 501.110(5); (ii) between RMD sites owned by the same non-profit entity; (iii) between a RMD and a testing laboratory; (iv) from the RMD to the destruction or disposal site; or (v) from a RMD to the primary residences of registered qualifying patients. A RMD shall staff transport vehicles with a minimum of two dispensary agents. At least one dispensary agent shall remain with the vehicle when the vehicle contains marijuana or MIPs. Prior to leaving the origination location, a RMD must weigh, inventory, and account for, on video, the marijuana to be transported.

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A RMD shall ensure that delivery times and routes are randomized. Each dispensary agent shall carry his or her CCC-issued MUMP ID Card when transporting marijuana or MIPs and shall produce it to CCC representatives or law enforcement officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. A RMD must document and report any unusual discrepancy in weight or inventory to the CCC and local law enforcement within 24 hours. A RMD shall report to the CCC and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. A RMD shall retain transportation manifests for no less than one year and make them available to the CCC upon request. Any cash received from a qualifying patient or personal caregiver must be transported to a RMD immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the RMD, be properly registered, and contain a GPS system that is monitored by the RMD during transport of marijuana and said vehicle must be inspected and approved by the CCC prior to use.

During transit, a RMD is to ensure that: (i) marijuana or MIPs are transported in a secure, locked storage compartment that is part of the vehicle transporting the marijuana or MIPs; (ii) the storage compartment cannot be easily removed (for example, bolts, fittings, straps or other types of fasteners may not be easily accessible and not capable of being manipulated with commonly available tools); (iii) marijuana or MIPs are not visible from outside the vehicle; and (iv) product is transported in a vehicle that bears no markings indicating that the vehicle is being used to transport marijuana or MIPs and does not indicate the name of the RMD. Each dispensary agent transporting marijuana or MIPs shall have access to a secure form of communication with personnel at the origination location when the vehicle contains marijuana or MIPs.

CCC Inspections (Medical)

The CCC or its agents may inspect a RMD and affiliated vehicles at any time without prior notice. A RMD shall immediately upon request make available to the CCC information that may be relevant to a CCC inspection, and the CCC may direct a RMD to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the RMD, and the RMD shall thereafter submit a Plan of Correction to the CCC outlining with particularity each deficiency and the timetable and steps to remediate the same. The CCC shall have the authority to suspend or revoke a certificate of registration in accordance with 105 CMR 725.405 of the Regulation of adult-use cannabis in Massachusetts.

Regulation of the Adult Use Cannabis Market in Massachusetts

Adult-use (recreational) marijuana has been legal in Massachusetts since December 15, 2016, following a ballot initiative in November of that year. The CCC licenses adult use cultivation, processing and dispensary facilities (collectively, “**Marijuana Establishments**”) pursuant to 935 CMR 500.000 et seq. The first adult-use marijuana facilities in Massachusetts began operating in November 2018.

Massachusetts Licensing Requirements (Adult-Use)

Many of the same application requirements exist for a Marijuana Establishment license as a RMD application, and each owner, officer or member must undergo background checks and fingerprinting with the CCC. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and its owners, officers, principals or members. The application must include the RMD applicant's plans for separating medical and adult-use operations, proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the RMD's existing medical marijuana operating policies and procedures for adult-use including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

No person or entity may own more than 10% or "control" more than three licenses in each Marijuana Establishment class (i.e., marijuana retailer, marijuana cultivator, marijuana product manufacturer). Additionally, there is a 100,000 square foot cultivation canopy for adult-use licenses; however, there is no canopy restriction for RMD license holders relative to their cultivation facility.

Massachusetts Dispensary Requirements (Adult-Use)

Marijuana retailers are subject to certain operational requirements in addition to those imposed on marijuana establishments generally. Dispensaries must immediately inspect patrons' identification to ensure that everyone who enters is at least twenty-one years of age. Dispensaries may not dispense more than one ounce of marijuana or five grams of marijuana concentrate per transaction. Point-of-sale systems must be approved by the CCC, and retailers must record sales data. Records must be retained and available for auditing by the CCC and Department of Revenue.

Dispensaries must also make patient education materials available to patrons. Such materials must include:

- A warning that marijuana has not been analyzed or approved by the FDA, that there is limited information on side effects, that there may be health risks associated with using marijuana, and that it should be kept away from children;
- A warning that when under the influence of marijuana, driving is prohibited by M.G.L. c. 90, § 24, and machinery should not be operated;
- Information to assist in the selection of marijuana, describing the potential differing effects of various strains of marijuana, as well as various forms and routes of administration;
- Materials offered to consumers to enable them to track the strains used and their associated effects;
- Information describing proper dosage and titration for different routes of administration, with an emphasis on using the smallest amount possible to achieve the desired effect;
- A discussion of tolerance, dependence, and withdrawal;
- Facts regarding substance abuse signs and symptoms, as well as referral information for substance abuse treatment programs;
- A statement that consumers may not sell marijuana to any other individual;
- Information regarding penalties for possession or distribution of marijuana in violation of Massachusetts law; and
- Any other information required by the CCC.

Massachusetts Security and Storage Requirements (Adult-Use)

Each marijuana establishment must implement sufficient safety measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the establishment. Security

measures taken by the establishments to protect the premises, employees, consumers and general public shall include, but not be limited to, the following:

- Positively identifying individuals seeking access to the premises of the Marijuana Establishment or to whom or marijuana products are being transported pursuant to 935 CMR 500.105(14) to limit access solely to individuals 21 years of age or older;
- Adopting procedures to prevent loitering and ensure that only individuals engaging in activity expressly or by necessary implication permitted by these regulations and its enabling statute are allowed to remain on the premises;
- Disposing of marijuana in accordance with 935 CMR 500.105(12) in excess of the quantity required for normal, efficient operation as established within 935 CMR 500.105;
- Securing all entrances to the Marijuana Establishment to prevent unauthorized access;
- Establishing limited access areas pursuant to 935 CMR 500.110(4), which shall be accessible only to specifically authorized personnel limited to include only the minimum number of employees essential for efficient operation;
- Storing all finished marijuana products in a secure, locked safe or vault in such a manner as to prevent diversion, theft and loss;
- Keeping all safes, vaults, and any other equipment or areas used for the production, cultivation, harvesting, processing or storage of marijuana products securely locked and protected from entry, except for the actual time required to remove or replace marijuana;
- Keeping all locks and security equipment in good working order;
- Prohibiting keys, if any, from being left in the locks or stored or placed in a location accessible to persons other than specifically authorized personnel;
- Prohibiting accessibility of security measures, such as combination numbers, passwords or electronic or biometric security systems, to persons other than specifically authorized personnel;
- Ensuring that the outside perimeter of the marijuana establishment is sufficiently lit to facilitate surveillance, where applicable;
- Ensuring that all marijuana products are kept out of plain sight and are not visible from a public place without the use of binoculars, optical aids or aircraft;
- Developing emergency policies and procedures for securing all product following any instance of diversion, theft or loss of marijuana, and conduct an assessment to determine whether additional safeguards are necessary;
- Developing sufficient additional safeguards as required by the CCC for marijuana establishments that present special security concerns;
- Sharing the marijuana establishment's security plan and procedures with law enforcement authorities and fire services and periodically updating law enforcement authorities and fire services if the plans or procedures are modified in a material way; and
- Marijuana must be stored in special limited access areas, and alarm systems must meet certain technical requirements, including the ability to record footage to be retained for at least 90 days.

Massachusetts Transportation Requirements (Adult-Use)

Marijuana products may only be transported between licensed marijuana establishments by registered marijuana establishment agents. A licensed marijuana transporter may contract with a licensed marijuana establishment to transport that licensee's marijuana products to other licensed establishments. The originating and receiving licensed establishments shall ensure that all transported marijuana products are linked to the seed-to-sale tracking program. For the purposes of tracking, seeds and clones will be properly tracked and labeled in a form and manner determined by the CCC. Any marijuana product that is undeliverable or is refused by the destination marijuana establishment shall be transported back to the originating establishment. All vehicles transporting marijuana products shall be staffed with a minimum of two marijuana establishment agents. At least one agent shall remain with the vehicle at all times that the vehicle contains marijuana or marijuana products. Prior to the products leaving a marijuana establishment for the purpose of transporting marijuana products, the originating marijuana establishment must weigh, inventory, and account for, on video, all marijuana products to be transported. Within eight hours after arrival at the destination marijuana establishment, the destination establishment must re-weigh, re-

inventory, and account for, on video, all marijuana products transported. When videotaping the weighing, inventorying, and accounting of marijuana products before transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. Marijuana products must be packaged in sealed, labeled, and tamper or child-resistant packaging prior to and during transportation. In the case of an emergency stop during the transportation of marijuana products, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. A marijuana establishment or a marijuana transporter transporting marijuana products is required to ensure that all transportation times and routes are randomized. An establishment or transporter transporting marijuana products shall ensure that all transport routes remain within Massachusetts. All vehicles and transportation equipment used in the transportation of cannabis products or edibles requiring temperature control for safety must be designed, maintained, and equipped as necessary to provide adequate temperature control to prevent the cannabis products or edibles from becoming unsafe during transportation, consistent with applicable requirements pursuant to 21 CFR 1.908(c).

Vehicles used for transport must be owned or leased by the marijuana establishment or transporter, and they must be properly registered, inspected, and insured in Massachusetts. Marijuana may not be visible from outside the vehicle, and it must be transported in a secure, locked storage compartment. Each vehicle must have a global positioning system, and any agent transporting marijuana must have access to a secure form of communication with the originating location.

CCC Inspections

The CCC or its agents may inspect a marijuana establishment and affiliated vehicles at any time without prior notice in order to determine compliance with all applicable laws and regulations. All areas of a marijuana establishment, all marijuana establishment agents and activities, and all records are subject to such inspection. Marijuana establishments must immediately upon request make available to the Commission all information that may be relevant to a CCC inspection, or an investigation of any incident or complaint. A marijuana establishment must make all reasonable efforts to facilitate the CCC's inspection, or investigation of any incident or complaint, including the taking of samples, photographs, video or other recordings by the CCC or its agents, and to facilitate the CCC's interviews of marijuana establishment agents. During an inspection, the CCC may direct a Marijuana Establishment to test marijuana for contaminants as specified by the CCC, including but not limited to mold, mildew, heavy metals, plant-growth regulators, and the presence of pesticides not approved for use on marijuana by the Massachusetts Department of Agricultural Resources.

