UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020 **Commission File Number: 000-56241**

Cresco Labs Inc.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada	**2833**	**98-1505364**
(Province or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code)**	**(I.R.S. Employer Identification No.)**

400 W Erie St Suite 110
Chicago, IL 60654
United States
(312) 929-0993
(Address and telephone number of Registrant's principal executive offices)

Cresco Labs Inc.
400 W Erie St Suite 110
Chicago, IL 60654
United States
(312) 929-0993
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act. None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Subordinate Voting Shares, no par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

☒ **Annual Information Form** ☒ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report:

As at December 31, 2020, 63,868,296 Special Subordinate Voting Shares, 194,163,398 Subordinate Voting Shares 170,556.45 Proportionate Voting Shares and 500,000 Super Voting Shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted and posted

pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

EXPLANATORY NOTE

Cresco Labs Inc. (the "**Company**" or the "**Registrant**") is a "foreign private issuer" as defined in Rule 3b-4 under Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is a Canadian issuer eligible to file its annual report (" **Annual Report**") pursuant to Section 13 of the Exchange Act on Form 40-F pursuant to the multi-jurisdictional disclosure system (the " **MJDS**") adopted by the United States Securities and Exchange Commission (the "**SEC**").

PRINCIPAL DOCUMENTS

The following principal documents are filed as exhibits to, and incorporated by reference into this Annual Report:

Document	Exhibit No.
Annual Information Form of the Company for the year ended December 31, 2020 (the " **AIF**")	99.4
Management's Discussion and Analysis of the Company for the year ended December 31, 2020 (the " **MD&A**")	99.5
Audited Consolidated Financial Statements of the Company and notes thereto as at and for the years ended December 31, 2020 and 2019, together with the report thereon of the independent registered public accounting firm	99.6

FORWARD-LOOKING STATEMENTS

This Annual Report of the Registrant, including the exhibits incorporated by reference herein, includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. All information, other than statements of historical facts, included in this Annual Report, including the exhibits attached hereto, that address activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: the Company's intention regarding cash flows from operating activities in future periods, the expected timing of the closing of the Bluma Transaction, statements relating to the business and future activities of, and developments related to, the Company after the date of this Annual Report, including but not limited to, such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by the Company, the application for additional licenses and the grant of licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional states within the United States, international markets and Canada; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the United States and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made, in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including, among other things, assumptions about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline, including that all conditions to the completion of the Bluma Transaction will be satisfied in a timely manner; development costs remaining consistent with budgets; the ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; favorable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks relating to the founder voting control; risks related to the unpredictability caused by the Company's capital structure; risks related to additional financing, risks related to no guaranteed returns; risks related to the restrictions on immediate resale; risks related to sales by existing shareholders; risks related to the limited market for securities; expectations for the effects of the novel coronavirus ("COVID-19") on the business' operations and financial condition; risks relating to U.S. federal regulation, risks relating to the variation in state regulation, risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; risks relating to changes in cannabis laws and regulatory uncertainty; risks relating to legal, regulatory or political change; risks relating to Canadian investors in the U.S. cannabis sector; risks relating to the market price and volatility of the cannabis sector; risks relating to the internal controls of the Company and dilution; risks relating to the global economic condition; risks relating to the value of the Subordinate Voting Shares; tax and insurance related risks; risks relating to the limited operating history of the Company and the reliance on the expertise and judgment of senior management of the Company; risks relating to competition; risks relating to the difficulty in recruiting and retaining management and key personnel and managing growth; risks relating to the unreliability of forecasts; risks relating to the inability to innovate and find efficiencies; website and operational risks; risks relating to the reliance on third-party suppliers, manufacturers and contractors; risks relating to revenue shortfalls; risks relating to the failure to complete acquisitions; risks relating to the ability to obtain the necessary permits and authorizations; risks relating to potential conflicts of interest; risks relating to proprietary intellectual property and potential infringement by third parties; risks relating to information technology and cyber-attacks; risks relating to trade secrets; risks relating to the lack of U.S. bankruptcy protection, risks relating to currency fluctuations and lack of earnings and dividend record; risks relating to insurance coverage; risks relating to civil asset forfeiture; risks relating to the heightened scrutiny of investments in the U.S.; risks relating to the ability and constraints on marketing products; risks relating to the settlements of trades, access to banks and legality of contracts; risks relating to the environment; risks relating to the Company as a holding company; risks relating to the unfavorable tax treatment of cannabis businesses in the U.S. and the classification of the Company for U.S. tax purposes; risks relating to the public opinion, consumer acceptance and perception of the cannabis industry; security risks; risks relating to litigation; risks inherent in an agricultural business; risks relating to rising energy costs; risks relating to the Company's reliance on licenses; risks relating to product liability and product recall; risks relating to regulatory or agency proceedings, investigations and audits; risks relating to the newly established legal regimes; and general economic risks as well as those Risk Factors discussed in the AIF.

Readers are cautioned that the foregoing lists are not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. Forward-looking information and statements are provided and made as of the date of this Annual Report and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

NOTE TO UNITED STATES READERS REGARDING DIFFERENCES BETWEEN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Registrant is permitted under MJDS to file with this Annual Report certain reports and other information prepared in accordance with Canadian disclosure requirements, which are different from those of the United States. The Registrant has historically prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board (the "**IASB**"), which differ in certain respects from United States generally accepted accounting principles (" **US GAAP**") and from practices prescribed by the SEC. Therefore, the Registrant's financial statements filed with this Annual Report may not be comparable to financial statements prepared in accordance with U.S. GAAP.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars.

TAX MATTERS

Purchasing, holding, or disposing of securities of the Registrant may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our Chief Executive Officer ("**CEO**") and Chief Financial Officer (" **CFO**"), of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO concluded that the Company's disclosure controls and procedures, as defined in Rule 13a-15(e), were effective.

Regardless of how well the disclosure controls and procedures and internal control over financial reporting are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with U.S. GAAP. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraud, if any.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Due to a transition period established by rules of the SEC for newly public companies, the Company is not required to include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm. In addition, as an "emerging growth company" (as such term is defined in Rule 12b-2 under the Exchange Act), the Company is not required to provide such a report. The Company will be required to provide such an attestation report when it no longer qualifies as an emerging growth company.

There have been no changes to the Company's internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

CORPORATE GOVERNANCE

The Board of Directors is responsible for the Company's corporate governance and has the following separately designated standing committees: the Nominating and Governance Committee, the Compensation Committee, the Audit Committee and the Executive Committee. The Company's Audit Committee Charter is attached as Appendix "A" to the Notice of Annual and Special Meeting and Management Information Circular with respect to the Annual and Special Meeting of Shareholders of the Issuer to be held on June 29, 2020, which is filed as Exhibit 99.28 to the Company's registration statement on Form 40-F filed on January 13, 2021.

AUDIT COMMITTEE

The Audit Committee is comprised of Gerald F. Corcoran, who acts as chair of this committee, Randy D. Podolsky and Robert M. Sampson. All three members of the Audit Committee are financially literate, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Our Board of Directors at this time has not determined whether or not any member of the audit committee is an "audit committee financial expert" (as defined in paragraph (8)(b) of General Instruction B to Form 40-F).

PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees billed by the Company's external auditors in the years ending December 31, 2020 and 2019 are set out below:

	2020	2019
Audit Fees	$1,512,525	$1,061,415
Audit-Related Fees	$ 61,800	$ 66,435
Tax Fees	—	—
All Other Fees	—	—
Total	$1,574,325	$1,127,850

Audit Fees

Audit Fees include fees for performance of the annual audit of the Company's financial statements, reviews of quarterly financial statements, review of Annual Information Form, reviews of periodic reports and reviews of other documents required by legislation or regulation.

Audit-Related Fees

Audit-Related Fees include fees related to comfort letters, consents and reviews of securities filings.

Audit Committee Pre-Approval Policies

The Audit Committee has adopted specific policies and procedures for the engagement of its external auditors for the performance of non-audit services. Pursuant to such policies, the Audit Committee is required to review and preapprove all non-audit services to be performed by the external auditor. The Audit Committee may delegate this function to a member of the Audit Committee so that between meetings such member may pre-approve the nonaudit services as long as such member reports the approval to the Audit Committee at the next ensuring meeting. The Audit

Committee need not approve in advance any non-audit services where: (1) the aggregate amount of all non-audit services not pre-approved constitute no more than 5% of the total fees paid to the external auditor during the year, (2) the Company did not recognize the services as non-audit services at the time of the engagement, and (3) the services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any "off-balance sheet arrangements", as defined in General Instruction B(11) to Form 40-F, that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

CONTRACTUAL OBLIGATIONS

The following table lists information with respect to the Registrant's known contractual obligations as of December 31, 2020.

	Payments due by period ($ in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Debt Obligations	$184,791	$ 15,046	$169,745	—	—
Lease Obligations	$527,870	$ 33,207	$ 67,825	$71,852	$354,986
Purchase Obligations	$ 72,726	$ 72,726	—	—	—
Other Liabilities	$ 39,962	$ 32,715	$ 7,247	—	—
Total	**$825,349**	**$153,694**	**$244,817**	**$71,852**	**$354,986**

Notes:

(a) Total committed spend for construction projects not yet completed as of December 31, 2020 is $31.6 million, the majority of which will be reimbursed via tenant improvement allowances in 2021.

CODE OF ETHICS

We have adopted a Code of Conduct and Ethics (the "**Code**") that applies to our officers (including without limitation, the CEO, CFO), employees and directors of the Company and its subsidiaries and promotes, among other things, honest and ethical conduct. The Company undertakes to provide copies of the Code without charge. Requests for copies of the Code should be sent to the Company's General Counsel. The Code meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F.

No waivers of the Code or amendments to the Code were granted to any principal officer of the Company or any person performing similar functions during the fiscal year ended December 31, 2020.

NOTICES PURSUANT TO REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the fiscal year ended December 31, 2020.

MINE SAFETY DISCLOSURE

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

Consent to Service of Process

The Company has previously filed with the SEC a written consent to service of process on Form F-X. Any change to the name or address of the Company's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Company.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.3	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.4	Annual Information Form of the Company for the year ended December 31, 2020
99.5	Management's Discussion and Analysis for the year ended December 31, 2020
99.6	Audited consolidated financial statements of the Company and notes thereto as at and for the years ended December 31, 2020 and 2019, together with the report of the Independent Registered Public Accounting Firm thereon
99.7	Consent of Marcum LLP
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* To be filed by amendment

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 29, 2021

CRESCO LABS INC.

By: /s/ Charles Bachtell
Name: Charles Bachtell
Title: Chief Executive Officer

Exhibit 99.1

RULE 13a-14(a) CERTIFICATION

I, Charles Bachtell, certify that:

1. I have reviewed this annual report on Form 40-F of Cresco Labs Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2021

By: /s/ Charles Bachtell
Charles Bachtell
Chief Executive Officer

Exhibit 99.2

RULE 13a-14(a) CERTIFICATION

I, Dennis Olis, certify that:

1. I have reviewed this annual report on Form 40-F of Cresco Labs Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2021

By: /s/ Dennis Olis
Dennis Olis
Chief Financial Officer

Exhibit 99.3

SECTION 1350 CERTIFICATIONS

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of chapter 63 of title 18 of the United States Code), the undersigned officer of Cresco Labs Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

This annual report on Form 40-F for the fiscal year ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2021

By: /s/ Charles Bachtell
Charles Bachtell
Chief Executive Officer

SECTION 1350 CERTIFICATIONS

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of chapter 63 of title 18 of the United States Code), the undersigned officer of Cresco Labs Inc. (the "Company"), hereby certifies, to such officer's knowledge, that:

This annual report on Form 40-F for the fiscal year ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2021

By: /s/ Dennis Olis
Dennis Olis
Chief Financial Officer

Exhibit 99.4

CRESCO LABS

Annual Information Form

For the year ended December 31, 2020

Dated March 26, 2021

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GENERAL

Reference is made to the audited consolidated financial statements (the " **Financial Statements**"), together with the auditors' report thereon, and management's discussion and analysis (the "**MD&A**") for Cresco Labs Inc. (together with its subsidiaries, as the context requires, "Cresco" or the "**Company**") for the financial year ended December 31, 2020. Additional financial information is provided in the Financial Statements and MD&A, which are available for review under the Company's profile on SEDAR at www.sedar.com.