Moreover, the CCC is authorized to conduct a secret shopper program to ensure compliance with all applicable laws and regulations.

Regulation of the Marijuana Market in California

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 ("**CUA**"). This provided an affirmative defense for defendants charged with the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law, decriminalizing the use, possession, and collective cultivation of medical marijuana, and establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created testing laboratories, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("**AUMA**") creating an adult-use marijuana program for adult-use 21

years of age or older. In June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Marijuana Regulation and Safety Act ("**MAUCRSA**"), which amalgamated MCRSA and AUMA to provide a set of regulations to govern the medical and adult-use licensing regime for marijuana businesses in the State of California. MAUCRSA went into effect on January 1, 2018. The four agencies that regulate marijuana at the state level are BCC, California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration.

One of the central features of MAUCRSA is known as "local control." In order to legally operate a medical or adult-use marijuana business in California, an operator must have both a local and state license. This requires license-holders to operate in cities or counties with marijuana licensing programs. Cities and counties in California are allowed to determine the number of licenses they will issue to marijuana operators, or can choose to outright ban marijuana.

California License Types

Once an operator obtains local approval, the operator must obtain state licenses before conducting any commercial marijuana activity. There are 12 different license types that cover all commercial activity. License types 1-3 and 5 authorize the cultivation of medical and/or adult-use marijuana plants. Type 4 licenses are for nurseries that cultivate and sell clones and "teens" (immature marijuana plants that have established roots but require further vegetation prior to being sent into the flowering period). Type 6 and 7 licenses authorize manufacturers to process marijuana biomass into certain value-added products such as shatter or marijuana distillate oil with the use of volatile or non-volatile solvents, depending on the license type. Type 8 licenses are held by testing facilities who test samples of marijuana products and generate "certificates of analysis," which include important information regarding the potency of products and whether products have passed or failed certain threshold tests for pesticide and microbiological contamination. Type 9 licenses are issued to "non-storefront" retailers, commonly called delivery services, who bring marijuana products directly to customers and patients at their residences or other chosen delivery location. Type 10 licenses are issued to storefront retailers, or dispensaries, which are open to the public and sell marijuana products onsite. Type 11 licenses are known as "Transport-Only" distribution licenses, and they allow the distributor to transport marijuana and marijuana products between licensees, but not to retailers. Type 12 licenses are issued to distributors who move marijuana and marijuana products to all license types, including retailers.

California Agencies Regulating the Commercial Cannabis Industry

There are three agencies tasked with regulating the marijuana industry in California. The California Department of Food and Agriculture (CDFA) oversees nurseries and cultivators; the California Department of Public Health (CDPH) oversees manufacturers, and the newly-created Bureau of Cannabis Control (BCC) oversees distributors, retailers, delivery services, and testing laboratories. Operators must apply to one or more of these agencies for their licenses, and each agency has released regulations specific to the operation of the types of businesses they oversee. The BCC has a number of regulations that apply to all licensees, but the CDFA and CDPH regulations only apply to the licensees in their charge.

The Marijuana Supply Chain in California

In California, depending on a local government's own marijuana ordinances, plants may be cultivated outdoors, using mixed-light methods, or fully indoors. Cultivators must initially acquire seeds, clones, teens, or other immature plants from nurseries.

The cultivation, processing, and movement of marijuana within the state is tracked by the METRC system, into which all licensees are required to input their track and trace data (either manually or using another software that automatically uploads to METRC). Immature plants are assigned a Unique Identifier number (UID), and this number follows the flowers and biomass resulting from that plant through the supply chain, all the way to the consumer. Each licensee in the supply chain is required to meticulously log any processing, packaging, and sales associated with that UID.

When marijuana plants mature and complete their life cycle, they are harvested, cured, and trimmed, in preparation of being sold to distributors or manufacturers. Cultivators have two main products: flowers, or “buds,” and the biomass, or “trim,” which is typically removed from the mature flowers. Trim is commonly sold to Manufacturers for further processing into cannabis extracts. Buds may also be sold to Manufacturers, or to Distributors for sale to Retailers. The Cultivator may package and label its marijuana flowers, or may sell flower in bulk and the Distributor may package and label the flower.

Manufactured marijuana goods may be sold from a manufacturer to a Distributor, but have to be provided to Distributors in their final packaging. Distributors may not package manufactured marijuana goods. Certain tax rates apply to the marijuana flower and biomass, which are assessed per ounce of product sold. The tax is paid by the Cultivator to the Distributor, or alternatively the Manufacturer, who has the responsibility of tendering the fees to the State of California.

Marijuana in California may only be transported by licensed distributors. Some cultivators and manufacturers have their own distribution licenses, and others contract with third-party distributors. Distributors may or may not take possession of the marijuana and marijuana products. How this is evolving in California currently is that, similar to the alcohol distribution model, retailers are choosing from a portfolio of products carried by the Distributors they work with. Brands are doing some direct marketing to Retailers, but may Brands target their marketing to Distributors.

Distributors are the point in the supply chain where final quality assurance testing is performed on products before they go to a retailer. Retailers may not accept product without an accompanying certificate of analysis (COA). Distributors must hold product to be tested on their premises in “quarantine” and arrange for an employee of a licensed testing laboratory to come to their premises and obtain samples from any and all goods proposed to be shipped to a retailer. Marijuana and marijuana products are issued either a “pass” or “fail” by the testing laboratory. Under some circumstances, the BCC’s regulations allow for failing product to be “remediated” or to be re-labeled to more accurately reflect the COA.

Retail Compliance in California

California requires that certain warnings, images, and content information be printed on all marijuana packaging. BCC regulations also include certain requirements about tamper-evident and child-resistant packaging. Distributors and retailers are responsible for confirming that products are properly labeled and packaged before they are sold to a customer.

Consumers aged 21 and up may purchase marijuana in California from a dispensary with an “adult-use” license. Some localities still only allow medicinal dispensaries. Consumers aged 18 and up with a valid physician’s recommendation may purchase marijuana from a medicinal-only dispensary or an adult-use dispensary. Consumers without valid physician’s recommendations may not purchase marijuana from a medicinal-only dispensary. All marijuana businesses are prohibited from hiring employees under the age of 21.

Security Requirements

Each local government in California has its own security requirements for cannabis businesses, which usually include comprehensive video surveillance, intrusion detection and alarms, and limited access areas in the dispensary. The State also has similar security requirements, including that there be limited-access areas where only employees and other authorized individuals may enter. All Licensee employees must wear employee badges. The limited access areas must be locked with “commercial-grade, nonresidential door locks on all points of entry and exit to the licensed premises.”

Each licensed premises must have a digital video surveillance system that can “effectively and clearly” record images of the area under surveillance. Cameras must be “in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises.” The regulations list specific areas which must be under surveillance, including places where cannabis goods

are weighed, packed, stored, loaded, and unloaded, security rooms, and entrances and exits to the premises. Retailers must record point of sale areas on the video surveillance system.

Licensed retailers must hire security personnel to provide on-site security services for the licensed retail premises during hours of operation. All security personnel must be licensed by the Bureau of Security and Investigative Services.

California also has extensive record-keeping and track and trace requirements for all licensees.

Inspections

All licensees are subject to annual and random inspections of their premises. Cultivators may be inspected by the California Department of Fish and Wildlife, the California Regional Water Quality Control Boards, and the California Department of Food and Agriculture. Manufacturers are subject to inspection by the California Department of Public Health, and Retailers, Distributors, Testing Laboratories, and Delivery services are subject to inspection by the Bureau of Cannabis Control. Inspections can result in notices to correct, or notices of violation, fines, or other disciplinary action by the inspecting agency.

Marijuana taxes in California

Several taxes are imposed at the point of sale and are required to be collected by the retailer. The State imposes an excise tax of 15%, and a sales and use tax is assessed on top of that. Cities and Counties apply their sales tax along with the State's sales and use tax, and many cities and counties have also authorized the imposition of special cannabis business taxes which can range from 2% to 10% of gross receipts of the business.

In connection with the acquisition of all of the issued and outstanding membership interests of Leef Industries, a licensed dispensary in the City of Palm Springs, the Corporation has retained legal counsel and/or other advisors in connection with California's marijuana regulatory program. The Corporation has been approved as an 80% owner of Leef Industries by the City of Palm Springs and the State of California. The remaining 20% is to be acquired upon receipt of final regulatory approval from the State of California, which is expected to occur in the second quarter of 2019. The Corporation has and will only engage in transactions with other licensed California marijuana businesses, and has a compliance officer to oversee dispensary operations in the State. The Corporation is developing standard operating procedures for this and future California holdings to ensure consistency and compliance across its California holdings. The Corporation and, to the best of the knowledge of the Corporation, Leef Industries, are in compliance with California's marijuana regulatory program.

Compliance with Applicable State Law in the United States

The Corporation is classified as having a "direct" involvement in the United States cannabis industry and is in compliance with applicable United States state law and related licensing requirements and the regulatory framework enacted by the State of Florida, the State of California and the Commonwealth of Massachusetts. The Corporation is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have an impact on its licenses, business activities or operations. The Corporation uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by Florida, Massachusetts and California, through the advice of its Director of Compliance, who monitors and reviews its business practices and changes to United States Federal enforcement priorities. The Corporation's General Counsel works with external legal advisors in Florida, Massachusetts and California to ensure that the Corporation is in on-going compliance with applicable state laws.

In the United States, cannabis is largely regulated at the State level. As of November 7, 2018, 33 states and the District of Columbia have passed laws broadly legalizing marijuana for medicinal use by eligible

patients.¹⁰ In the District of Columbia and 10 of these states – Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington – marijuana is legal for adult-use regardless of medical condition. Additional States have pending legislation regarding the same. The large increase in recent statewide referenda and legislation that liberalizes marijuana laws is consistent with public opinion. Public polling routinely shows large majorities of Americans in favor of the legalization of marijuana. For instance, a Gallup Organization survey in October of 2018 found that 66% of respondents in the United States support the legalization of marijuana compared to the 32% who do not.¹¹

Although each State in which Trulieve operates (and anticipates operating) authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. The concepts of “medical cannabis”, “retail cannabis” and “adult-use cannabis” do not exist under U.S. federal law. Marijuana is a Schedule I drug under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Although Trulieve believes that its business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law nor provide a defense to any federal proceeding which may be brought against the Corporation. Any such proceedings brought against the Corporation may result in a material adverse effect on the Corporation. Trulieve derives 100% of its revenues from the cannabis industry in certain States, which industry is illegal under United States federal law. Even where the Corporation’s cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under United States federal law. The enforcement of relevant federal laws is a significant risk.