Unless otherwise noted herein, information in this annual information form (the " **AIF**") applies to the business activities and operations of the Company for the year ended December 31, 2020, as updated to March 26, 2021. Unless otherwise indicated, references to "$" are to U.S. dollars.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This AIF includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. All information, other than statements of historical facts, included in this AIF that address activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information regarding: the Company's intention regarding cash flows from operating activities in future periods, the expected timing of the closing of the Bluma Transaction1, statements relating to the business and future activities of, and developments related to, the Company after the date of this AIF, including but not limited to, such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by the Company, the application for additional licenses and the grant of licenses that have been applied for, the expansion of existing cultivation and production facilities, the completion of cultivation and production facilities that are under construction, the construction of additional cultivation and production facilities, the expansion into additional states within the United States, international markets and Canada; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the United States and the states in which the Company operates; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made, in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including, among other things, assumptions about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline, including that all conditions to the completion of the Bluma Transaction will be satisfied in a timely manner; development costs remaining consistent with budgets; the ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining

1 Depending on timing of closing of Bluma Transaction and filing of AIF.

and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; favorable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks relating to the founder voting control; risks related to the unpredictability caused by the Company's capital structure; risks related to additional financing, risks related to no guaranteed returns; risks related to the restrictions on immediate resale; risks related to sales by existing shareholders; risks related to the limited market for securities; expectations for the effects of the novel coronavirus ("**COVID-19**") on the business' operations and financial condition; risks relating to U.S. federal regulation, risks relating to the variation in state regulation, risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; risks relating to changes in cannabis laws and regulatory uncertainty; risks relating to legal, regulatory or political change; risks relating to Canadian investors in the U.S. cannabis sector; risks relating to the market price and volatility of the cannabis sector; risks relating to the internal controls of the Company and dilution; risks relating to the global economic condition; risks relating to the value of the Subordinate Voting Shares; tax and insurance related risks; risks relating to the limited operating history of the Company and the reliance on the expertise and judgment of senior management of the Company; risks relating to competition; risks relating to the difficulty in recruiting and retaining management and key personnel and managing growth; risks relating to the unreliability of forecasts; risks relating to the inability to innovate and find efficiencies; website and operational risks; risks relating to the reliance on third-party suppliers, manufacturers and contractors; risks relating to revenue shortfalls; risks relating to the failure to complete acquisitions; risks relating to the ability to obtain the necessary permits and authorizations; risks relating to potential conflicts of interest; risks relating to proprietary intellectual property and potential infringement by third parties; risks relating to information technology and cyber-attacks; risks relating to trade secrets; risks relating to the lack of U.S. bankruptcy protection, risks relating to currency fluctuations and lack of earnings and dividend record; risks relating to insurance coverage; risks relating to civil asset forfeiture; risks relating to the heightened scrutiny of investments in the U.S.; risks relating to the ability and constraints on marketing products; risks relating to the settlements of trades, access to banks and legality of contracts; risks relating to the environment; risks relating to the Company as a holding company; risks relating to the unfavorable tax treatment of cannabis businesses in the U.S. and the classification of the Company for U.S. tax purposes; risks relating to the public opinion, consumer acceptance and perception of the cannabis industry; security risks; risks relating to litigation; risks inherent in an agricultural business; risks relating to rising energy costs; risks relating to the Company's reliance on licenses; risks relating to product liability and product recall; risks relating to regulatory or agency proceedings, investigations and audits; risks relating to the newly established legal regimes; and general economic risks as well as those Risk Factors discussed below.

Readers are cautioned that the foregoing lists are not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes. Forward-looking information and statements are provided and made as of the date of this AIF and the Company does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

Non-IFRS Financial Information

In certain of its financial disclosures such as earnings releases and MD&A, the Company uses pro forma financial information as well as EBITDA, Adjusted EBITDA and Operational Gross Profit as measures of profitability, which are non-IFRS measures and do not have standardized definitions under IFRS. The Company provides the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS and may not be comparable to similar measures presented by other issuers, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. However, such measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable IFRS financial measures. As such, these supplemental non-IFRS financial measures shall always include reconciliations to the most directly comparable financial measures calculated and presented in accordance with IFRS.

Foreign Currency Information

The Company's expenses are primarily denominated in U.S. dollars and its operations are primarily in the U.S. The Company's current exposure to exchange rate fluctuations relate primarily to the Canadian activities of its Origin House subsidiary. The Company acquired Origin House on January 8, 2020. See "*Tax Considerations for U.S. Holders*" for additional information regarding foreign currency distributions or proceeds for holders of the Company's subordinated voting shares.

MARKET DATA AND INDUSTRY FORECASTS

This AIF includes market and industry data that has been obtained from third-party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources and as such the Company does not make any representation as to the accuracy of such information. Further, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. See also "*Cautionary Statement Regarding Forward-Looking Information*."

CORPORATE STRUCTURE

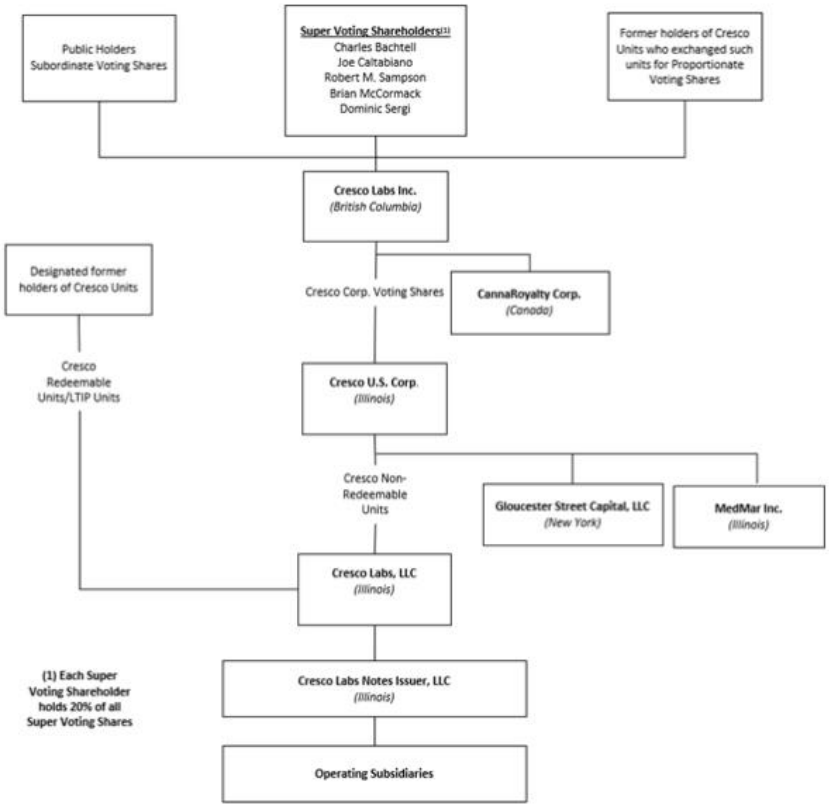
The Company was incorporated in the Province of British Columbia under the *Company Act* (British Columbia) on July 6, 1990. On December 30, 1997, the Company changed its name from Randsburg Gold Corporation to Randsburg International Gold Corp. ("**Randsburg**"), and consolidated its outstanding common shares on a five (5) old for one (1) new basis. On November 30, 2018, in connection with the Business Combination, the Company (i) consolidated its outstanding Randsburg common shares on an 812.63 old for one (1) new basis, and (ii) filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies to change its name from Randsburg International Gold Corp. to Cresco Labs Inc. and to amend the rights and restrictions of its existing class of common shares, redesignate such class as the class of Subordinate Voting Shares and create the classes of Proportionate Voting Shares and the Super Voting Shares. On June 29, 2020, the Company filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies to create a class of Special Subordinate Voting Shares and amend the rights and restrictions of the Subordinate Voting Shares, the Proportionate Voting Shares and the Super Voting Shares.

The Company's head office is located at 400 W. Erie Street, #110, Chicago, IL 60654 and the registered office is located at Suite 2500, 666 Burrard Street, Vancouver, BC V6C 2X8.

On November 30, 2018, a series of transactions were completed among the Company (then Randsburg) and Cresco LLC resulting in a reorganization of Cresco LLC and Randsburg and pursuant to which Randsburg became the indirect parent and sole voting unitholder of Cresco LLC. The Business Combination constituted a reverse takeover of Randsburg by Cresco LLC under applicable securities laws.

Cresco LLC was formed as a limited liability company under the laws of the state of Illinois on October 8, 2013 and is governed by the Pre-Combination LLC Agreement. The Pre-Combination LLC Agreement was further amended and restated in connection with the completion of the Business Combination. Please see "*Description of Unit Capital of Cresco – A&R LLC Agreement* " for additional details as to the A&R LLC Agreement.

Set forth below is the condensed organization chart of the Company as of March 26, 2021.



The following are Cresco's wholly owned or effectively controlled subsidiaries and entities over which the Company has control as of March 26, 2021.

Entity	Location	Purpose	Percentage Held
Cresco Labs Inc.	British Columbia, Canada	Parent Company	
Cresco U.S. Corp.	Illinois	Manager of Cresco Labs, LLC	100%
Cresco Labs, LLC	Illinois	Operating Entity	49.98%
Cresco Labs Notes Issuer, LLC	Illinois	Holding Company	100%
Gloucester Street Capital, LLC	New York	Holding Company	100%
Valley Agriceuticals, LLC	New York	Operating Entity	100%
MedMar Inc.	Illinois	Holding Company	100%
MedMar Lakeview, LLC (Sunnyside - Lakeview and Sunnyside - River North)	Illinois	Dispensary	87.6%
MedMar Rockford, LLC (Sunnyside - Rockford and Sunnyside - South Beloit)	Illinois	Dispensary	75%
CannaRoyalty Corp. (Origin House)	Ontario, Canada	Holding Company	100%
Cali-AntiFragile Corp.	California	Holding Company	100%
Alta Supply Inc. (Continuum)	California	Distribution	100%
Kaya Management Inc.	California	Production	100%
RPE Inc. (Continuum)	California	Distribution	100%
FloraCal	California	Cultivation	100%
Cub City, LLC	California	Distribution	100%
CRHC Holdings Corp.	Ontario, Canada	Holding Company	100%
2360149 Ontario Inc. (180 Smoke)	Ontario, Canada	Nicotine Vape Company	100%
Cresco Labs Michigan, LLC (a)	Michigan	Cultivation and Production Facility	85%

(a) Cresco Labs Michigan, LLC is 85% owned by related parties within management of the Company.

Entity	Location	Purpose	Percentage Held
Cresco Labs Notes Issuer, LLC	Illinois	Holding Company	
Cresco Labs Ohio, LLC	Ohio	Cultivation, Production and Dispensary Facility	98.77%
Wellbeings, LLC	Delaware	CBD Wellness Product Development	100%
Cresco Labs SLO, LLC	California	Holding Company	100%
SLO Cultivation Inc.	California	Cultivation and Production Facility	80%
Cresco Labs Joliet, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Kankakee, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Logan, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs PA, LLC	Pennsylvania; Registered: Illinois	Holding Company	100%
Cresco Yeltrah, LLC	Pennsylvania	Cultivation, Production and Dispensary Facility	100%
JDC Newark, LLC	Ohio	Holding Company	100%
Verdant Creations Newark, LLC	Ohio	Dispensary	100%
JDC Marion, LLC	Ohio	Holding Company	100%
Verdant Creations Marion, LLC	Ohio	Dispensary	100%
JDC Chillicothe, LLC	Ohio	Holding Company	100%
Verdant Creations Chillicothe, LLC	Ohio	Dispensary	100%
JDC Columbus, LLC	Ohio	Holding Company	100%
Care Med Associates, LLC	Ohio	Dispensary	100%
Cresco Labs Arizona, LLC	Arizona	Holding Company	100%
Arizona Facilities Supply, LLC	Arizona/ Maryland	Cultivation, Production and Dispensary Facility	100%
Cresco Labs Tinad, LLC	Illinois	Holding Company	100%
PDI Medical III, LLC (Sunnyside - Buffalo Grove and Sunnyside - Naperville)	Illinois	Dispensary	100%
Cresco Labs Phoenix Farms, LLC	Illinois	Holding Company	100%
Phoenix Farms of Illinois, LLC (Sunnyside - Champaign and Sunnyside - Danville)	Illinois	Dispensary	100%
JDC Elmwood, LLC	Illinois	Holding Company	100%
FloraMedex, LLC (Sunnyside - Elmwood Park and Sunnyside - Schaumburg)	Illinois	Dispensary	100%
Cresco Edibles, LLC	Illinois	Holding Company	100%
TSC Cresco, LLC	Illinois	Licensing	75%
Cresco HHH, LLC	Massachusetts	Cultivation, Production and Dispensary Facility	100%

GENERAL DEVELOPMENT OF THE BUSINESS

Cresco exists to provide high-quality and consistent cannabis-based products to consumers. Cresco blends regulatory compliance expertise with best practices from the agricultural, pharmaceutical and consumer packaged goods industries. Cresco owns and operates cultivation, manufacturing and retail dispensary businesses. The manufacturing and retail businesses are operational today and vertically integrated across ten (10) highly regulated and/or limited licenses, and therefore limited legal supply markets: Illinois, Nevada, Ohio, Arizona, Maryland, Pennsylvania, California, New York, Massachusetts and Michigan. These markets, where supply and demand can be reasonably predicted and forecasted, create the foundation upon which Cresco has created the opportunity for sustainable growth. Importantly, Cresco is not yet active in markets popularized by mainstream media like Washington, Oregon and Colorado where loose regulatory frameworks create unpredictable supply-demand market dynamics.

Cresco has completed the acquisition of CannaRoyalty Corp. d/b/a Origin House (" **Origin House**") ("*General Development of the Business – Acquisitions and Dispositions – Origin House*") on January 8, 2020. In October 2020, Cresco acquired the remaining and voting rights of a CDB wellness product development company, Wellbeings ("*General Development of the Business – Acquisitions and Dispositions – Wellbeings*"). During February 2021, Cresco closed on the acquisition of four Ohio dispensaries from Verdant Creations, LLC (" *General Development of the Business – Acquisitions and Dispositions – Verdant*"). The acquisition brings Cresco's total number of dispensaries in Ohio to five which is the maximum allowed by the state. Additionally, the Company entered into a definitive agreement with Bluma Wellness Inc. ("**Bluma**") on January 14, 2021, pursuant to which Cresco will acquire all of the issued and outstanding shares of Bluma (" *General Development of the Business – Acquisitions and Dispositions – Bluma Wellness*").

Cresco plans to leverage the success in these markets to expand into legalized cannabis markets in other states, while focusing on compliance, control, efficiency, and product performance in the medicinal or adult-use cannabis industry.

This ownership of wholesale and retail businesses supports Cresco's strategy of distributing brands at scale by enabling Cresco to capture market share, generate brand awareness, and earn customer loyalty in its operating markets by guaranteeing share-of-shelf in its own retail stores and its ability to foster mutually beneficial relationships with its third-party dispensary customers as a large supplier of a portfolio of distinct and trusted cannabis brands.

Acquisitions and Dispositions

Phoenix

On January 19, 2018, Cresco Labs, LLC acquired Phoenix Farms Illinois, LLC (**"Phoenix"**) to expand its retail footprint in the Illinois market. Phoenix operates a medical cannabis dispensary in the central Illinois city of Champaign, near the University of Illinois at Urbana-Champaign.

AFS

On or about November 16, 2018, Cresco acquired 100% of the membership interests of Arizona Facilities Supply, LLC (**"AFS"**) and its subsidiaries for cash consideration. AFS provides management and advisory services to Encanto Green Cross Dispensary (**"Encanto"**), a non-profit entity that holds a vertical license to cultivate, process and dispense medical marijuana in the State of Arizona and operates a medical marijuana dispensary in Phoenix, Arizona, and owns real property used for cultivation in Salome, Arizona.

FloraMedex

On or about November 21, 2018, Cresco completed its acquisition of 100% of the membership interests of FloraMedex, LLC (**"FloraMedex"**) and an affiliated real estate entity for cash consideration. FloraMedex operates a medical marijuana dispensary in Elmwood Park, Illinois.

MedMar

On or about April 11, 2019, Cresco completed its acquisition of MedMar Inc. (" **MedMar**") and the membership interests of MedMar Lakeview, LLC ("**MedMar Lakeview**") and MedMar Rockford, LLC (" **MedMar Rockford**") for a combination of cash and equity consideration. Through the signing of certain operating agreements, Cresco assumed operational control in 2018. MedMar Lakeview currently operates dispensaries in Chicago, Illinois (River North and Lakeview) and MedMar Rockford currently operates dispensaries in Beloit, Illinois and Rockford, Illinois.

PDI

In the fourth quarter of 2018, Cresco entered into a unit exchange agreement with TINAD, LLC, an Illinois limited liability company to exchange a certain number of Class B membership units for the corresponding number of Class F membership units of Cresco, as well as other operating agreements by which Cresco assumes operational control of TINAD, LLC and its wholly-owned subsidiary, PDI Medical III, LLC (**"PDI"**), an Illinois limited liability company. The legal closing of the acquisition occurred in April 2019, giving the Company 98% ownership of all TINAD, LLC-related entities. The Company obtained the remaining 2% ownership of TINAD, LLC in April 2020.

Valley AG

On October 8, 2019, the Company completed the acquisition of 100% of the membership interests of Gloucester Street Capital, LLC ("**Gloucester**"), the parent entity of Valley Agriceuticals, LLC (" **Valley Ag**") via a merger between Gloucester and a subsidiary of Cresco. Valley Ag holds one of the ten vertically integrated cannabis business licenses granted in the State of New York by the New York State Department of Health. This license allows the Company the right to operate one cultivation facility and four dispensaries in New York. Valley Ag's assets include an operational processing facility and four licensed dispensaries.

Origin House

On January 8, 2020, the Company announced the closing of the acquisition of Origin House. The OH Arrangement was effected by way of a plan of arrangement under Section 182 of the *Business Corporations Act* (Ontario). The consideration payable under the OH Arrangement was 0.7031 of a Subordinate Voting Share for each common share of Origin House and 70.31 Subordinate Voting Shares for each class A compressed share of Origin House.

Origin House is building a premium suite of branded cannabis consumer products in California, supported by its existing and growing portfolio of strategic manufacturing and distribution assets. Origin House's current portfolio of products includes wholly-owned and licensed products and brands in large and high growth segments of the cannabis industry including vaping, pre-rolls, edibles, topicals, patches, creams, intimacy oils, concentrates, and animal health products. Origin House will also seek to create synergies and brand out-licensing opportunities among its portfolio companies and products.

Tryke

On September 16, 2019, the Company announced that it entered into a purchase agreement (the " **Tryke Agreement**") to acquire certain assets and an interest in Tryke Companies, LLC, and certain subsidiaries and affiliates thereof (collectively, "**Tryke**").

On April 27, 2020, the Company entered into a termination agreement which cancels the Tryke Agreement and contemplates the Company's payment of equity consideration for the termination of the Tryke Agreement.

Hope Heal Health

On February 7, 2020, Cresco announced the completion of its acquisition of 100% of the shares and membership interests, as applicable, of Hope Heal Health, Inc. ("**HHH**") and an affiliated real estate entity for consideration consisting of cash and the assumption of certain indebtedness. HHH holds licenses for cultivation, product manufacturing, and retail operations from the State of Massachusetts Department of Health (the "**Massachusetts Department**"), with the ability to obtain up to two more retail licenses in the state. HHH currently operates a cultivation and manufacturing facility in Fall River, Massachusetts, adjacent to its Fall River dispensary. The Company gained operational control of HHH on October 1, 2019, via certain operational agreements between the Company and HHH.

Wellbeings

On October 5, 2020, the Company acquired all remaining equity interests and voting rights of Wellbeings. As a result of this acquisition, the Company has control over a business that distributes and sells high quality CBD wellness products.

Bluma Wellness

On January 14, 2021, the Company announced that it had entered into an arrangement agreement with Bluma, a company traded on the CSE, to acquire all of the issued and outstanding shares of Bluma (the "**Bluma Transaction**") on the basis of 0.0859 of a Subordinate Voting Share for each common share of Bluma, subject to certain adjustments as described in the arrangement agreement. On the date of announcement, total consideration for the Bluma Transaction was equal to $213 million, or $1.12 per Bluma share. The Bluma Transaction is proposed to be effected by way of a plan of arrangement under the *Business Corporations Act* (British Columbia). Bluma, under its operating subsidiary, One Plant Florida, has seven strategically located dispensaries with eight more locations under legal control and planned to open.

The Bluma Transaction is subject to, among other things, the approval of Bluma shareholders at a special meeting, and receipt of all required CSE, regulatory and court approvals, including approval from the State of Florida. The waiting period associated with the U.S. Hart-Scott-Rodino Antitrust Improvements Act has expired.

On March 15, 2021, Cresco agreed to extend $7.5 million to One Plant Florida, Bluma's operating subsidiary. The proceeds of the loan will be used for the expansion of One Plant's operations in Florida and to satisfy tax liabilities relating to the settlement of vested restricted share units.

Verdant

On February 16, 2021, the Company closed its acquisition of four Ohio dispensaries previously operated by Verdant Creations, LLC and its affiliates (collectively "**Verdant**") pursuant to the agreements previously announced on May 26, 2020. The Company acquired the four dispensaries for cash considerations of $11.5 million and 127,065 Cresco shares at a price of C$20 per share for total equity consideration of $2.0 million. As of the date of issuance of this report, the Company is still in the process of determining the fair value of acquired assets and liabilities and calculation of the associated goodwill.

180 Smoke

On February 22, 2021, the Company entered into a share purchase agreement with Spyder Cannabis Inc. and agreed to the terms of a debt assignment agreement with Plant-Based Investment Corp ("**PBIC**") (collectively, the "**180 Smoke Agreement**"), pursuant to which Cresco will sell all of the equity interests of 180 Smoke in a cash transaction that values 180 Smoke at an equity value of $0.000001 on a cash-free basis, and Cresco will sell its outstanding debt receivables with 180 Smoke of approximately C$11.6M to PBIC for C$1.0M cash (collectively, the "**180 Smoke Transaction**"). The 180 Smoke Transaction is expected to close in the first half of 2021.

Cultivate

On March 18, 2021, the Company entered into a definitive agreement to acquire all of the issued and outstanding equity interests in Cultivate Licensing LLC and BL Real Estate LLC (collectively, **"Cultivate"**), a vertically integrated Massachusetts operator, for maximum consideration of up to $158 million (the **"Purchase Price"**). A portion of the Purchase Price is payable upon closing of $15 million cash consideration and Cresco shares having an equity value equal to $75 million. The remaining portion of the Purchase Price will be structured as an earnout of up to $68 million in which approximately 12.5% of earnout payments shall be paid in cash and the remaining portion satisfied through issuance of Cresco shares (the **"Cultivate Transaction"**). The Cultivate Transaction is expected to close in the fourth quarter of 2021.

Pipeline Transactions

The Company is actively pursuing growth opportunities to expand its asset portfolio in the medical and adult-use cannabis industry.

For additional information with respect to the Company's strategy for expansion, please see " *Description of the Business*" below.

Financing Activities

Base Shelf Prospectus

On April 26, 2019, the Company filed and received a receipt for a preliminary base shelf prospectus with the securities commissions in each of the provinces of Canada, except Québec. The base shelf prospectus received final receipt on July 25, 2019 (the "**January Shelf Prospectus**"). The January Shelf Prospectus allows the Company to offer up to $500,000,000 of Subordinate Voting Shares, debt securities, subscription receipts, warrants and units, or any combination thereof, from time to time during the 25-month period that the final January Shelf Prospectus is effective.