United States Customs and Border Protection (“**CBP**”) enforces the laws of the United States. Crossing the border while in violation of the CSA and other related United States federal laws may result in denied admission, seizures, fines, and apprehension. CBP officers administer the United States Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in the Corporation, if it became known to CBP, could have an impact on a shareholder’s admissibility into the United States and could lead to a lifetime ban on admission. See “*Risk Factors - U.S. border officials could deny entry of non-US citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.*”

Medical cannabis has been protected against enforcement by enacted legislation from the United States Congress in the form of the Rohrabacher-Farr Amendment, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to the United States Congress restoring such funding. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of Sessions Memo, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Farr Amendment language (referred to in 2018 as the Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the Department of Justice. The Rohrabacher-Farr Amendment again was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019.¹² Notably, such Amendments have always applied only to medical cannabis programs, and have no effect on pursuit of recreational cannabis activities.

¹⁰ *Governing Magazine*, State Marijuana Laws in 2018 Map, available at <http://www.governing.com/gov-data/safety-justice/state-marijuana-laws-map-medical-recreational.html> (visited Nov. 7, 2018).

¹¹ Justin McCarthy, *Two in Three Americans Now Support Legalizing Marijuana*, GALLUP (Oct. 22, 2018), available at <https://news.gallup.com/poll/243908/two-three-americans-support-legalizing-marijuana.aspx>.

¹² 2019 Appropriations Act, Public Law No. 116-6, Div. C § 537.

Regulatory Risks

The activities of the Corporation are subject to regulation by governmental authorities. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Furthermore, although the operations of the Corporation are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to import, distribute or, in the future, produce marijuana. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of marijuana, or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the United States Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the United States Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the United States Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, then Attorney General Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively and, on January 4, 2018, former Attorney General Sessions issued the Sessions Memo, which rescinded the Cole Memorandum. The Sessions Memo rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. As a result of the Sessions Memo, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memo as to the priority they should ascribe to such cannabis activities, and it is uncertain how active U.S. federal prosecutors will be in relation to such activities, particularly under Attorney General Barr.

Attorney General Sessions was replaced by William Barr on February 14, 2019. In a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum."¹³ Attorney General Barr served in the same position under former President George H.W. Bush and promoted an anti-drug stance during his tenure. However, during his Senate confirmation hearing, Mr. Barr testified (similar

¹³ *Questions for the Record William P. Barr Nominee to be United States Attorney General*, available at <https://www.judiciary.senate.gov/imo/media/doc/Barr%20Responses%20to%20Booker%20QFRs1.pdf>.

to his written responses) that although he disagrees with efforts by states to legalize marijuana, he “won’t go after” marijuana companies in states that have authorized regulated adult use. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum, notwithstanding his predecessor’s rescission of the Cole Memorandum.

Notwithstanding this testimony, there is no guarantee that Attorney General Barr plans to or will forbid federal prosecution of state-licensed marijuana companies. It is important to note that in the United States, individual United States attorneys operate within state- or district-level jurisdictions and enjoy a substantial degree of autonomy in determining which criminal actions to pursue. While dozens of United States attorneys from across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurances that such views are universally held or will continue in the near future. In California, at least one United States Attorney has made comments indicating a desire to enforce the CSA, stating that the Sessions Memorandum and the rescission of the Cole Memorandum “returns trust and local control to federal prosecutors” to enforce the CSA. These and other so called “enforcement hawks” in California or elsewhere may choose to enforce the CSA in accordance with federal policies prior to the issuance of the Cole Memorandum. As such, there can be no assurance that the United States federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with State law. Contrastingly, Andrew Lelling, the United States Attorney for the District of Massachusetts, issued a statement explaining that while marijuana is illegal under federal law, his “office’s resources [...] are primarily focused on the opioid epidemic.” In this statement, United States Attorney Lelling also clarified that his marijuana enforcement efforts will be focused on overproduction, targeted sales to minors, and organized crime and interstate transportation of drug proceeds. In sum, there is no certainty as to how the Department of Justice, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Corporation regularly monitors the activities of the current administration in this regard.

Money Laundering Laws and Access to Banking

The Corporation is subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

In February 2014, FinCen issued the FinCen Memo providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. 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 CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo.

In the event that any of the Corporation’s operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions could be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends or effect other distributions.

United States Border Entry

Because cannabis remains illegal under United States federal law, those investing in Canadian companies with operations in the United States cannabis industry could face detention, denial of entry, or lifetime bans from the United States for their business associations with United States cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions

to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the cannabis industry 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 United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal 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 (such as Trulieve), who are not United States citizens face the risk of being barred from entry into the United States for life.

Ability to Access Public and Private Capital

Given the current laws regarding cannabis at the federal level in the United States, traditional bank financing is typically not available to United States cannabis companies. Specifically, the federal illegality of marijuana in the United States means that financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act (the "BSA"). As a result, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the United States must do so in compliance with the Cole Financial Crime Memo and the FinCEN Memo, each dated February 14th, 2014. The Cole Financial Crime Memo states that prosecutors should apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The FinCEN Memo provides guidelines to banks on how to accept deposits from cannabis-related businesses while remaining compliant with the BSA. The Financial Crime Enforcement Network has not rescinded the FinCEN Memo following the United States Department of Justice's January 4, 2018 announcement rescinding the Cole Memorandum.

Trulieve has banking relationships with Florida state-chartered banks for deposits and payroll, however Trulieve does not have access to traditional bank financing. Trulieve has been successful at raising capital privately. The Corporation expects to generate adequate cash to fund its continuing operations. The Corporation's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Accordingly, the Corporation expects to raise additional capital. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable.

SUMMARY OF OPERATING BUSINESS

Trulieve is a successful cannabis company working in highly-regulated markets requiring expertise in cultivation, processing, retail, and distribution activities. Trulieve has developed proficiencies in each of these functions and is committed to utilizing predictive analytics which inform Trulieve of sales trends, patient demographics, new product launch criteria and capacity requirements. This is the foundation upon which Trulieve has built sustainable, profitable growth.

In states that require cannabis companies to be vertically integrated, ownership of the entire supply chain mitigates potential third-party risks and allows Trulieve to completely control the quality of the product and the brand experience. This results in high patient retention and repeat customers. Trulieve successfully operates at scale the core business functions of cultivation, production and distribution. The Trulieve brand philosophy of "Patients First" permeates the Trulieve culture beginning with cultivation to production, distribution to Trulieve stores and continued customer services through the Corporation's in-house call center.

Data Utilization to create Predictive Analytics

Trulieve collects and analyzes data throughout the entire seed to sale process of the enterprise. All strategic and tactical business decisions are driven by historical data coupled with predictive analytics to ensure the best possible solution is formulated and executed. Data collection systems are cloud based and backed up to ensure the utmost security and integrity of data repositories.

In the Corporation's cultivation activities, Trulieve uses data analytics to predict future yields and planning of future crop rotations to meet patient demands. The predictive analysis ensures Trulieve operates in an efficient manner to maximize the harvest output to cost ratio.

Trulieve also uses data analytics throughout the entire manufacturing process to monitor progress real-time, ensure quality is maintained at the highest level and analyzed to maximize lean flow efficiency. Consistency is paramount to Trulieve and tracking of the recorded data guarantees uniformity for all products shipped.

Once the Corporation's products are in Trulieve stores, each sales transaction is recorded. The reports derived from the recorded information allows Trulieve to track and analyze, by retail location, sales trends, grams dispensed and products sold by subcategory. Trulieve uses this data for regression and predictive analysis, for cultivation crop planning, final derivative product production planning and patient marketing. The data is also key in planning future cultivation, processing and retail expansion.

High-Yield Cultivation Facilities and Techniques

Trulieve transforms raw cannabis flower into the Trulieve portfolio of products sold in Trulieve stores. With a focus on scalable operations, Trulieve has detailed Standard Operating Procedures as well as robust training protocols across its cultivation facilities to grow a consistent, quality product.

The Corporation currently operates over 638,000 square feet of cultivation facilities across four sites. In accordance with Florida law, Trulieve grows in enclosed structures operating both indoor and greenhouse style grows. Trulieve currently has the ability to grow 29,235 kg of cannabis annually. Trulieve is working to rapidly and substantially increase its greenhouse capacity. The ability to quickly execute and operate high-yield, scaled cultivation operations is critical in Florida as well as other vertical markets. Trulieve grows a variety of 45 cannabis flower strains and is poised for expansion as Florida has recently passed legislation to permit the sale of smokable cannabis flower.

Scaled, Quality Production

As a vertically-integrated company in Florida, Trulieve produces 100% of all products sold in Trulieve stores. As of February 2019, Trulieve extracts 50,000 grams of active THC or CBD per week (depending on the product requirements) and manufactures on average 80,000 products for sale each week. Trulieve has successfully obtained Good Manufacturing Practices ("GMP") certification for its production facilities and has detailed Standard Operating Procedures and Quality Control measures in place to ensure quality products are delivered to Trulieve's patients.

Trulieve primarily utilizes super critical ethanol extraction systems and techniques for the majority of its products in Florida. Trulieve also utilizes carbon dioxide extraction for both terpene extraction as well as a line of CO2 vaporizer products. The Corporation has a 55,000 square foot building that houses the Corporation's production and shipping activities, which also has a state of the art kitchen for edible cannabis products and a hydrocarbon extraction facility in anticipation of the legal sale of edible and hydrocarbon cannabis products under Florida law.

As of February 2019, Trulieve manufactures, assembles, packages and ships products in a variety of market segments with over 155 SKUs.

Marketing and Community Outreach

Trulieve's marketing strategies center around education and outreach to three main customer categories: physicians, patients and potential patients.

Trulieve provides industry leading education, outreach and support to all registered Florida medical cannabis Physicians. The Corporation's educational materials are designed to help physicians understand the science behind cannabis, the high standards to which Trulieve plants are cultivated and that the Corporation's products are created to provide relief to their patients. Trulieve's dedicated physician education team delivers in-person outreach as well as immediate phone support through a dedicated physician education team member within the Trulieve call center.

Patients learn about Trulieve through the success of the Corporation's physician education program as well as many patient-centric community activities. Trulieve participates in dozens of patient outreach and community events on a monthly basis. An engaged patient audience is captured through the Corporation's digital content marketing which includes email, website, app, social media and mainstream industry websites.

Trulieve also attends many events focused on educating non-patients who may benefit such as veterans, seniors, condition specific organizations and general health and wellness events. Search engine optimization of the Corporation's website also captures potential patients researching the benefits of medical marijuana.

Patient Focused Experiences

It is Trulieve's goal to create raving fans who are loyal to the Trulieve brand and in return to provide these patients a superior level of customer service and product selection. Trulieve accomplishes this goal through several key strategies:

Training

Patient experience is an area of high-focus for the Corporation. Trulieve employs a number of training protocols and systems in an effort to ensure the patient experience is a positive one across all Trulieve branded locations and with each interaction with a Trulieve employee.

Branded Store Experiences

The patient experience continues through Trulieve dispensaries with a consistent atmosphere in every store. Brand and development guidelines have been implemented in an effort to ensure each store utilizes the same design, color scheme and layout to provide a comfortable, welcoming environment across each location. On the highest single sales day in 2018 approximately 4,425 patients were served in 22 open locations. On March 15, 2019, Trulieve set a new record in serving approximately 5,517 patients across 25 open locations. As of February 28, 2019, Trulieve has completed more than 1,000,000 unique orders both in-store and via home delivery.

Brand Strategy

The foundational tier of the Trulieve brand strategy is continuing to make top quality Trulieve branded products. The Trulieve house brand is already established in Florida as synonymous with quality and consistency. In addition, the Corporation is partnering with strategic brands that will be featured in Trulieve locations. To date, Trulieve has announced partnerships with Bhang, Binske, Loves Oven, SLANG and Blue River. Each of these companies are customer-favorites with a unique value proposition and market penetration strategy.

The third tier of the Trulieve brand strategy consists of local partnerships. Trulieve's first local partnership was Sunshine Cannabis, a Florida based company whose focus has been on bringing back unique Florida-

based cannabis strains such as “Sunshine Kush” and “Gainesville Green”. As a testament to their grass roots marketing efforts, each of the two vape pen SKUs featuring these cannabis strains sold out within 48 hours of launch.

Multiple Channels of Distribution

To meet patient needs, Trulieve provides patients with several different purchase options. Patients can order products for delivery on-line or by calling the Trulieve call-center. The Corporation’s fully-staffed call center fields on average 2,000 calls per day answering patient questions and facilitating patient orders. Trulieve offers next day delivery service in most areas of Florida. Patients can also place orders for in-store pick-up either online or via the call center. Finally, patients are able to walk-in to any Trulieve dispensary location and place an order in person.

Loyalty Program and Communication Platforms

The Truliever program was created as a patient-based loyalty program whereby patients can earn points for dollars spent with a discount at pre-determined point values. Trulievers also are notified first with special discounts or limited release product offerings and also have access to Truliever-only promotions and events. Trulieve communicates with patients and physicians through a variety of methods including email, text, social media and online chat.

Research and Development

Trulieve has a dedicated research and development team focused on technology innovations and product development. The R&D team evaluates new technologies and performs rigorous testing prior to recommending introduction into production.

ACQUISITIONS

On December 13, 2018, the Corporation acquired all of the issued and outstanding shares of Life Essence. Life Essence is a seed-to-sale cannabis company with multiple locations under development in the Commonwealth of Massachusetts. Life Essence was recently awarded letters of support from the cities of Northampton, Cambridge and Holyoke, Massachusetts, and is applying for licenses to build and operate three medical Registered Marijuana Dispensaries, three recreational marijuana licenses, and a 126,000 square foot cultivation and processing facility.

Life Essence has held pre-application permitting meetings and plans to submit all required municipal permit applications in the second quarter of 2019 for the 126,000 square foot cultivation and processing facility. Life Essence has not yet begun permitting or construction of its three medical registered marijuana dispensaries in Massachusetts. The Corporation cannot predict the timing or grant of regulatory approvals.

On November 30, 2018, the Corporation acquired 80% of the issued and outstanding membership interests of Leef Industries. The remaining 20% is to be acquired upon receipt of final regulatory approval from the State of California, which is expected to occur in the second quarter of 2019. Leef Industries is a licensed medical and adult-use cannabis dispensary located in Palm Springs, California.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

In addition to providing financial measurements based on IFRS, the Corporation provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Corporation’s financial performance. These non-IFRS financial measures are adjusted EBITDA and working capital.

Management believes that these non-IFRS financial measures reflect the Corporation's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies.

As there are no standardized methods of calculating these non-IFRS measures, the Corporation's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

ADJUSTED EBITDA

Adjusted EBITDA is a financial measure that is not defined under IFRS. Trulieve uses this non-IFRS financial measure, and believe it enhances an investor's understanding of the Corporation's financial and operating performance from period to period, because it excludes certain material non-cash items and certain other adjustments management believes are not reflective of the Corporation's ongoing operations and performance. The adjusted EBITDA excludes from net income as reported interest, tax, depreciation, non-cash expenses, RTO expense, other income, growing costs related to unsold inventory, and the non-cash effects of accounting for biological assets and inventories. Trulieve reports adjusted EBITDA to help the investors assess the operating performance of the Corporation's business.

Other companies in the Corporation's industry may calculate these measures differently than Trulieve does, limiting their usefulness as comparative measures.

WORKING CAPITAL

The calculation of working capital provides additional information and is not defined under IFRS. The Corporation defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Corporation's liquidity.

Other companies in the Corporation's industry may calculate this measure differently than the Corporation does, limiting its usefulness as a comparative measure.

RECONCILIATIONS OF NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The table below reconciles net income to adjusted EBITDA for the periods indicated.

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Net Income (IFRS)	\$ 10,719,673	\$ 338,261	\$ 42,967,792	\$ 3,572,850
Add (Deduct) Impact of:				
Net Effect of Change in Fair Value of Biological Assets	\$ (12,939,060)	\$ (1,140,983)	\$ (36,941,447)	\$ (9,738,300)
Grow Cost for Unsold Inventory <i>Note 4 FS</i>	\$ 4,170,611	\$ -	\$ 4,170,611	\$ -
Interest Expense, Net	\$ 691,379	\$ 341,282	\$ 2,183,653	\$ 860,437
Depreciation and Amortization	\$ 490,250	\$ 57,635	\$ 1,137,675	\$ 197,778
Depreciation included in Cost of Goods Sold <i>Note 5 FS</i>	\$ 713,034	\$ 169,813	\$ 1,967,467	\$ 360,233
Provision For Income Taxes	\$ 11,441,468	\$ 2,439,711	\$ 28,759,218	\$ 4,718,000
RTO Expense	\$ -	\$ -	\$ 1,387,423	\$ -
Loss on Debt Settled with Equity	\$ -	\$ -	\$ -	\$ 768,639
Other Income, Net	\$ (38,938)	\$ (1,942)	\$ (59,510)	\$ (3,298)
Total Adjustments	\$ 4,528,744	\$ 1,865,516	\$ 2,605,090	\$ (2,836,511)
Adjusted EBITDA (Non-IFRS)	\$ 15,248,417	\$ 2,203,777	\$ 45,572,882	\$ 736,339

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the audited annual consolidated financial statements of the Corporation for the years ended December 31, 2018 and 2017.

The selected consolidated financial information set out below may not be indicative of the Corporation's future performance:

	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Revenues, Net of Discounts	\$ 35,945,457	\$ 13,240,804	\$ 102,816,631	\$ 19,778,344
Cost of Goods Sold, Net	\$ 15,138,572	\$ 7,096,610	\$ 34,195,407	\$ 11,094,692
Gross Profit before Biological Asset Adjustment	\$ 20,806,885	\$ 6,144,194	\$ 68,621,224	\$ 8,683,652
Net Effect of Change in Fair Value of Biological Assets	\$ (12,939,060)	\$ (1,140,983)	\$ (36,941,447)	\$ (9,738,300)
Gross Profit	\$ 33,745,945	\$ 7,285,177	\$ 105,562,671	\$ 18,421,952
Total Expenses	\$ 10,932,363	\$ 4,167,865	\$ 30,324,095	\$ 8,505,324
Operating Income	\$ 22,813,582	\$ 3,117,312	\$ 75,238,576	\$ 9,916,628
Total Other Expenses	\$ 652,441	\$ 339,340	\$ 3,511,566	\$ 1,625,778
Provision For Income Taxes	\$ 11,441,468	\$ 2,439,711	\$ 28,759,218	\$ 4,718,000
Net Income	\$ 10,719,673	\$ 338,261	\$ 42,967,792	\$ 3,572,850

	Year ended December 31,	
	2018	2017
Cash	\$ 24,430,108	\$ 1,407,059
Total Current Assets	\$ 80,790,460	\$ 13,582,139
Total Assets	\$ 162,072,581	\$ 33,869,864
Total Current Liabilities	\$ 34,714,428	\$ 7,554,403
Total Long-Term Liabilities	\$ 23,139,022	\$ 15,193,607
Total Shareholders' Equity	\$ 104,219,131	\$ 11,121,854

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Revenue for the year ended December 31, 2018 was \$102.8 million, up \$83.0 million or 420%, from \$19.8 million for the year ended December 31, 2017 due to increased retail sales. The state registry which approves and maintains the status of the medical cannabis license holders reached approximately 167,000 active patients during the fourth quarter of 2018. Trulieve's statewide retail and home delivery presence along with its over 150 sku's were the main reasons for its continued market growth.