On March 1, 2021, the Company filed and received a receipt for a preliminary short form base shelf prospectus (the " **March 2021 Shelf Prospectus**") with the British Columbia Securities Commission in each of the provinces of Canada. The March 2021 Shelf Prospectus allows the Company to offer up to $1 billion Subordinate Voting Shares, debt securities, subscription receipts, warrants, and units, or any combination thereof, from time to time during the 25-month period that the final Shelf Prospectus is effective. The Company filed this Shelf Prospectus in order to maintain financial strength and flexibility going forward. The specific terms of any future offering of securities, including the use of proceeds from any offering, will be established in prospectus supplements to the March 2021 Shelf Prospectus, which will be filed with the applicable Canadian securities regulatory authorities.

September 2019 Financing and October Over-Allotment Option

On September 24, 2019, the Company completed the issuance to a syndicate of underwriters, led by Canaccord Genuity Corp., of an aggregate of 7,350,000 units (the "**Units**") of the Company at a price of C$10.00 per Unit for aggregate gross proceeds of C$73.5 million (the "**September 2019 Financing**"). The Company also granted the underwriters an over-allotment option to purchase up to an additional 1,102,500 Units at a price of C$10.00, exercisable in whole or in part, at any time and from time to time on or prior to the date that is 30 days following the initial closing date. On October 24, 2019, the over-allotment option was partially exercised, and an additional C$1.2 million in gross proceeds was raised, for aggregate gross proceeds pursuant to the September 2019 Financing of C$74.7 million.

Each Unit consists of one Subordinate Voting Shares and one half of one Subordinate Voting Share purchase warrant (each full warrant, a "**Warrant**"). Each Warrant entitles the holder to acquire one Subordinate Voting Share of the Company (the " **Underlying Shares**") at a price of C$12.50 per Underlying Share, subject to adjustment in certain events, for a period of 3 years following the closing of the September 2019 Financing. The Company used the proceeds from the September 2019 Financing to fund business development and for working capital requirements and other general corporate purposes.

At-the-Market Offering

On December 3, 2019, the Company announced that it had entered into an equity distribution agreement with Canaccord Genuity Corp. pursuant to which the Company may, from time to time, sell up to C$55 million of Subordinate Voting Shares in the capital of the Company (the "**ATM Program**"). The ATM Program was made pursuant to the Shelf Prospectus dated July 25, 2019 (described above) and a prospectus supplement dated December 3, 2019.

January 2021 Offering

On January 14, 2021, the Company announced the commencement of a best efforts overnight marketed offering (the " **January 2021 Offering**") of Subordinate Voting Shares of the Company. On January 15, 2021, the Company closed the January 2021 Offering of 9.9 million Subordinate Voting Shares at a price of C$16.00 per share for total gross proceeds of approximately $125 million. The Securities were offered in each of the Provinces of Canada, other than Québec, pursuant to a prospectus supplement dated January 19, 2021 to the Company's base shelf prospectus dated July 25, 2019 and in the United States on a private placement basis to "qualified institutional buyers."

Credit Facility

On February 2, 2020, Cresco entered into a senior secured credit agreement for $100 million which includes a mutual option to increase the size of the facility to up to $200 million (the "**Term Loan**"). Commitments under the Term Loan are provided by a broad syndicate of lenders including members of the Company's management. Each commitment under the Term Loan may be for an 18-month or 24-month term, at the lender's option. Loans made on the initial closing date will bear interest at a rate of approximately 12.7% per annum for 18-month loans and approximately 13.2% for 24-month loans, payable quarterly in arrears. The Company completed the initial drawdown of $100 million under the Term Loan on January 31, 2020.

In conjunction with the Company's January 8, 2020 acquisition of Origin House, the Company recorded a short-term liability for the Opaskwayak Cree Nation Loan (the "**OCN Loan**"), for an aggregate balance of $22.0 million as of the acquisition date, subject to a 10% interest rate and a stated maturity of June 2020.

On December 11, 2020, the Company entered into an amendment to exercise the mutual option to increase the principal amount to $200 million, and also extended the maturity of the existing Term Loan and consolidated the OCN Loan into one amended term loan (the "**Amended Term Loan**"). Of the $200 million Amended Term Loan commitment, $11.7 million was committed by non-extending lenders, $97.3 million was committed by extending lenders and $91.0 million was committed by increasing lenders. The Company accelerated principal repayments of $5.4 million and $1.0 million to the OCN Loan lender and certain exiting Term Loan lenders, respectively.

United States Industry Background and Trends

The emergence of the legal cannabis sector in the United States, both for medical and adult-use, has been rapid as more states adopt regulations for its production and sale. Today about one-third of Americans live in a state where cannabis is fully legalized for adult use. [2]

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found strong evidence that cannabis can treat pain and muscle spasms.[3] The pain component is particularly important because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opiates — meaning marijuana legalization has the potential to save lives.[4]

Polls throughout the U.S. consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. It is estimated that 94% of the U.S. voters support legalizing cannabis for medical use.[5] In addition, 67% of the U.S. public supports legalizing cannabis for adult recreational use. [6] These represent large increases in public support over the past 40 years in favor of legal cannabis use.

Notwithstanding that more than half of the U.S. states have now legalized adult-use and/or medical marijuana, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the *United States Controlled Substances Act* (the "**CSA**"). See "*Description of the Business*" and "*Risk Factors*" below. The United States Department of Justice (" **DOJ**") defines Schedule I drugs, substances or chemicals as "**drugs with no currently accepted medical use and a high potential for abuse** ." **The U.S. Food and Drug Administration ("FDA") has not approved marijuana as a safe and effective drug for any indication.**

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the United States.

State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal in the United States. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under U.S. federal law under any and all circumstances under the CSA. Although Cresco and its subsidiaries activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve Cresco and its subsidiaries of liability under United States federal law, nor provide a defense to any U.S. federal proceeding which may be brought against Cresco or its subsidiaries.

2 Fertig, N and Zhang M (2020 November 4) 1 in 3 Americans now lives in a state where recreational marijuana is legal. Retrieved from https://www.politico.com/news/2020/11/04/1-in-3-americans-lives-where-recreational-marijuana-legal-434004.

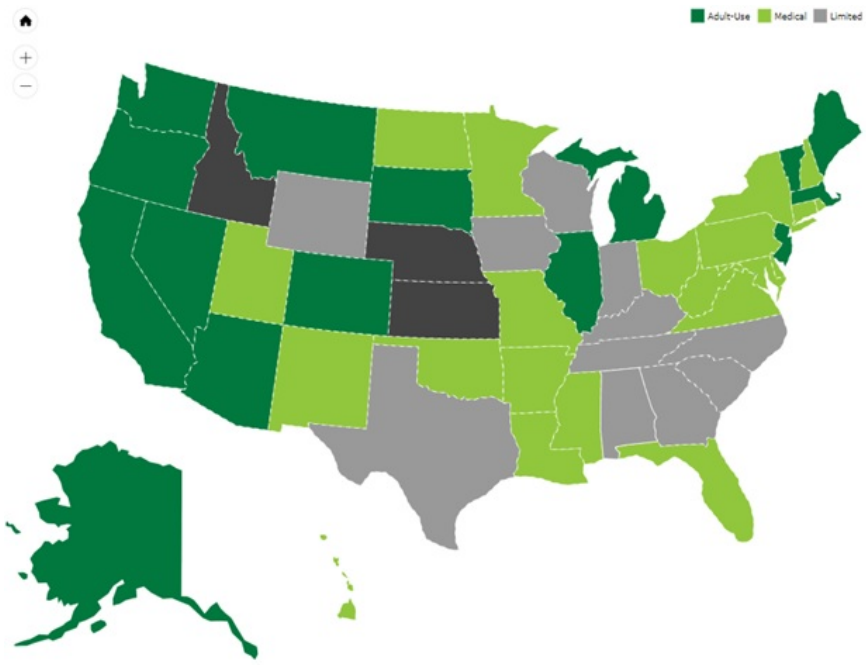
3 Grant, Igor MD (2015). *Medical Use of Cannabinoids. Journal of American Medical Association, 314: 16,* 1750-1751. doi: 10.1001/jama.2015.11429.

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

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

6 Daniller, A (2019 November 14). Two-thirds of Americans support marijuana legalization. Retrieved from https://www.pewresearch.org/fact-tank/2019/11/14/americans-support-marijuana-legalization/.

Current U.S. Cannabis Market



Source: https://thecannabisindustry.org/ncia-news-resources/state-by-state-policies/ Note: Light gray represents states that have no adult use laws and no medical framework, but have limited exceptions for medical use while dark gray (omitted from the legend) denotes states with no adult use laws, no medical laws, and no accepted exceptions for medical use.

Due to the support for legal access to marijuana at the state level, there has been rapid opportunity growth in the U.S. market. Sales of legal cannabis across the U.S. totaled $17.5 billion in 2020.[7] The U.S. market for legal cannabis sales (including both medical and adult use) alone is projected to grow to $41 billion by 2026.[8] By 2030, the size of the U.S. cannabis market is projected to be approximately $85 billion. [9] Going forward, the Company expects that the U.S. cannabis industry will continue to be subject to state legislation, with additional states regulating the medical and recreational use of cannabis.

7 Yakowicz, W. (2021 March 3). U.S. Cannabis Sales Hit Record $17.5 Billion As Americans Consume More Marijuana Than Ever Before. Retrieved from https://www.forbes.com/sites/willyakowicz/2021/03/03/us-cannabis-sales-hit-record-175-billion-as-americans-consume-more-marijuana-than-ever-before/?sh=563758a52bcf.

8 BDSA, USA Market Forecast Summary, February 2021. Retrieved from https://bdsa.com/cannabis-industry-intelligence/

9 Mohanty, S. (2019 November 18). Cowen Boosts Estimate for US Cannabis Market in 2030. Retrieved from https://marketrealist.com/2019/11/cowen-boosts-estimate-for-us-cannabis-market-in-2030/.

The number of medical cannabis patients in states with existing comprehensive medical cannabis programs has surpassed 2.6 million by the end of 2020, served by approximately 5,500 medical dispensaries nationwide[10]. It is currently estimated that each patient spends about $2,000 annually[11].

The Company has current operations in the states of Illinois, Pennsylvania, Ohio, California, Nevada, Arizona, Maryland, Massachusetts, Michigan, and New York. It intends to expand into other states within the U.S. that have legalized cannabis use either medicinally or recreationally.

On December 20, 2018, the 2018 Farm Bill (the "**Farm Bill**") became law in the United States. Under the Farm Bill, industrial and commercial hemp is no longer to be classified as a Schedule I controlled substance in the United States. Hemp includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers. To qualify under the Farm Bill, hemp must contain no more than 0.3 % of delta-9-tetrahydrocannabinol ("**THC**"). The Farm Bill explicitly allows interstate commerce of hemp which will enable the transportation and shipment of hemp.

10 Marijuana Business Daily. (2020). *Marijuana Business Factbook*, 2020. Available from https://mjbizdaily.com/factbook/.

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

DESCRIPTION OF THE BUSINESS

General

Cresco is one of the largest vertically-integrated multi-state cannabis operators in the United States. Cresco is built to become the most important company in the cannabis industry by combining the most strategic geographic footprint with one of the leading distribution platforms in North America. Employing a consumer-packaged goods ("**CPG**") approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, Reserve, High Supply, Good News, Wonder Wellness Co., FloraCal Farms, Remedi and Mindy's, a line of edibles created by James Beard Award-winning chef Mindy Segal. Sunnyside*, Cresco's national dispensary brand, is a wellness-focused retailer designed to build trust, education and convenience for both existing and new cannabis consumers. Recognizing that the cannabis industry is poised to become one of the leading job creators in the country, Cresco has launched the industry's first national comprehensive Social Equity and Educational Development ("**SEED**") initiative designed to ensure that all members of society have the skills, knowledge and opportunity to work in and own businesses in the cannabis industry.

Rooted in the fundamentals of CPG brand building, Cresco has implemented a CPG strategy to create and distribute a differentiated portfolio of brands that are aligned to distinct audiences, need states and occasions.

Cresco operates the following family of brands:

- **Cresco** – Elevating everyday cannabis. Cresco offers the most popular and consistent strains, available in a wide variety of product forms at dispensaries and retail locations nationwide.
- **Reserve** – Reserve is a demonstration of the cannabis plant's highest potential. Reserve selects strains with exclusive, proprietary genetics, and nurture them with masterful cultivation techniques.
- **Remedi** – Remedi products provide a consistent and trusted alternative to traditional pharmaceuticals like opioids. With familiar formats and user-friendly delivering systems, Remedi is designed to help patients and consumers feel comfortable with cannabis.
- **Mindy's** – Deliciously-dosed edibles created by James Beard Award-Winning Pastry Chef and Mistress of Deliciousness, Mindy Segal. Infused with the best-quality cannabis oils, a wide variety of uniquely delicious bites are available at multiple potency levels, all with a dose of decadence.
- **High Supply** – High Supply is quality cannabis, available in bulk. High Supply buds are expertly grown, lab-tested and available in popcorn, shake, pre-rolls and vapes.
- **Good News** – Good News is a line of cannabis products that removes the complexity of understanding terpenes and strains by creating easy to understand formulations, each named after a social mindset (Me Time, Brunch, Friyay and Vegas). Good News products are easy to use, benefit forward and made for sharing.
- **Wonder Wellness Co** – Wonder Wellness Co products are designed to simplify cannabis, with a focus on consumers who are new to the experience. The Wonder Wellness Co line is built around manageable, micro-dose forms, with a range of ratios across products.
- **FloraCal** – Firmly rooted in Sonoma County, FloraCal® Farms is California's premier purveyor of premium cannabis flower. Our team of master cultivators hand select the finest genetics and tailor our small-batch, sustainable farming techniques to each cultivar's unique needs. We utilize 100% renewable energy to help produce sophisticated, terpene rich products that invoke robust, one-of-a-kind experiences for our friends and community.

With a portfolio consisting of approximately 600 products and 4,900 SKUs, Cresco's products are sold in over 1,100 dispensaries across the country. Cresco has consistently demonstrated the ability to place its branded products on the shelves of most dispensaries in a targeted state. The CPG and wholesale strategy enables Cresco to maximize its points of distribution and drive revenue growth independent of the expansion of its retail presence. Cresco prioritizes wholesale in order to reach as many consumers as possible, accessing the scaled benefits of a national footprint.
Cresco's 24 owned dispensaries (and 5 additional retail licenses) give it the ability to not only sell its own products but focus on educating and building trust within the surrounding communities. These dispensaries serve as a critical platform for innovation and powerful consumer insights as it shapes the future of cannabis.

On December 3, 2018, the Company began trading on the CSE under the ticker symbol "CL."

On March 6, 2019, the Company's shares were approved to be quoted on the Over-the-Counter-Market (**"OTC"**) and trade under the ticker symbol "CRLBF."

On August 13, 2019, the Company began trading on the Frankfurt Stock Exchange under the symbol "6CQ."

Significant Events or Milestones

The principal milestones that must occur during the next 12-month period for the business objectives described herein to be accomplished are as follows: hire key personnel, obtain necessary regulatory approvals, implement marketing plans and commence production and sales in Cresco's new markets, including retail stores for recreational and medical cannabis where legislation permits.

The Company has put in place a team of executives, board of advisors and consultants with various areas of expertise and experience in multiple industries including commercial agriculture, pharmaceutical, manufacturing, consumer packaged goods and traditional healthcare. In the interest of progressing a professional medical dialogue and educating as many physicians as possible on the use of medical cannabis as a therapeutic treatment for patients, it has organized a team of physicians to educate, train, and inform medical professionals on all aspects of cannabis as medicine.

Cresco previously engaged Denver Relief Consulting, LLC, to provide advisory services to acquire new licenses in merit-based application states and to review potential acquisitions as it seeks to expand into new legalized cannabis markets.

On January 8, 2020, the Company announced the closing of its acquisition of Origin House. See the " *General Development of the Business – Acquisitions and Dispositions – Origin House*" section, above, for greater detail.

On January 23, 2020, the Company announced the signing of the Term Loan. On February 3, 2020, it announced its closing. See the "*General Development of the Business – Financing Activities – Credit Facility* " section, above, for greater detail.

On January 28, 2020, the Company closed an agreement to sell its Yellow Springs, Ohio property to Innovative Industrial Properties, Inc. ("**IIP**") for approximately $10.5 million. Concurrent with the closing of the sale, the Company will enter into a long-term, triple-net lease agreement with IIP and will continue to operate as a licensed cannabis cultivation and processing facility.

On February 7, 2020, the Company announced the closing of its acquisition of HHH. See the " *General Development of the Business – Acquisitions and Dispositions – Hope Heal Health*" section, above, for greater detail.

On February 13, 2020, the Company announced the naming of former Molson Coors marketing executive, Gregory Butler, as its first-ever Chief Commercial Officer.

On February 27, 2020, the Company announced the conversion and rebranding of its dispensaries in Brooklyn, Huntington, New Hartford and Bardonia to Sunnyside® branded dispensaries.

On March 3, 2020, the Company announced the resignation of Joe Caltabiano as President. Mr. Caltabiano's management responsibilities were taken up by CEO and co-founder, Charlie Bachtell as well as other members of the Company's leadership team.

On March 9, 2020, the Company announced that its Sunnyside* dispensary in the River North neighborhood of Chicago received special use approval from the Zoning Board of Appeals. The Company announced that it received an adult-use dispensing organization license for the location on April 6, 2020.

On March 19, 2020, the Company provided an update on its response to COVID-19. See the "*Risk Factors – COVID-19 Pandemic*" section, below, for greater detail.

On April 8, 2020, the Company announced that it plans to hire 250 people in Illinois for its retail operations.

On April 8, 2020, the Company announced additions to its senior leadership team, including the appointment of Tom Manning as Chair of the Board and Executive Chair; Todd West as Executive Vice President of Operations; Donny Trivisonno as Executive Vice President of Planning, Insights and Analytics; Brenna Albert as Senior Vice President and Controller of Accounting, Treasury and Tax; Drew Duval, Senior Vice President – Cultivation; Cora Colvin, Executive Vice President – Compliance; Geoff Mikelsons, Vice President – Finance.

On April 13, 2020, the Company announced that it will be expanding its local workforce to hire displaced workers and provide extra support to its employees in response to COVID-19. See the "*Risk Factors – COVID-19 Pandemic*" section, below, for greater detail.

On April 16, 2020, the Company announced that it has completed the expansion of its cultivation facility in Lincoln, IL, the largest in the state, and the first phase of expansion at its Kankakee facility.

On April 23, 2020, the Company announced that it has completed the agreement to sell its Marshall, MI property to IIP. The previously announced sale was for consideration of approximately $16 million, which includes $11 million in proceeds for tenant improvements.

On April 27, 2020, the Company entered into a termination agreement which cancels the Tryke Agreement and contemplates the Company's payment of equity consideration for the termination of the Tryke Agreement. See the "*General Development of the Business – Acquisitions and Dispositions – Tryke*" section, above, for greater detail.

On May 7, 2020, the Company announced that it completed the expansion project for its cultivation and manufacturing facility located in Brookville, PA. The expansion project provides an additional 66,000 square feet of indoor and greenhouse cultivation area, bringing the total cultivation space in the facility to 88,000 square feet.

On May 26, 2020, the Company announced that it has entered into agreements with Verdant that will give Cresco the option to purchase four additional Ohio dispensaries currently operated by Verdant. On February 16, 2021, the transaction was completed which brought the total number of Cresco dispensaries in Ohio to five, the maximum allowed by the state. See the "*General Development of the Business – Acquisitions and Dispositions – Verdant*" section, above, for greater detail.

On May 27, 2020, the Company announced the opening of its sixth Illinois dispensary in the city of Danville.

On May 28, 2020, the Company announced the opening of Sunnyside River North, the first Illinois adult-use only dispensary in Chicago. Sunnyside River North is the seventh Sunnyside dispensary to open in Illinois.

On June 8, 2020, the Company announced that it had been granted a provisional processing license by the state of Ohio. The license allows Cresco to extract oils and manufacture products from cannabis which will now provide Cresco the ability to sell its entire house of brands and full suite of products, including vape pens, concentrates and edibles, in Ohio.

On June 10, 2020, the Company announced the appointment of the current Executive Director of the National Basketball Players Association ("**NBPA**"), Michele Roberts, to its board of directors. Ms. Roberts becomes the tenth director on Cresco's board and its first female director.

On June 25, 2020, the Company announced that Ken Amann, who has been the Company's Chief Financial Officer since 2015, would retire effective December 31, 2020. As part of a planned transition, the Company appointed

Dennis Olis to replace Mr. Amann as Chief Financial Officer ("**CFO**"), effective July 1, 2020. Mr. Olis joins Cresco after previously serving as CFO for Allscripts Healthcare Solutions. Mr. Amann remained in an advisory role through the remainder of 2020 to ensure a smooth transition of responsibilities.

On July 1, 2020, the Company announced that it has closed the agreement to sell and lease back its Fall River, MA property to Innovative Industrial Properties, Inc. Consideration for the sale was approximately $29.0 million, which includes $21 million in funding for tenant improvements. The property represents approximately 118,000 square feet of industrial space in aggregate and includes cultivation space, a processing facility, and dispensary serving both Adult Use and Medical patients in Fall River, MA. Cresco also entered into amendments to its leases with IIP for its Michigan and its Ohio properties, making available an additional $17.0 million in funding for additional improvements of their cannabis cultivation and processing facilities at the properties.

On July 13, 2020, the Company announced the opening of its eighth Illinois dispensary located in the city of South Beloit.

On July 30, 2020 the Company announced the appointment of the current Chair of the Board of Trustees at McLean Hospital, the #1 ranked freestanding psychiatric hospital and largest affiliate of Harvard Medical School, Carol Vallone, to its board of directors.

On July 30, 2020, the Company announced that Brian McCormack, Vice Chairman of the board, retired from the Company's board of directors.

On August 6, 2020, the Company announced the opening of its ninth Illinois dispensary located in the city of Schaumburg.

On September 9, 2020, the Company announced the launch of its newest cannabis brand to its growing portfolio of national cannabis brands, Good News.

On September 17, 2020, the Company expanded its leadership team with the promotions of David Gacom, Melissa Wagamon and Sean McAlister. David Gacom was appointed Regional President, West Region. Melissa Wagamon was promoted from VP of Brand Marketing to Regional President, Great Lakes. Sean McAlister was promoted from EVP Sales to Regional President of Sales, Emerging Markets and National Accounts.

On September 22, 2020, the Company announced the approval and the location of its tenth Illinois dispensary in Naperville. Final approval was received from the State of Illinois for the Naperville location, Cresco now operates the maximum allowed ten dispensaries in Illinois.

On October 7, 2020, the Company announced the creation of Responsible Advertising and Marketing Standards, the U.S. cannabis industry's most comprehensive advertising and marketing code with guiding principles to ensure that the Company always markets and promotes its brands and products responsibly. This code provides guidance on commercial communications to prevent underage appeal and helps advertisers make appropriate claims surrounding cannabis' benefits. In addition, these standards offer best practices for the development of consumer-facing promotional events and merchandising. The Company's intention for these standards is to encourage partnership with other cannabis companies around responsible marketing, professionalize the advertising practices within the industry and create a robust marketplace of quality products.

On October 14, 2020 the Company announced the launch of its Remedi brand and its Renew and Realign spray tinctures and Renew capsules in New York. In addition, the Company has received approval for both THC only and 1:1 CBD to THC capsules, spray tinctures, syringes and vape products from its Remedi line from the New York Department of Health.

On October 28, 2020 the Company announced the launch of its 1.0 g Liquid Live Resin vape cartridge in its Cresco brand portfolio. Illinois and California are the first markets to carry the new product offering.

On December 1, 2020 the Company announced the launch of its Wonder Wellness Co. as the newest brand to join its expanding portfolio of national cannabis brands with a debut in Illinois.

On December 10, 2020 the Company announced the relaunch and availability of its cannabis-infused Dosed Chocolates line from its Mindy's Chef Led Artisanal Edibles brand in dispensaries across Illinois. Previously introduced to the state's medical market in 2016, the line is now available for the first time to recreational customers.