Revenue for the three months ended December 31, 2018 was \$35.9 million, up \$22.7 million or 171%, from \$13.2 million for the three months ended December 31, 2017 due to increased retail sales. Trulieve opened 10 additional dispensary locations between December 31, 2017 and December 31, 2018.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the year ended December 31, 2018 was \$34.2 million, up \$23.1 million or 208%, from \$11.1 million for the year ended December 31, 2017, driven by continued market growth as stated above. Cost of goods sold as a percentage of revenue was 33% for the year ended December 31, 2018, as compared to 56% for the year ended December 31, 2017. The primary reason attributable to the decline is a significant amount of fixed cost in cost of goods sold which when spread over a larger revenue base provided a better cost of goods sold percentage.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the three months ended December 31, 2018 was \$15.1 million, up \$8.0 million or 113%, from \$7.1 million for the three months ended December 31, 2017, driven by continued market growth as stated above. This increase is caused by higher volume of sales in 2018. Cost of goods sold as a percentage of revenue was 42% for the three months ended December 31, 2018, as compared to 54% for the three months ended December 31, 2017. As mentioned above, the same is true for the three months ended December 31, 2018.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis.

When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Gross Profit

Gross profit after net gains on biological asset transformation for the year ended December 31, 2018 was \$105.6 million, up \$87.2 million or 473%, from \$18.4 million for the year ended December 31, 2017, driven by an increased gain on biological assets and increased retail sales. Additionally, because the Company is growing more plants at December 31, 2018 than it was at December 31, 2017, so there are more plants undergoing transformation thus more gain.

Gross profit after net gains on biological asset transformation for the three months ended December 31, 2018 was \$33.7 million, up \$26.4 million or 363%, from \$7.3 million for the three months ended December 31, 2017, driven by an increased gain on biological assets and increased retail sales.

Total Expenses

Total expenses for the year ended December 31, 2018 was \$30.3 million, up \$21.8 million or 257%, from \$8.5 million for the year ended December 31, 2017, which is mainly due to scaling of the business. Total expenses as a percentage of revenue was 29% for the year ended December 31, 2018, as compared to 43% for the year ended December 31, 2017.

The increase in total expenses was primarily attributable to an increase of retail, sales and marketing expenses which for the year ended December 31, 2018 was \$25.1 million, up \$18.0 million or 253%, from \$7.1 million for the year ended December 31, 2017. Retail, sales and marketing expenses as a percentage of revenue was 24% for the year ended December 31, 2018, as compared to 36% for the year ended December 31, 2017. The overall increase in retail, sales and marketing expenses was primarily attributable to the opening of additional dispensary locations and the associated costs including payroll, insurance, and rent.

The increase in total expenses was also attributable to an increase of general and administrative expenses which for the year ended December 31, 2018 was \$4.1 million, up \$2.9 million or 241%, from \$1.2 million for the year ended December 31, 2017. General and administrative expenses as a percentage of revenue was 4% for the year ended December 31, 2018, as compared to 6% for the year ended December 31, 2017. The overall increase in general and administrative expenses was primarily attributable to increased infrastructure expenses to support business growth.

Total expenses for the three months ended December 31, 2018 was \$10.9 million, up \$6.7 million or 162%, from \$4.2 million for the three months ended December 31, 2017, which is mainly due to scaling of the business. Total expenses as a percentage of revenue was 30% for the three months ended December 31, 2018, as compared to 31% for the three months ended December 31, 2017.

The increase in total expenses was primarily attributable to an increase of retail, sales and marketing expenses which for the three months ended December 31, 2018 was \$9.7 million, up \$6.3 million or 184%, from \$3.4 million for the three months ended December 31, 2017. Retail, sales and marketing expenses as a percentage of revenue was 27% for the three months ended December 31, 2018 as compared to 26% for the three months ended December 31, 2017. The overall increase in retail, sales and marketing expenses was primarily attributable to the opening of additional dispensary locations and the associated costs including payroll, insurance, and rent as well as the marketing outreach spend. General and administrative expenses as a percentage of revenue was 2% for the three months ended December 31, 2018, as compared to 5% for the three months ended December 31, 2017.

Total Other Expenses

Total other expenses for the year ended December 31, 2018 was \$3.5 million, up \$1.9 million or 116%, from \$1.6 million for the year ended December 31, 2017. Total other expenses as a percentage of revenue decreased to 3% for the year ended December 31, 2018 from 8% for the year ended December 31, 2017. The overall increase in other expenses was primarily attributable to the \$1.4 million purchase price of the reverse takeover (RTO) of Schyan Exploration Inc.

Total other expenses for the three months ended December 31, 2018 was \$0.7 million, up \$0.4 million or 92%, from \$0.3 million for the three months ended December 31, 2017. Total other expenses as a percentage of revenue decreased to 2% for the three months ended December 31, 2018 from 3% for the three months ended December 31, 2017. The overall increase in other expenses was primarily attributable to interest expense related to additional notes payable for funding capital expenditures.

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, 2018, provisions for Federal and State income tax totaled \$28.8 million, up \$24.1 million, from \$4.7 million for the year ended December 31, 2017. The tax rate for 2018 was 40.1% as compared to 56.9% for 2017, when the tax expense is taken as a percentage of income before taxes (i.e., effective tax rate).

Income tax expense for the three months ended December 31, 2018 was \$11.4 million, up \$9.0 million, from \$2.4 million for the three months ended December 31, 2017.

Net Income

Net income for the year ended December 31, 2018 was \$43.0 million, up \$39.4 million or 1103%, from \$3.6 million for the year ended December 31, 2017. The increase in net income was driven by the factors described above, namely business expansion.

Net income for the three months ended December 31, 2018 was \$10.7 million, up \$10.4 million or 3069%, from \$0.3 million for the three months ended December 31, 2017. The increase in net operating income was driven by the factors described above, namely business expansion.

Drivers of Results of Operations

Revenue

The Corporation derives its revenue from cannabis products which it manufactures, sells and distributes to its customers by home delivery and in its retail stores.

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 to produce finished goods, such as flower, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, 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 Trulieve's gross profit as a percentage of revenue.

During the year ended December 31, 2018, the Corporation continued to be focused on executing sustainable profitable growth of the Corporation's base business while investigating expansion. Trulieve continued to expand within Florida with an additional 10 locations opening in 2018.

Total Expenses

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

Selling costs generally correlate to revenue. As a percentage of sales, Trulieve expects selling costs to remain stable in the Corporation's currently operational market.

General and administrative expenses represent costs incurred at the Corporation's corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, and other professional service costs, including legal and accounting. Trulieve expects to continue to invest considerably in this area to support the Corporation's expansion plans and to support the increasing complexity of the cannabis business. Furthermore, Trulieve expects to continue to incur acquisition and transaction costs related to the Corporation's expansion plans, and the Corporation anticipates a significant increase in compensation expenses related to recruiting and hiring talent, accounting, legal and professional fees associated with being a publicly traded company.

Provision for Income Taxes

We are subject to income taxes in the jurisdictions in which Trulieve 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 Corporation operates in the legal cannabis jurisdictions, the Corporation is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to cost of producing the products or cost of products. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

Summary of Quarterly Results

The table below presents selected financial information for each of the eight most recently completed quarters.

Three months ended	Revenues	Net Income/(Loss)
December 31, 2018	\$ 35,945,457	\$ 10,719,673
September 30, 2018	\$ 28,325,604	\$ 17,501,692
June 30, 2018	\$ 23,298,771	\$ 7,882,721
March 31, 2018	\$ 15,246,799	\$ 6,863,706
December 31, 2017	\$ 13,240,804	\$ 338,261
September 30, 2017	\$ 3,374,718	\$ 462,234
June 30, 2017	\$ 2,226,085	\$ 5,302,319
March 31, 2017	\$ 936,737	\$ (2,529,964)

Revenue has increased quarter over quarter driven by Trulieve's increased customer base and open dispensaries. The Corporation had 23 operating dispensaries for the quarter ended December 31, 2018 compared to three operating dispensaries for the quarter ended March 31, 2017.

There were no other significant factors, economically or industry wide relating to customer buying patterns, competition, production output, or Trulieve's selling practices including pricing that contributed to Trulieve's noted variances.

For the three months ended December 31, 2018, the net income of \$10.7 million consists primarily of revenue of \$35.9 million and adjustments to the fair value of biological assets of \$12.9 million. This was offset by cost of goods sold of \$15.1 million, operating expenses of \$10.9 million, other expenses of \$0.7 million, and income tax expense of \$11.4 million. The primary reason for the lower net income from the previous quarter was due to lower net effect of change in fair value of biological (i.e. gain) of \$2.8 million, higher retail expenses of \$3.1 million because of five new store openings in the fourth quarter of 2018 and

the preparation of four new store opening in the first quarter of 2019, higher income tax expense of \$3.3 million offset by \$.0.7 million of lower G&A expenses.

For the three months ended September 30, 2018, the net income of \$17.5 million consists primarily of revenue of \$28.3 million and adjustments to the fair value of biological assets of \$15.8 million. This was offset by cost of goods sold of \$8.3 million, operating expenses of \$8.3 million, other expenses of \$1.8 million, and income tax expense of \$8.2 million.

For the three months ended June 30, 2018, the net income of \$7.9 million consists primarily of revenue of \$23.3 million and adjustments to the fair value of biological assets of \$3.0 million. This was offset by cost of goods sold of \$6.0 million, operating expenses of \$6.2 million, other expenses of \$0.8 million, and income tax expense of \$5.4 million.

For the three months ended March 31, 2018, the net income of \$6.9 million consists primarily of revenue of \$15.2 million and adjustments to the fair value of biological assets of \$5.2 million. This was offset by cost of goods sold of \$4.7 million, operating expenses of \$4.8 million, other expenses of \$0.3 million, and income tax expense of \$3.8 million.

For the three months ended December 31, 2017, the net income of \$0.3 million consists primarily of revenue of \$13.2 million and adjustments to the fair value of biological assets of \$1.1 million. This was offset by cost of goods sold of \$7.1 million, operating expenses of \$4.2 million, other expenses of \$0.3 million, and income tax expense of \$2.4 million.

For the three months ended September 30, 2017, the net income of \$0.5 million consists primarily of revenue of \$3.4 million and adjustments to the fair value of biological assets of \$2.3 million. This was offset by cost of goods sold of \$2.1 million, operating expenses of \$2.3 million, other expenses of \$0.2 million, and income tax expense of \$0.6 million.