On December 14, 2020 the Company announced that it closed on an agreement to extend the maturity of its Term Loan to January 23rd, 2023 and exercise of the mutual option to increase the loan size to $200 million. The Company's remaining $15 million of the short-term liability with Opaskwayak Cree Nation was consolidated into the Amended Term Loan. See the "*General Development of the Business – Financing Activities – Credit Facility*" section, above, for greater detail.

On December 22, 2020 the Company announced that it had entered into an extension of its distribution agreement with California-based cannabis brand Kings Garden Inc. Under the agreement, Cresco's subsidiary, Continuum, will continue to serve as the exclusive distributor of Kings Garden Inc. packaged products.

On December 22, 2020 the Company announced that it was honored with three awards from the 2020 Clio Cannabis Awards, the premier international awards competition for the creative business.

On December 23, 2020 the Company announced the opening of its tenth Illinois dispensary in Naperville.

On December 29, 2020 the Company published the first annual report for its SEED initiative. The report highlights the Company's many achievements over the past year to help create a more diverse and inclusive cannabis industry through SEED's restorative justice initiatives, community business incubators and educational and workforce development programming.

On January 14, 2021 the Company announced that it has entered into a definitive agreement pursuant to which Cresco will acquire all of the issued and outstanding shares of Bluma Wellness Inc., a vertically integrated operator in Florida, in an all-share transaction that values Bluma at an equity value of $213 million. See the "*General Development of the Business – Acquisitions and Dispositions – Bluma* " section, above, for greater detail.

On January 19, 2021 the Company announced the hiring of consumer packaged goods industry veteran Ty Gent as the Company's new Chief Operating Officer ("**COO**"). As COO, Mr. Gent will be responsible for operational consistency and efficiency across markets and implementation of structural enhancements to facilitate scaling.

On January 22, 2021, the Company announced the closing of an overnight marketed offering of Subordinate Voting Shares at a price of $16.00 per share for total gross proceeds of approximately US$125 million. See "*General Development of the Business – Financing Activities – January 2021 Offering*" section, above, for greater detail.

On January 28, 2021 the Company announced the launch of 1.0g and 0.5g Live Cartridges from its High Supply line in dispensaries across California and Illinois.

On February 1, 2021 the Company announced it has received approval from the Arizona Department of Health Services to serve adult-use customers at its Sunnyside Dispensary in Phoenix, Arizona after Arizona became the 12th state to begin serving adult-use cannabis customers on January 22nd, 2021.

On February 9, 2021 the Company announced the signing of an exclusive distribution agreement with award-winning California cannabis producer, Emerald Family Farms.

On February 16, 2021 the Company announced the closing of its acquisition of Verdant Creations dispensaries in Cincinnati, Chillicothe, Newark and Marion, Ohio. This brings the total number of Ohio dispensaries owned by Cresco to 5, the maximum number of retail licenses allowable under applicable state law. The consideration paid included cash of $11.5 million and equity consideration of 127,065 shares at a price of C$20 and a total value of $2.0 million. See the "*General Development of the Business – Acquisitions and Dispositions – Verdant* " section, above, for greater detail.

On February 26, 2021 the Company filed a Form F-10 Registration Statement with the SEC and a base shelf prospectus with the CSE, registering any combination of Subordinate Voting Shares, debt securities, subscription receipts, warrants, and units qualifying the offering of up to $1.0 billion of such securities at any point in the 25-month period following final receipt of the prospectus. See the " *General Development of the Business—Financing Activities—Base Shelf Prospectus*" section, above, for greater detail

On March 11, 2021 the Company announced the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 in respect to the Company's acquisition of Bluma. See the "*General Development of the Business – Acquisitions and Dispositions – Bluma*" section, above, for greater detail.

On February 22, 2021, the Company entered into a share purchase agreement with Spyder Cannabis Inc. and agreed to the terms of a debt assignment agreement with PBIC, pursuant to which Cresco will sell all of the equity interests of 180 Smoke in a cash transaction. See the "*General Development of the Business – Acquisitions and Dispositions – 180 Smoke* " section, above, for greater detail.

On March 18, 2021, the Company entered into a definitive agreement to acquire all of the issued and outstanding equity interests in Cultivate, a vertically integrated Massachusetts operator. See the "*General Development of the Business – Acquisitions and Dispositions – Cultivate* " section, above, for greater detail.

See the "*General Development of the Business – Financing Activities* " section, above, for a description of the significant financing activities of the Company.

Growth Strategy

Cannabis legalization continues to expand throughout the United States, with an ever-increasing number of states approving medical and recreational sales. The U.S. market for legal cannabis sales (including both medical and adult use) alone is projected to grow to $41 billion by 2026.[12] There are now 14 states anticipated to sell recreational cannabis in 2021, including: Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, New Jersey, Oregon, South Dakota, Vermont, and Washington. In these markets, recreational sales should continue to grow as cannabis retailers benefit from a shift in consumption from illicit channels, better access to dispensaries, and a new cohort of cannabis consumers engaging with the category for the first time.

Cresco plans to capitalize on the significant increase in cannabis consumption in current and future recreational markets, driving the depth of its cultivation and retail footprints, and building breadth by entering into strategic markets that offering both appropriate regulations and sizable populations. Cresco considers both organic and inorganic opportunities to expand its wholesale leadership, driving meaningful market positions in the markets that matter most.

While the majority of long-term growth will be fueled by recreational consumption, there are also ample opportunities to drive growth within today's medical markets. As more research centers study and support the effects of cannabis-based products in addressing therapeutic needs, management believes that the size of the U.S. medical cannabis market will also continue to grow as more patients join programs, and new states legalize medical cannabis. Given Cresco's existing operations in several strong medical markets, Cresco is well-versed in operating within a diverse medical-market landscape, leveraging its experience as regulations evolve in disparate manners.

Regardless of each state's regulations, Cresco plans to leverage its success in its most developed markets (e.g., Illinois, Pennsylvania, and California) to expand into legalized cannabis markets in other states, including Florida, Michigan, New York, and Massachusetts. At the same time, Cresco will maintain its historical focus on compliance, control, efficiency, and product performance in an effort to cement itself as the most important multi-state operator within the cannabis industry. To support these ambitions, Cresco will:

12 BDSA, USA Market Forecast Summary, February 2021. Retrieved from https://bdsa.com/cannabis-industry-intelligence

- Pursue acquisition of license or existing cannabis operations in other legal cannabis markets
- Complete application process for new states beginning or expanding medical cannabis programs
- Support its wholesale-first strategy with tactical build-outs of its retail footprint
- Build the best portfolio of brands within the cannabis industry, supporting both today and tomorrow's cannabis consumers

Cresco has proven its ability to become operational in new markets and plans on continuing this trend.

Cultivation

Cresco is building or has built and/or renovated ten separate cultivation facilities, totaling approximately 1.0 million [13] cultivation square feet, across eight states (being Illinois, Michigan, Arizona, Ohio, California, Pennsylvania, Massachusetts and New York currently) which includes other non-cultivation activities. It operates both indoor and hybrid green houses. Cresco's multiple cultivation, extraction and processing facilities allow it to produce cannabis products across several product categories.

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13 These statements constitute forward-looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. Cresco believes there is reasonable basis for the expectation reflected in the forward-looking statements, however these expectations may not prove to be correct.

Cresco currently has the following approximate cultivation square footage in each respective state of operation:

State	Current Cultivation Space (sq ft) [14]	Planned Cultivation Space (sq ft)[15]	Total
Illinois	202,000*	—	202,000
Pennsylvania	85,000*	277,000	362,000
Ohio	27,000	—	27,000
California	166,000	323,000	489,000**
Massachusetts	19,000	27,000	46,000
Arizona	30,000	—	30,000
New York	—	20,000	20,000
Michigan	—	53,000	53,000
Total	529,000	700,000	1,229,000

* Converted cultivation space to packaging space.
** Replacing 69,000 SF of existing greenhouses

Designed to provide consistency of product, increase yields and minimize the possibility of crop failure, each of Cresco's facilities is equipped with traditional commercial agriculture components, automated environmental control systems, and watering and feed fertigation systems. Developed over years of research, its proprietary nutritional regimen is utilized to ensure crop quality. Using organic and soluble-based plant nutritional supplements, secondary metabolites (cannabinoids/terpenes) are maximized resulting in superior flower quality, yield and consistency. Cresco has invested more than $55 million in cultivation and processing facilities and plans on continuing to do so.

Manufacturing

Cresco's laboratory instrumentation gives it the ability to formulate and develop a variety of products based on traditional pharmaceutical delivery systems – capsules, tinctures, topical salves and edible forms with a variety of cannabinoid profiles. Cresco's food and beverage manufacturing facilities are outfitted with equipment that allows the Company to produce shelf-stable quality confections with consistency. Cresco has plans to develop a manufacturing facility and laboratory in every state it operates in with the exception of Pennsylvania and New York due to regulatory restrictions on production and sales of edible products. It is expected that 40-50% of the raw cannabis produced at Cresco's cultivation facilities will be used at Cresco's food & beverage manufacturing facilities and laboratories to make the vaporizable, oral, topical and edible products sold under the Cresco, Reserve, High Supply, Good News, Remedi, Wonder Wellness Co., FloraCal Farms, and Mindy's brands.

14 These figures are approximate measurements of square footage.
15 Cresco's expansion, production and cultivation plans are subject to a number of risks and uncertainties, including the need for new licenses or amendments to existing licenses, additional regulatory or municipal approvals, including zoning and other risks associated with construction and cultivation generally, See "*Risk Factors*". No assurances are given as to the precise cost or timing.

Dispensaries

Wholesale

Cresco collaborates with its retail partners on strategic in-store promotions, customer events, and shelf space tactics to ensure maximum sell throughput. The Company takes a data-driven approach in its efforts to create an optimized sale process.

Retail

Cresco has an ownership interest in the following: ten (10) operational dispensaries in the State of Illinois; three (3) dispensaries in the State of Pennsylvania; one (1) dispensary in the State of Arizona; five (5) dispensaries in the State of Ohio; four (4) dispensaries in the State of New York; and one (1) dispensary in the State of Massachusetts.

Real Estate Strategy

Within its core markets, Cresco spends time and resources in selecting real estate in premium locations with significant traffic and proximity to popular attractions (restaurants, malls, sports arenas, hotels, etc.). Cresco targets retail spaces based on the market and available real estate. Cresco utilizes both its internal real estate team and a network of real estate brokers to negotiate leases and purchases on behalf of the Company. Cresco typically prefers leasing the underlying real estate for its retail operations. When leasing real estate is not possible, Cresco is willing to enter into purchasing arrangements. Recently, Cresco entered into a number of sale and leaseback transactions in order to unlock real estate value. See the "*Significant Events or Milestones*" section above for a description of significant sale and leaseback transactions related to Cresco's operations.

Branding and Marketing

Cresco utilizes a multi-brand approach to product development. The brand "**Cresco**" features THC-focused products available in flower, vape pens, and multiple forms of extracts. Each product falls into one of three proprietary categories: "**Rise**"; "**Refresh**"; and "**Rest**", named and color-coded to help the user intuitively identify the desired effects of the relevant strain's cannabinoid profile. "**Mindy's Edibles**" is a brand created in collaboration with James Beard Award Winning Chef Mindy Segal and is the industry's first true culinary-backed edible option. Mindy's line is lauded for its unique flavor profiles and delectability. "**Reserve**" products are made from Cresco's most premium and exclusive plants and are the reward of years of selective breeding. "**Remedi**" products are designed for the medically-minded patient, with forms reminiscent of traditional pharmaceuticals. "**FlorcaCal**" products utilize 100% renewable energy to help produce sophisticated, terpene rich products that invoke robust, one-of-a-kind experiences for our friends and community. Additionally, the Company recently introduced three new brands "**High Supply**", "**Wonder Wellness Co**" and "**Good News**." **High Supply**" is quality cannabis, available in bulk. "**Wonder Wellness Co**" products are designed to simplify cannabis, with a focus on consumers who are new to the experience. " **Good News**" is a line of cannabis products that removes the complexity of understanding terpenes and strains by creating easy to understand formulations. "**Sunnyside***", the Company's national dispensary brand, was introduced in late 2019.

Banking and Processing

Cresco deposits funds from its dispensary operations into its banking partners in each respective market. These state-chartered banks are fully aware of the nature of Cresco's business and continue to remain supportive of Cresco's growth plans. Cresco's dispensaries currently accept only cash and debit cards and do not process credit card payments. It is anticipated that over time all forms of payment will be accepted by each of the dispensaries.

Product Selection and Offerings

Product selection decisions are currently made by leaders from the product development, operations, finance, marketing and sales teams, who negotiate and receive bids from potential brand vendors across all product categories including flower, vape pens, oils, extracts, edibles and pre-rolls. Cresco bases its product selection decisions on market demand and opportunity, product quality, margin potential, consumer feedback and the ability for the respective brands to scale. Cresco also anticipates requiring brands to pay slotting fees for shelf space.

Cresco's manufactured products are sold through Company-owned and managed dispensaries as well as third-party dispensaries. In the future, as production capacity increases, Cresco expects to sell bulk product, as well as new branded products to other dispensaries through both Company-owned and third-party distributors. The full extent of this will depend upon the ultimate extent of the Cresco-owned and managed retail footprint, as well as the ultimate expanded production capacity of Cresco's cultivation and production facilities.

Cresco offers or plans to offer, the following products in the following states:

State	Offering
Illinois (Currently manufactures)	Cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral and sublingual solutions, cannabis in topical products, cannabis edible products and other cannabis products. Product lines include: THC focused products available in flower, vape pens, and multiple forms of extracts under the “Cresco” brand; “Reserve” products made from premium and exclusive plants; “High Supply” products that include flower and vape; “Good News” products that include flower, vape and edibles; “Wonder Wellness Co” that includes vape and edibles; and “Remedi” products including: tinctures, capsules, salves, ingestibles, sublingual oils and transdermal patches. Cresco licenses the “Kiva” brand and produces cannabis infused edibles including but not limited to chocolate confections, gummies, mints and tarts. Cresco also sells cannabis infused edibles through its partnership with James Beard Award Winning Chef Mindy Segal. Under the brand “Mindy’s Edibles,” Cresco sells cannabis infused edibles including but not limited to: chocolate and toffee confections, fruit-forward gummies, hard sweets and taffy. Retail locations in Illinois sell a variety of these brands and their corresponding products.
Pennsylvania (Currently manufactures)	Cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral and sublingual solutions, cannabis in topical products and other cannabis products. The product lines include THC focused products available in flower, vape pens, and multiple forms of extracts under their “Cresco” brand; flower under the “High Supply” brand; “Reserve” products made from premium and exclusive plants; and “Remedi” products which include precisely-dosed non-combustible products including tinctures, capsules, salves and sublingual oils. Retail locations in Pennsylvania sell a variety of these brands and their corresponding products.
Ohio (Currently manufactures)	Vaporizer forms of cannabis. A processor license was awarded and construction is underway, Cresco will also manufacture cannabis oil in capsule, oral and sublingual solutions, cannabis in topical products and other cannabis products. The product lines include (or will include) THC focused products available in flower, vape pens, and multiple forms of extracts under their “Cresco” brand; cannabis infused edibles under the brands “Mindy’s Edibles” and “Good News”; “Reserve” products made from premium and exclusive plants; and “Remedi” products which include precisely-dosed non-combustible products including tinctures, capsules, salves, sublingual oils and transdermal patches. Retail locations in Ohio will sell a variety of these brands and their corresponding products.
California (Currently manufactures)	Cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, cannabis edible products and other cannabis products. The product lines include THC focused products available in flower, vape pens, and multiple forms of extracts under their “FloraCal”, “Cresco”, “High Supply”, “Good News” and “Remedi” brands. Cresco also sells cannabis infused edibles under the brands “Mindy’s Edibles” and “Good News”. All brands are distributed by the Cresco-owned distribution business of “Continuum”, where the aforementioned owned products are sold in conjunction to partner brands to licensed retail dispensaries in California.
Arizona (Currently manufactures)	Cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, cannabis edible products and other cannabis products. The product lines include THC focused products available in flower, vape pens, and multiple forms of extracts under their “Cresco”, “High Supply” and “Remedi” brands. All brands are sold to licensed retail dispensaries, including one store outlet owned by Cresco, “Sunnyside*”.

Massachusetts (Currently manufactures)	Cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral and sublingual solutions, cannabis in topical products, cannabis edible products and other cannabis products. The product lines include, THC focused products available in flower, vape pens, and multiple forms of extracts under their “Cresco” brand; “Remedi” products which include precisely-dosed, non-combustible products, including tinctures, capsules, salves, sublingual oils and transdermal patches. Cresco cannabis infused edibles through its partnership with James Beard Award Winning Chef Mindy Segal under the brands “Mindy’s Edibles.” Cresco sells cannabis infused edibles, including chocolate and toffee confections, fruit-forward gummies, hard sweet and chews. Retail locations in Massachusetts sell a variety of these brands and their corresponding products.
Maryland (Currently manufactures)	The product line includes Cresco Liquid Live Resin, Cresco Live Resin and Cresco Disposable Pens.
New York (Currently manufactures)	Vaporizer forms of cannabis, cannabis oil in capsule, oral and sublingual solutions, cannabis in topical products and other cannabis products. The product line includes “Remedi” products which include precisely-dosed non-combustible products including tinctures and capsules. Sunnyside retail locations in New York sell these brands and corresponding products.
Michigan (Currently manufactures)	Vaporizer forms of cannabis, cannabis oil in capsule, oral and sublingual solutions, cannabis edible products and other cannabis products. Product lines include: THC focused products available in vape pens, and multiple forms of extracts under the “Cresco” brand; **“**High Supply” products that include vape; “Good News” products that include vape and edibles and “Remedi” products including: tinctures, capsules, ingestibles and sublingual oils. Cresco also sells cannabis infused edibles through its partnership with James Beard Award Winning Chef Mindy Segal under the brand “Mindy’s Edibles.” Cresco sells cannabis infused edibles including but not limited to: fruit-forward gummies.

Product Pricing

Cresco’s prices vary based on the market conditions and product pricing of vendor partners. Cannabis and cannabis product pricing is based on operating costs, materials costs, growth time, and other applicable variables. Additionally, product pricing reflects existing pricing regulations in Cresco’s markets where applicable.

Inventory Management

Cresco has comprehensive inventory management procedures, which are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict control over Cresco’s cannabis and cannabis product inventory from delivery by a licensed distributor to sale or delivery to a consumer, or disposal as cannabis waste. Such inventory management procedures also include measures to prevent contamination and maintain the safety and quality of the products dispensed at Cresco’s retail locations. Cresco understands its responsibility to the greater community and the environment and is committed to providing consumers with a safe, consistent and high-quality supply of cannabis.

Employees

As of December 31, 2020, Cresco had over 2,300 employees across its operating jurisdictions, primarily employed in Cresco’s cultivation, manufacturing, and processing operations and support thereof. Other significant departments include retail and other operations, logistics and supply chain, sales and marketing, legal and compliance, and other administrative and support functions. Cresco recruits, hires and promotes individuals that are best qualified for each position, priding itself on using a selection process that recruits people who are trainable, cooperative and share its

core values as a company. In addition, the safety of employees is a priority and Cresco is committed to the prevention of illness and injury through the provision and maintenance of a healthy workplace. Cresco takes all reasonable steps to ensure staff are appropriately informed and trained to ensure the safety of themselves as well as others around them. See the "*Significant Events or Milestones*" section, above, for a description of significant hiring decisions of the Company.

Specialized Skill and Knowledge of Employees

To remain a leader in its field, Cresco relies on a motivated and experienced team, focused on offering the highest-quality product, in accordance with the regulations in force. The Company employs a diverse group of people for their particular administrative, operational and financial expertise. In addition, the Company employs individuals with experience in cultivation and growing of wellness and medical marijuana.

Competition

With respect to retail operations, Cresco expects to compete with other retail license holders across the markets in which it operates. Many of Cresco's competitors in those markets are small local operators. In certain markets, such as California, there are also a number of illegally operating dispensaries, which serve as competition. However, compliance and law enforcement entities are expected to continue the reduction of these illicit operations. In addition to physical dispensaries, Cresco also expects to compete with third-party delivery services, which provide direct-to-consumer delivery services.

In terms of cultivation and production, Cresco expects to compete with other licensed cultivators and operators in the states in which it operates. Similar to retail, there are a number of illegally operating cultivators in California which will serve as competition in the near-term. It is expected that compliance and law enforcement entities will continue the reduction of these illicit operations

Intellectual Property

Cresco has developed numerous proprietary technologies and processes. These proprietary technologies and processes include its cultivation and extraction techniques, and certain cultivation equipment and irrigation systems. While exploring the patentability of these techniques and processes, Cresco relies on non-disclosure and confidentiality arrangements and trade secret protection.

Cresco has invested significant resources towards developing recognizable and unique brands and is in the process of seeking registration of trademarks with the United States Patent and Trademark Office and the states in which it operates. Cresco owns or operate 30 website domains, (including www.crescolabs.com, www.chooseremedi.com, www.cydispensary.com, www.crescocannabis.com, www.highsupplyofficial.com, www.mindysedibles.com and www.suunnysidedispensary.com) numerous social media accounts across all major platforms and various phone and web application platforms.

Cresco's legal counsel monitors and proactively addresses potential intellectual property infringement. Additionally, Cresco maintains strict standards and operating procedures regarding its intellectual property, including the standard use of non-disclosure, confidentiality, and intellectual property assignment agreements.

***Trademarks**:*

Cresco is in the process of registering the following brands for trademark protection at the Canadian federal level, U.S. federal level and/or in the states in which the brands are offered. For additional details on the risks associated with the lack of trademark protection please see "*Risk Factors – Intellectual Property*":

	Stylized Design	Rebranded Stylized Design (as applicable)
The text and stylized logo for "**Cresco**",		
The text and stylized logo for "**Cresco Labs**"		
The stylized logo for "**Cresco Sun**"		
The text and stylized logo for "**Remedi**"		
The text and stylized logo for "**Reserve**"		
The stylized logo "**r**"		
The text and stylized logo for "**Mindy's Kitchen**"		
The text and stylized logo for "**Mindy's Artisanal Edibles**"		
The text and stylized logo for "**Mindy's Chef Led Artisanal Edibles**"		

The text and stylized logo for "**CY+**"



The text and stylized logo for "**Sunnyside***"



The stylized logo for " * "



The text and stylized logo for "**Wonder Wellness Co.**" and "**Wonder Wellness**"



The text and stylized logo for "**Good News**"



The text and stylized logo for "**High Supply**"



The text and stylized logo for "**Alta Supply**"



The text and stylized logo for "**Continuum**"



The stylized logo for "**Continuum**"



The text and stylized logo for "**FloraCal Farms**" and "**FloraCal**"



The stylized logo for "**FloraCal**"



The text and stylized logo for "**FloraCal Farms**" and "**FloraCal**"



The text and stylized logo for "**Origin House**"



Cresco has successfully registered for twenty-one (21) trademarks at the U.S. federal level. Additionally, Cresco has successfully registered ninety-four (94) trademarks across nine (9) states including Illinois, Ohio, Pennsylvania, Nevada, California, Arizona, New York, Maryland, and Michigan for the brands offered within each state. The following table identifies the volume of protected marks by jurisdiction:

Jurisdiction	No. Registration Application Submitted	No. Registration Awarded as of 3/26/2021	Renewal Year
US Patent and Trademark Office (1)	41	21	2021
Illinois	44	44	2024
Pennsylvania	10	10	2024
Ohio(1)	5	3	2029
Nevada	2	2	2024
California	18	18	2024
Arizona	5	5	2029
New York	3	3	2030
Maryland	2	2	2029
Michigan(1)	10	7	2030
Massachusetts(1)	5	—	—
Canada(1)	32	3	2031

(1) Awaiting notice of successful application reviews

Ongoing application review is occurring at the Canadian and U.S. Federal level as well as within the states of California, Ohio, Michigan, and Massachusetts. Due to recent increases in the number of IP applications in the cannabis industry, Cresco anticipates feedback on the remaining submitted applications to be seen on a rolling basis and as early as the end of the second quarter 2021. As such, Cresco will continue to rely on common law protection for these brands during the trademark registration process. Moreover, Cresco will proactively seek intellectual property protection for brand expansions in current markets as well as any new market expansion. For additional details on the risks associated with the lack of trademark protection please see "*Risk Factors – Intellectual Property.*"

Patents

Cresco is in the process of registering two (2) patent for the proprietary technologies and processes specifically in extraction process for producing liquid live resin. Cresco successfully registered (1) patent in the aforementioned proprietary technologies and processes in the third quarter of 2020. Applications seeking expedited review were submitted to the United States Patent and Trademark Office in the fourth quarter of 2019. However, with the ongoing application review and increased number of IP applications in the cannabis industry, Cresco anticipates feedback on the patent-pending application as early as the end of the second quarter of 2021. For additional details on the risks associated with the lack of patent protection please see "*Risk Factors – Intellectual Property*."