For the three months ended June 30, 2017, the net income of \$5.3 million consists primarily of revenue of \$2.2 million and adjustments to the fair value of biological assets of \$6.3 million. This was offset by cost of goods sold of \$1.0 million, operating expenses of \$0.4 million, other expenses of \$0.1 million, and income tax expense of \$1.7 million.

For the three months ended March 31, 2017, the net loss of \$2.5 million consists primarily of revenue of \$0.9 million. This was offset by cost of goods sold of \$0.9 million, operating expenses of \$1.6 million, and other expenses of \$0.9 million.

Liquidity, Financing Activities During the Period, and Capital Resources

On August 27, 2018, the Corporation completed a brokered private placement (the "SR Offering") of 10,927,500 subscription receipts for gross proceeds of \$50,625,000, which after transaction costs resulted in net proceeds of \$47,466,943. In connection with the SR Offering, Trulieve paid a cash fee to the Agents equal to 6.0% of the gross proceeds of the SR Offering, provided that the cash fee payable to the Agents was reduced to 3.0% in respect of sales to subscribers on a president's list. As additional consideration, the Agents were granted an aggregate of 535,446 broker warrants, each exercisable to acquire one Trulieve Share at the SR Offering Price.

In May 2018, the Corporation entered into two separate promissory notes with an officer and director of the Corporation for a total of \$12,000,000. Each promissory note has a 24-month maturity and 12% annual interest rate. For one of the promissory notes certain notes payable from related parties and the transfer of title of one of the Corporation's facilities were credited as part of the funding and the Corporation received net cash of approximately \$650,000. The other promissory note provided approximately \$6,000,000 in additional capital to the Corporation.

In April 2018, the Corporation entered into a \$6,000,000 promissory note with an entity controlled by members of management and shareholders of the Corporation with a 24-month maturity and 12% annual

interest rate. Approximately \$1,500,000 of the outstanding balance of a line of credit was extinguished in lieu of cash proceeds as part of the funding of this promissory note. In conjunction with the close of the SR Offering, the promissory note was repaid.

In January 2018, the Corporation entered into a \$6,000,000 promissory note with a 24-month maturity and 12% annual interest rate. In conjunction with the close of the SR Offering, the promissory note was repaid.

Throughout 2018, the Corporation entered into four separate 24-month loans with an 8% annual interest rate with a former director and shareholder of the Corporation for a total of \$895,775.

As at December 31, 2018, the Corporation had total current liabilities of \$34.7 million and cash of \$24.4 million compared to December 31, 2017 which had current liabilities of \$7.6 million and cash equivalents of \$1.4 million to meet its current obligations. As at December 31, 2018, the Corporation had working capital of \$46.1 million an increase of \$40.1 million compared to working capital of \$6.0 million at December 31, 2017.

The Corporation is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Cash Flows

The table below highlights the Corporation's cash flows for the periods indicated.

	Year ended December 31,	
	2018	2017
	<hr/>	<hr/>
Net Cash Provided By (Used In) Operating Activities	\$ 24,962,800	\$ (214,505)
Net Cash Used In Investing Activities	\$(52,961,303)	\$ (5,507,900)
Net Cash Provided By Financing Activities	\$ 51,021,552	\$ 6,993,151
Net Increase In Cash and Cash Equivalents	\$ 23,023,049	\$ 1,270,746
Cash and Cash Equivalents, Beginning of Period	\$ 1,407,059	\$ 136,313
Cash and Cash Equivalents, End of Period	\$ 24,430,108	\$ 1,407,059

Cash Provided by or Used in Operating Activities

Net cash generated from operating activities was \$25.0 million for the year ended December 31, 2018, an increase of \$25.2 million compared to the \$0.2 million net cash used in operating activities for the year ended December 31, 2017. The increase in net cash generated from operating activities was primarily related to the increase in net income of \$39.4 million, increase in income tax payable and deferred tax liabilities of \$15.3 million, and various other items netting to \$1.7 million partially offset by an increase in biological assets of \$10.2 million and increase in inventories of \$21.0 million.

Cash Flow from Investing Activities

Net cash used in investing activities was \$53.0 million for the year ended December 31, 2018, an increase of \$47.5 million compared to the \$5.5 million net cash used in investing activities for the year ended December 31, 2017. The increase was used for the addition of dispensary locations and expansions of Trulieve's cultivation and processing facilities as well as two asset acquisitions.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$51.0 million for the year ended December 31, 2018, an increase of \$44.0 million compared to the \$7.0 million net cash provided by financing activities for the year ended December 31, 2017. The increase in net cash provided by financing activities was primarily due to the \$47.5 million net proceeds raised with the SR Offering and \$2.5 million net proceeds on notes payable to a related party.

Contractual Obligations

At December 31, 2018, the Corporation had the following contractual obligations to make future payments, representing contracts and other commitments that known and committed.

Contractual Obligations	Payments Due by Period				
	Total	<1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts Payable and Accrued Liabilities	\$ 10,463,109	\$ 10,463,109	\$ -	\$ -	\$ -
Notes Payable	\$ 6,000,000	\$ 6,000,000	\$ -	\$ -	\$ -
Notes Payable - Related Party	\$ 14,215,131	\$ 1,426,791	\$ 12,788,340	\$ -	\$ -
Capital Lease Obligations	\$ 1,097,676	\$ 419,608	\$ 618,077	\$ 59,991	\$ -
Operating Lease Obligations	\$ 33,779,302	\$ 4,081,842	\$ 7,903,841	\$ 7,541,516	\$ 14,252,103
Total Contractual Obligations	\$ 65,555,218	\$ 22,391,350	\$ 21,310,258	\$ 7,601,507	\$ 14,252,103

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation 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 Corporation, including, and without limitation, such considerations as liquidity and capital resources.

Transactions with Related Parties

The Corporation had raised funds by issuing notes to various related parties including directors, officers, and shareholders of the Corporation and the balance at December 31, 2018 and 2017 was \$14.2 million and \$8.7 million, respectively.

The Corporation uses a general contractor that is the spouse of an officer and director and made payments totaling \$8.8 million for the year ended December 31, 2018. There was also accounts payable to the related party of \$3.4 million at December 31, 2018.

Several of the Corporation's dispensaries are leased from various real estate holding companies that are managed, controlled by various related parties including a former director and shareholder and the spouse of an officer and director of the Corporation. Rent expense under these related party leases totaled \$2.5 million and \$0.1 million for the years ended December 31, 2018, and 2017, respectively.

Proposed Transactions

N/A

Changes in or Adoption of Accounting Practices

The IASB's new revenue recognition standard IFRS 15 – Revenue from Contracts with Customers (IFRS 15) was adopted by the Corporation on January 1, 2016. The new standard replaces IAS 18 – Revenue and provides for a single model that applies to all contracts with customers with two types of recognition: at a point in time or over time.

The following IFRS standards have been recently issued by the IASB. The Corporation is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Corporation have been excluded herein.

IFRS 16, Leases

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments.

Substantially all of the Corporation's operating leases are real estate leases for dispensaries, production plants, and corporate offices. Other leased assets include passenger vehicles, trucks and equipment.

As a lessee, the Corporation will recognize right-of-use assets and lease liabilities primarily for its operating leases of real estate properties, vehicles and equipment. The depreciation expense on right-of-use assets and interest expense on lease liabilities will replace rent expense, previously recognized on a straight-line basis under IAS 17 over the term of a lease. No significant impacts are expected for the Corporation's existing finance leases.

IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. For leases where the Corporation is the lessee, it has the option of adopting a fully retrospective approach or a modified retrospective approach on transition to IFRS 16. The Corporation has adopted the standard on January 1, 2019 using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at January 1, 2019, and no restatement of the comparative period. Under the modified retrospective approach, the Corporation chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

IFRS 16 permits the use of exemptions and practical expedients. The Corporation expects to apply the following recognition exemptions and practical expedients:

- grandfather lease definition for existing contracts at the date of initial application;
- exclude low-value and short term leases from IFRS 16 lease accounting;
- use portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- apply a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- and
- use hindsight in determining lease term at the date of initial application.

The Corporation continues to assess the impact of the standard on the Corporation's business processes, internal controls over financial reporting, data systems, IT, and financing arrangements. The Corporation is in the final stages of refining and validating the inputs and key assumptions used in its calculation of the cumulative effects of initial application to be recorded in opening retained earnings as at January 1, 2019.

Based on the information currently available, as a result of the initial application of IFRS 16 as at January 1, 2019, Management anticipates recognizing approximately \$28 million of right-of-use assets and approximately \$34 million of lease liabilities, inclusive of current finance leases, on its consolidated statements of financial position, and derecognizing approximately \$1 million of deferred rent obligation from its consolidated statements of financial position, with the difference, net of the deferred tax impact, recorded in opening retained earnings. Certain other balance sheet accounts are impacted through reclassification to applicable IFRS 16 balance sheet line items.

The final impacts of the initial application of IFRS 16 may vary from the estimates provided for the following reasons:

- the Corporation has not finalized the assessment and testing of applicable internal controls over financial reporting; and
- the new accounting policies and critical accounting estimates and judgments are subject to change until the Corporation issues its first quarter report to shareholders for the three months ended March 31, 2019.

IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments included the addition of an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business or not.

The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the Corporation can elect to not account for the acquisition as a business and instead it will account for the acquisition as an asset acquisition.

IFRS 3 is effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The Corporation has adopted the provisions for the year ended December 31, 2018.

CRITICAL ACCOUNTING ESTIMATES

The Corporation makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the combined financial statements are described below.

Estimated Useful Lives and Depreciation of Property and Equipment and Intangible Assets

Depreciation and amortization of property and equipment and intangible assets are 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.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to make an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value.

Summary of Outstanding Share Data

At April 10, 2019, the Corporation had the following securities issued and outstanding:

<u>Securities</u>	<u>Number of Shares</u>
Issued and Outstanding	
Subordinate Voting Shares	29,089,046
Super Voting Shares	740,133
Multiple Voting Shares	70,298
Warrants	214,178

Each Multiple Voting Share, including those issued upon conversion of the Super Voting Shares, is convertible into 100 Subordinate Voting Shares at the option of the holder or upon certain triggering events.

Financial Instruments and Financial Risk Management

The Corporation's financial instruments consist of cash, accounts payable and accrued liabilities; short-term note payable; and long-term debt. The carrying values of these financial instruments approximate their fair values. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1:	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3:	Inputs for the asset or liability that are not based on observable market data.

Financial Risk Management

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

Credit Risk

Credit risk is the risk of a potential loss to the Corporation if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation is moderately exposed to credit risk from its cash. The risk exposure is limited to the carrying amount at the statements of financial position date. The risk for cash is mitigated by holding these instruments with highly rated U.S. state financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with financial liabilities. The Corporation manages liquidity risk through the management of its capital structure. The Corporation's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Currency Risk

The operating results and financial position of the Corporation are reported in U.S. dollars. Some of the Corporation's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

The Corporation has no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Corporation's financial debts have fixed rates of interest and therefore expose the Corporation to a limited interest rate fair value risk.

Concentration Risk

The Company operates substantially in Florida. Should economic conditions deteriorate within that region, its results of operations and financial position would be negatively impacted.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. 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 marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. 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, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. The Company has banking relationships in all jurisdictions in which it operates.

RISK FACTORS

Cannabis is Illegal under Federal United States Law

In the United States, cannabis is largely regulated at the State level. As of November 7, 2018, thirty-three (33) states and the District of Columbia have passed laws broadly legalizing marijuana for medicinal use by eligible patients.¹⁴ In the District of Columbia and ten (10) of these states – Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington – marijuana is legal for adult-use regardless of medical condition. Additional States have pending legislation regarding the same. The large increase in recent statewide referenda and legislation that liberalizes marijuana laws is consistent with public opinion. Public polling routinely shows large majorities of Americans in favor of the legalization of marijuana. For instance, a Gallup Organization survey in October of 2018 found that 66% of respondents in the United States support the legalization of marijuana compared to the 32% who do not.¹⁵

Although each State in which Trulieve operates (and anticipates operating) authorizes, as applicable, medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. The concepts of “medical cannabis”, “retail cannabis” and “adult-use cannabis” do not exist under U.S. federal law. Marijuana is a Schedule I drug under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Although Trulieve believes that its business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law nor provide a defense to any federal proceeding which may be brought against the Corporation. Any such proceedings brought against the Corporation may result in a material adverse effect on the Corporation. Trulieve derives 100% of its revenues from the cannabis industry in certain States, which industry is illegal under United States federal law. Even where the Corporation’s cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under United States federal law. The enforcement of relevant federal laws is a significant risk.

United States **CBP** enforces the laws of the United States. Crossing the border while in violation of the CSA and other related United States federal laws may result in denied admission, seizures, fines, and apprehension. CBP officers administer the United States Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in the Corporation, if it became known to CBP, could have an impact on a shareholder’s admissibility into the United States and could lead to a lifetime ban on admission. See *“Risk Factors - U.S. border officials could deny entry of non-US citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.”*

Medical cannabis has been protected against enforcement by enacted legislation from the United States Congress in the form of the Rohrabacher-Farr Amendment, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to the United States Congress restoring such funding. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of the Sessions Memo, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Farr Amendment language (referred to in 2018 as the Leahy Amendment) and continued the protections

¹⁴ *Governing Magazine*, State Marijuana Laws in 2018 Map, available at <http://www.governing.com/gov-data/safety-justice/state-marijuana-laws-map-medical-recreational.html> (visited Nov. 7, 2018).

¹⁵ Justin McCarthy, *Two in Three Americans Now Support Legalizing Marijuana*, GALLUP (Oct. 22, 2018), available at <https://news.gallup.com/poll/243908/two-three-americans-support-legalizing-marijuana.aspx>.

for the medical cannabis marketplace and its lawful participants from interference by the Department of Justice. The Rohrbacher-Farr Amendment again was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019.¹⁶ Notably, such Amendments have always applied only to medical cannabis programs, and have no effect on pursuit of recreational cannabis activities.

United States Regulatory Uncertainty

The activities of the Corporation are subject to regulation by governmental authorities. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Furthermore, although the operations of the Corporation are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to import, distribute or, in the future, produce marijuana. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of marijuana, or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the United States Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the United States Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the United States Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, then Attorney General Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively and, on January 4, 2018, former Attorney General Sessions issued the Sessions Memo, which rescinded the Cole Memorandum. The Sessions Memo rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. As a result of the Sessions Memo, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should

¹⁶ 2019 Appropriations Act, Public Law No. 116-6, Div. C § 537.

ascribe to such cannabis activities, and it is uncertain how active U.S. federal prosecutors will be in relation to such activities, particularly under Attorney General Barr.

Attorney General Sessions was replaced by William Barr on February 14, 2019. In a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum."¹⁷ Attorney General Barr served in the same position under former President George H.W. Bush and promoted an anti-drug stance during his tenure. However, during his Senate confirmation hearing, Mr. Barr testified (similar to his written responses) that although he disagrees with efforts by states to legalize marijuana, he "won't go after" marijuana companies in states that have authorized regulated adult use. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum, notwithstanding his predecessor's rescission of the Cole Memorandum.

Notwithstanding this testimony, there is no guarantee that Attorney General Barr plans to or will forbid federal prosecution of state-licensed marijuana companies. It is important to note that in the United States, individual United States attorneys operate within state- or district-level jurisdictions and enjoy a substantial degree of autonomy in determining which criminal actions to pursue. While dozens of United States attorneys from across the country have affirmed that their view of federal enforcement priorities has not changed, there can be no assurances that such views are universally held or will continue in the near future. In California, at least one United States Attorney has made comments indicating a desire to enforce the CSA, stating that the Sessions Memorandum and the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA. These and other so called "enforcement hawks" in California or elsewhere may choose to enforce the CSA in accordance with federal policies prior to the issuance of the Cole Memorandum. As such, there can be no assurance that the United States federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with State law. Contrastingly, Andrew Lelling, the United States Attorney for the District of Massachusetts, issued a statement explaining that while marijuana is illegal under federal law, his "office's resources [...] are primarily focused on the opioid epidemic." In this statement, United States Attorney Lelling also clarified that his marijuana enforcement efforts will be focused on overproduction, targeted sales to minors, and organized crime and interstate transportation of drug proceeds. In sum, there is no certainty as to how the Department of Justice, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Corporation regularly monitors the activities of the current administration in this regard.

Money Laundering Laws and Access to Banking

The Corporation is subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

In February 2014, FinCen issued the FinCen Memo providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. 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 CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo.

¹⁷ *Questions for the Record William P. Barr Nominee to be United States Attorney General, available at <https://www.judiciary.senate.gov/imo/media/doc/Barr%20Responses%20to%20Booker%20QFRs1.pdf>.*

In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions could be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends or effect other distributions.

Competition

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

If the number of users of medical marijuana in the United States increases, the demand for products will increase and the Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Corporation will require a continued level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

The Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation to lose key relationships and intensify competition. The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Corporation in a number of ways, including losing customers, revenue and market share, or forcing the Corporation to expend greater resources to meet new or additional competitive threats, all of which could harm the Corporation's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Corporation's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

Re-Classification of Cannabis or Changes in United States Controlled Substance Laws and Regulations

If cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the need for approval by the FDA if medical claims are made for the Corporation's products, such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the **DEA**. In that case, Trulieve may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Corporation's products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Corporation's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings.

Potential FDA Regulation

Should the United States federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices related to the growth, cultivation, harvesting and

processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the agency and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is uncertain, including what costs, requirements, and possible prohibitions may be imposed. If the Corporation is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Corporation's business, operating results, and financial condition.

United States Border Entry

Because cannabis remains illegal under United States federal law, those investing in Canadian companies with operations in the United States cannabis industry could face detention, denial of entry, or lifetime bans from the United States for their business associations with United States cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-US citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the cannabis industry 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 United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal 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 (such as Trulieve), who are not United States citizens face the risk of being barred from entry into the United States for life.

Heightened Scrutiny of Cannabis Companies in Canada

The Corporation's existing operations in the United States, and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada.

Given the heightened risk profile associated with cannabis in the United States, CDS Clearing and Depository Services Inc. ("**CDS**") may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

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

Costs and Obligations Related to Investment In Infrastructure, Growth, Regulatory Compliance and Operations

The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Corporation results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation's efforts to grow its business may be more costly than expected, and the Corporation may not be able to increase its revenue enough to offset its higher operating expenses. The Corporation may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Corporation is unable to achieve and sustain profitability, the market price of the securities of the Corporation may significantly decrease.

Availability of Favorable Locations

In Massachusetts and other states, the local municipality has authority to choose where any cannabis establishment will be located. These authorized areas are frequently removed from other retail operations. Because the cannabis industry remains illegal under United States federal law, the disadvantaged tax status of businesses deriving their income from cannabis, and the reluctance of the banking industry to support cannabis businesses, it may be difficult for Trulieve to locate and obtain the rights to operate at various preferred locations. Property owners may violate their mortgages by leasing to the Corporation, and those property owners that are willing to allow use of their facilities may require payment of above fair market value rents to reflect the scarcity of such locations and the risks and costs of providing such facilities.

Unfavorable Tax Treatment of Cannabis Businesses

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

United States Tax Classification of the Corporation

The Corporation, which is and will continue to be a Canadian company as of the date of this AIF, generally would be classified as a non-United States company under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States company to be taxed as a United States company for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a company created or organized outside the United States. (i.e., a non-United States company) will nevertheless be treated as a United States company for United States federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met:

(i) the non-United States company acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States company, (ii) after the acquisition, the former stockholders of the acquired United States Corporation hold at least 80% (by vote or value) of the shares of the non-United States company by reason of holding shares of the United States acquired company, and (iii) after the acquisition, the non-United States company's expanded affiliated group does not have substantial business activities in the non- United States

company's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the **"Inversion Conditions"**).

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

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

Lack of Access to United States Bankruptcy Protections

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Corporation were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Corporation, which would have a material adverse effect.

The Corporation is a Holding Corporation

The Corporation is a holding company and essentially all of its assets are the capital stock of its subsidiaries. The Corporation currently conducts substantially all of its business through Trulieve US, which currently generates substantially all of the Corporation's revenues. Consequently, the Corporation's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of Trulieve US and the other subsidiaries of the Corporation and the distribution of those earnings to the Corporation. The ability of Trulieve US and the other subsidiaries of the Corporation to pay dividends and other distributions will depend on such subsidiaries' operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by a subsidiary company and contractual restrictions contained in the instruments governing any current or future indebtedness of the Corporation's subsidiaries. In the event of a bankruptcy, liquidation or reorganization of Trulieve US or another of the Corporation's subsidiaries, holders of indebtedness and trade creditors of such subsidiary may be entitled to payment of their claims from the assets of such subsidiary before the Corporation.

Inability to Enforce Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level in the United States, judges in multiple states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate United States federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Corporation will be able to legally enforce contracts it enters into if necessary. The Corporation cannot be assured that it would have a remedy for breach of any given contract, which would have a material adverse effect on the Corporation.

Limitations on Ownership of Licenses

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts,

no person may have an ownership interest, or control over, more than three medical licenses or three adult-use licenses in any category – for example, cultivation, product manufacturing, transport or retail. Such limitations on the acquisition of ownership of additional licenses within certain states may limit the Corporation's ability to grow organically or to increase its market share in such states.

The Cannabis Industry is Difficult to Forecast

The Corporation must rely largely on its own market research to forecast sales, as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Corporation. Reliable data on the medical and adult-use cannabis industry is not available. As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. United States federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Corporation of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Corporation's management team as of the date of this AIF.

Voting Control

As a result of the Super Voting Shares that they hold, certain shareholders of the Corporation exercise a significant majority of the voting power in respect of the Corporation's outstanding shares. The Subordinate Voting Shares are entitled to one vote per share, Multiple Voting Shares are entitled to 100 votes per share, and the Super Voting Shares are entitled to up to 200 votes per share. As a result, the holders of the Super Voting Shares have the ability to control the outcome of all matters submitted to the Corporation's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Corporation.

This concentrated control could delay, defer, or prevent a change of control of the Corporation, arrangement or amalgamation involving the Corporation or sale of all or substantially all of the assets of the Corporation that its other shareholders support. Conversely, this concentrated control could allow the holders of the Super Voting Shares to consummate such a transaction that the Corporation other shareholders do not support.

Future Acquisitions or Dispositions Bear Inherent Risks

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Corporation's ongoing business; (ii) distraction of management; (iii) the Corporation may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increased scope and complexity of the Corporation's operations; and (vi) loss or reduction of control over certain of the Corporation's assets. Additionally, the Corporation may issue additional Subordinate Voting Shares in connection with such transactions, which would dilute a shareholder's holdings in the Corporation. The presence of one or more material liabilities of an acquired company that are unknown to the Corporation at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Corporation. A strategic transaction may result in a significant change in the nature of the Corporation's business, operations and strategy. In addition, the Corporation may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Corporation's operations.

Requirement to Maintain Licenses

The Corporation's ability to grow, store and sell medical marijuana and cannabis oil is dependent on maintaining its licenses and permits. Failure to comply with the requirements of such licenses and

permits, or any failure to maintain any such licenses and permits held would have a material adverse impact on the business, financial condition and operating results of the Corporation.

To date, the activities and resources of Trulieve US have been focused primarily within the state of Florida. The Corporation expects to continue the focus on this state as it continues to review further expansion opportunities into other jurisdictions in the United States, including California and Massachusetts. Adverse changes or developments within Florida could have a material and adverse effect on the Corporation's business, financial condition and results of operations.

Agricultural Risks

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

Additional Financing

The Corporation may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material and adverse effect on the Corporation's business, financial condition and results of operations or prospects. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Subordinate Voting Shares.

Intellectual Property Risks

As long as cannabis remains illegal under United States federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Risk of Civil Asset Forfeiture

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

Dependence on Personnel

The Corporation will depend on key managerial personnel for its continued success and the Corporation's anticipated growth may require additional expertise and the addition of new qualified personnel. The loss of the services of existing personnel, as well as the failure to recruit additional key managerial personnel in a timely manner, could harm the Corporation's business development programs, and the Corporation's ability to manage day-to-day operations, attract collaboration partners, attract and retain other employees, generate revenues, and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Greater Risk of Audits

Based on anecdotal information, the Corporation believes there is a greater likelihood that the Internal Revenue Service will audit cannabis-related businesses, including the Corporation. Any such audit could result in the Corporation paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

Dividends

It is unlikely that the Corporation will pay any dividends on the Subordinate Voting Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to United States withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

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

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

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

Liability Claims

As a distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Additionally, if one of the Corporation's brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the

foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the Corporation's results of operations and financial condition.

Consumer Perception

The Corporation believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of medical marijuana distributed to such consumers. Consumer perception of the Corporation's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows.

Security Risks

Given the nature of the Corporation's product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Corporation's products.

In addition, the Corporation collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation's operations will depend, in part, on how well it protects its networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations will also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

Unpredictability Caused by Anticipated Capital Structure and Voting Control

Although other Canadian-based companies have dual class or multiple voting share structures, given the capital structure contemplated in respect of the Corporation and the concentration of voting control held by the holders of the Super Voting Shares, this structure and control could result in a lower trading price for, or greater fluctuations in, the trading price of the Corporation's Subordinate Voting Shares or adverse publicity to the Corporation or other adverse consequences.

Sales of Substantial Amounts of Subordinate Voting Shares

Sales of substantial amounts of Subordinate Voting Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Subordinate Voting Shares. A decline in the

market prices of the Subordinate Voting Shares could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Subordinate Voting Shares

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 Corporation's control, including, but not limited to, the following:

- actual or anticipated fluctuations in the Corporation's 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 Corporation's executive officers and other key personnel;
- release or expiration of transfer restrictions on the issued and outstanding shares of the Corporation;
- regulatory changes affecting the cannabis industry generally and the business and operations of the Corporation;
- announcements of developments and other material events by the Corporation 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 interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Corporation or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets.

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

Liquidity

The Corporation cannot predict at what prices the Subordinate Voting Shares of the Corporation will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Corporation.

Litigation

The Corporation 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 Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Subordinate Voting Shares. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources.

Management of Growth

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

Increased Costs as a Result of Being a Public Corporation

As a public issuer, the Corporation is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Corporation's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Corporation's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

Conflicts of Interest

Certain of the directors and officers of the Corporation are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Corporation and as directors and officers of such other companies.

Insurance Coverage

The Corporation believes will have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Corporation is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Corporation to suffer uninsured losses, which could adversely affect the Corporation's business, results of operations, and profitability. There is no assurance that the Corporation will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

Reliance on Key Utility Services

The Corporation's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Corporation. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

The directors and officers of the Corporation reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for the shareholders of the Corporation to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for the shareholders of the Corporation to effect service of process within Canada upon such persons.

Community Redevelopment Agency Investigation

In 2015, the United States Grand Jury for the North District of Florida began an investigation in to alleged corruption by local officials in Tallahassee, Florida. In June 2017, the grand jury issued subpoenas to the City of Tallahassee and the Community Redevelopment Agency (the “**Agency**”) for records of communications, bids for proposals, applications, and more from approximately two dozen business entities and individuals, including Ms. Rivers, the Chief Executive Officer of the Corporation, her husband, J.T. Burnette, and Inkbridge LLC, a business associated with Ms. Rivers. The grand jury also directly subpoenaed Ms. Rivers for information related to her involvement with the Agency, a specific commissioner of the Agency, and political contributions Ms. Rivers made through an associated business. Ms. Rivers timely complied with the subpoena. Ms. Rivers has not been charged with any crime. No information was requested of Ms. Rivers in her capacity as an officer, director or employee of the Corporation. Ms. Rivers promptly disclosed the subpoena to the Board and agreed to notify the Board of further developments. Upon disclosure, the Board met independently to consider the matter, the allegations raised thereunder and Ms. Rivers’ response to same. In addition, a member of the Board retained counsel to investigate the matter. Based on such review, counsel to the Board member concluded Ms. Rivers was not a target¹⁸ of the investigation. The Board considered the impact of any potential liability in allowing Ms. Rivers to continue as Chief Executive Officer of the Corporation in the face of the investigation and determined that no independent, formal investigation or further action was warranted at the time based on its understanding of the facts as represented by Ms. Rivers. The Corporation remains confident the investigation does not relate to the Corporation or Ms. Rivers’ conduct as a director, officer or employee thereof and believes that Ms. Rivers has complied with all requests made of her to date pursuant to the investigation. The investigation however remains ongoing. While there can be no assurances given with respect to the outcome of the investigation, no government official has contacted Ms. Rivers or the Corporation as part of the investigation since Ms. Rivers produced documents in response to the subpoena in June, 2017. Ms. Rivers’ counsel contacted the federal prosecutor supervising the investigation in July, 2018, who stated Ms. Rivers was currently not a target of the investigation. The Corporation does not know what impact, if any, this investigation will have on the Corporation’s future efforts to maintain and obtain licenses in Florida or elsewhere. Any negative impact on the Corporation’s Florida license could have a material adverse effect on the Corporation’s business, revenues, operating results and financial condition. It is the Corporation’s goal to create patients loyal to the Corporation’s brand and in return to provide these patients a superior level of customer service and product selection. Any allegation of wrong doing on the part of Ms. Rivers as a result of the Agency investigation could harm the Corporation’s reputation with its customers and could have a material adverse effect on the Corporation’s business, revenues, operating results and financial condition as well as the Corporation’s reputation, even if the Agency investigation was concluded successfully in favour of Ms. Rivers. In addition, in the event the Agency investigation results in any allegation of wrongdoing or otherwise further targets Ms. Rivers, Ms. Rivers may be unable to continue serving as Chief Executive Officer and director of the Corporation. Qualified individuals within the cannabis industry are in high demand and the Corporation may incur significant costs to attract and retain qualified management personnel. The loss of the services of Ms. Rivers, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Corporation’s ability to execute on its business plan and strategy, and the Corporation may be unable to find an adequate replacement on a timely basis. Upon the occurrence of certain events that would be considered to negatively impact Ms. Rivers’ involvement with the Corporation, including her becoming a target of the investigation, Ms. Rivers has agreed to convert any Super Voting Shares controlled by her into Multiple Voting Shares.

General Economic Risks

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

¹⁸ A "target" is a person as to whom the prosecutor or the grand jury has substantial evidence linking him or her to the commission of a crime and who, in the judgment of the prosecutor, is a putative defendant. <https://www.justice.gov/usam/usam-9-11000-grand-jury#9-11.151>