Jurisdiction	No. Registration Application Submitted	No. Registration Awarded as of 3/26/2021
US Patent and Trademark Office (1)	3	1

(1) Awaiting notice of successful application reviews

United States Regulatory Environment

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

Federal Regulatory Environment

Under U.S. federal law, marijuana is currently a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the Drug Enforcement Agency ("**DEA**") considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD and ecstasy. Cresco 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. Additionally, while studies show cannabis is less harmful than alcohol,[16] alcohol is not classified under the CSA.

The U.S. 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 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 Company's activities are compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against the Company. 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, federal law shall apply.

Nonetheless, well over half of the U.S. states have now legalized adult-use and/or medical marijuana. As more and more states legalized medical and/or adult-use marijuana, the federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the DOJ Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "**Cole Memo**")[17] and the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") guidance in 2014.[18]

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16 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/AgressiveBehavior.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.

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

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

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

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- 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;
- Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on federal property.

Following the inauguration of President Trump, a Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the U.S. in February 2017. The Task Force was to deliver its recommendations by July 27, 2017. To date, its recommendations have not been made public.

In March 2017, U.S. Attorney General Jeff Sessions acknowledged the validity of the Cole Memo and noted limited federal resources due to the appropriations restrictions.

However, in January 2018, United States Attorney General, Jeff Sessions, issued a memorandum (the " **Sessions Memo**"), which rescinded the Cole Memo and thereby created a vacuum of guidance for enforcement agencies and the DOJ. As an industry best practice, despite the recent rescission of the Cole Memo, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memo:

- ensure the operations of its subsidiaries (or third parties, in the jurisdictions where Cresco conducts its business as an ancillary services provider) are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, Cresco retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- the activities relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the products are only sold to individuals who meet the requisite age requirements;

- in working with licensed operators, such as cultivators and manufacturers in due diligence on the policies and procedures to ensure that the products are not distributed to minors. Additionally, Cresco employs professional consultants to investigate any past license violations and ensure that the business has not been involved in these types of violations;
- Cresco only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight with sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises, gangs and cartels. Furthermore, as a part of its due diligence, Cresco retains professional consultants to vet the ownership of such cannabis businesses to ensure that no profits or revenues are used for the benefit of criminal enterprises;
- as a part of its compliance audit, Cresco also ensures that the licensed operators have an adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory. This is done to ensure that there is no diversion of cannabis or cannabis products into the states where cannabis is not permitted by state law, or cross the state lines in general;
- Cresco conducts the necessary review of financial records and where appropriate retains professional third-party consultants to do so, to ensure that the state-authorized cannabis business activity is not used as a cover or pre-text for trafficking of other illegal drugs or engaged in other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;
- Cresco conducts background checks to ensure that the principals and management of the licensed operators 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;
- Cresco conducts reviews of activities of the 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 licensed premises (including the cases where such possession permitted by regulation – e.g. transfer of products between licensed premises). These activities are done to ensure that no licensed operators possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands; and
- Cresco conducts reviews of products and product packaging to ensure that the 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.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. On February 14, 2018, President Trump's nominee William Barr was confirmed as the Attorney General. Mr. Barr served as Attorney General in the presidential administration of George H.W. Bush from 1991 to 1993. Mr. Barr has stated that as Attorney General, he does not intend to prosecute parties, who have complied with state law in reliance on the Cole Memo. Mr. Barr has also stated the need for more legal growers of marijuana for research, and is acknowledging that a recent bill legalizing hemp has broad implications for sale of cannabis products. Further, prior to Mr. Barr's confirmation, he stated that he has not considered or determined whether further administrative guidance would be appropriate, or what such guidance might look like. however, he did note that if confirmed, he would give the matter careful consideration (collectively the "**Barr Comments**").

While President Biden has not yet released clear direction on the Federal path forward for Federal legalization, his choice for Vice President Kamala Harris and Xavier Becerra for Secretary of Health and Human Services have public track records of supporting medical marijuana programs.

Barr held a more hands-off approach on state regulation and enforcement on cannabis. Barr said low-level marijuana crimes would not be a focus of the Justice Department. On the other hand, he did launch investigations into legal cannabis companies on antitrust grounds. In his confirmation testimony, Garland made clear that he would de-prioritize enforcement of low-level marijuana crimes such as possession, and he suggested that federal reforms are closely tied to the larger issue of social justice for minorities.

Garland said it doesn't make much sense to him to spend "limited resources" pursuing nonviolent criminals such as those guilty of marijuana possession.

This is a question of the prioritization of our resources and prosecutorial discretion," Garland said. "It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. I don't think that's a useful use."

"I do think we need to be sure there are no end-runs around the state laws that criminal enterprises are doing. So that kind of enforcement should be continued. But I don't think it's a good use of our resources, where states have already authorized. That only confuses people, obviously, within the state."

Since the issuance of the Sessions Memo, limited public comments have been made by the U.S. Attorneys in the jurisdictions in which the reporting issuer operates regarding the enforcement of federal law related to cannabis. The U.S. Attorneys who have made statements where the reporting issuer operates are outlined below.

Benjamin C. Glassman, U.S. Attorney for the Southern District of Ohio, stated that " *Congress made marijuana illegal under the Controlled Substances Act. That was true under Deputy Attorney General Cole's 2013 memorandum on marijuana enforcement, and it's just as true under the Sessions Memo today."* Further Mr. Glassman has taken the position that federal law enforcement continues to work with limited resources and is focused on prosecutions that have the biggest impact on public safety.

Justin E. Herdman, U.S. Attorney for the Northern District of Ohio, stated that he does not plan to change his approach to bringing criminal cases involving marijuana, even in light of guidance from the Sessions Memo the has freed the ability of prosecutors to pursue such cases.

A spokesperson for McGregor Scott, U.S. Attorney for the Eastern District of California, has stated that that marijuana violations in the Eastern District will be evaluated in accordance with our district's federal law enforcement priorities and resources.

Adam Braverman, U.S. Attorney for the Southern District of California, commented that the DOJ *is committed to reducing violent crime and enforcing the laws as enacted by Congress*. The cultivation, distribution, and possession of marijuana has long been and remains a violation of federal law and the Southern District of California will utilize long-established prosecutorial priorities to carry out its mission to combat violent crime, disrupt and dismantle transnational criminal organizations, and stem the rising tide of the drug crisis.

Andrew Lelling, U.S. Attorney for the District of Massachusetts, commented that Congress has unambiguously made it a federal crime to cultivate, distribute and/or possess marijuana and as a law enforcement officer in the Executive Branch, it is his sworn responsibility to enforce that law, guided by the Principles of Federal Prosecution. Mr. Lelling acknowledged that he will proceed on a case-by-case basis, assessing each matter according to those principles and deciding whether to use limited federal resources to pursue it. Mr. Lelling expressed concern deciding, in advance, to immunize a certain category of actors from federal prosecution would be to effectively amend the laws Congress has already passed. The kind of categorical relief sought by those engaged in state-level marijuana legalization efforts can only come from the legislative process.

John Childress, U.S. Attorney for the Central District of Illinois, commented that for citizens of central Illinois, the Sessions Memo does not change long-established prosecutorial principles to enforce federal law and that his office will continue to work together with our law enforcement partners, to promote the safety and interests of our local communities.

Matthew Schneider, U.S. Attorney for the Eastern District of Michigan, was reported as saying that his office will review marijuana cases in terms of where those cases fit within our priorities and our limited federal resources.

Scott Brady, U.S. Attorney for the Western District of Pennsylvania, released a statement which noted that his office will continue to deploy all prosecutorial tools at our disposal to protect the citizens of western Pennsylvania from those individuals and criminal organizations which traffic in all illegal controlled substances, including marijuana. This was in contrast to Pennsylvania Governor Tom Wolf who views the Sessions Memo as a backwards move and vowed to protect cancer patients, kids with epilepsy, veterans with post-traumatic stress disorder ("**PTSD**") and all Pennsylvanians seeking relief from legal medical marijuana. Governor Wolf was critical of the Trump Administration and affirmed his commitment to do everything in his power to protect Pennsylvania patients.

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

On January 16, 2018, a coalition of 19 attorney generals from various states, including: Ms. Lisa Madigan, Illinois Attorney General, Xavier Becerra, California Attorney General, Eric T. Schneiderman, New York Attorney General (who has since been replaced by Barbara Underwood) and Josh Shapiro, Pennsylvania Attorney General released a joint statement urging Congress to advance legislation that would allow states with legalized medical or recreational marijuana to participate in the banking system. Banks and other depository institutions are currently hindered by federal law from providing financial services to marijuana businesses, even in states where those businesses are regulated. In February 2019, the House Financial Services subcommittee took up proposed legislation, the *Secure and Fair Enforcement Banking Act of 2019* or *SAFE Banking Act*, that would protect banks and their employees from punishment for providing services to cannabis businesses that are legal on a state level. First hearings for the *SAFE Banking Act* occurred in February 2019 and the bill was introduced in Congress in March 2019.

On September 25, 2019, the Secure and Fair Enforcement Banking Act of 2019 (" **SAFE Banking Act**") was passed by the U.S. House of Representatives in a 321 to 103 vote. The SAFE Banking Act would permanently protect state-chartered banks and credit unions that service state-legal cannabis companies from being penalized by federal regulators. On May 17, 2020, the legislative language of the SAFE Banking Act was included in a stimulus bill known as The Health and Economic Recovery Omnibus Emergency Solutions Act ("**HEROES Act**"). The HEROES Act was passed by the U.S. House of Representatives in a 208 to 199 vote. Management believes, based on currently available information, that the likelihood of SAFE Banking's passage is high, however the particular timing and legislative vehicle is unknown.

SAFE Banking was reintroduced in the House (HR 1996) with 107 cosponsors. The bill is largely similar to what passed out of the House in 2020 and provides a SAFE Harbor to depository institutions who provide financial services to cannabis businesses. There are some minor changes to the bill related to the hemp provisions that provide hemp companies access to a full suite of financial protections, including those related to security exchanges – however, these provisions are currently limited to hemp. House bill sponsors expect the bill to pass by Memorial Day, which would then set-up consideration in the Senate. The primary committee that would hear SAFE in the Senate is the Senate Banking Committee chaired by Sherrod Brown of Ohio (D) who has expressed support for SAFE so long as sentencing reform is addressed concurrently. Ranking Member Pat Toomey (PA-R) is open to reform and acknowledges the need to resolve cannabis banking. While this bill will move quickly through the House, its pathway through the Senate will be more deliberate and may be heard in conjunction with bills that address broader reform. SAFE's introduction in the Senate occurred on March 23, 2021 with bipartisan support led by Jeff Merkley of Oregon (D) and Steve Daines of Montana (R).

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

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. requesting from state licensing and enforcement authorities available information about the business and related parties;
4. developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. ongoing monitoring for suspicious activity, including for any of the red flags described in 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.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, marijuana businesses are often forced into becoming "**cash-only**" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. Despite the attempt by FinCEN to legitimize marijuana banking, in practice its guidance has not made banks much more willing 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 take on as a customer. Recently, some banks that have been servicing marijuana businesses have been closing accounts operated by marijuana businesses and are now refusing to open accounts for new marijuana businesses for the reasons enumerated above.

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

The U.S. Treasury Department has publicly stated they were not informed of the Attorney General Jeff Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN guidance for financial institutions.[19] Multiple legislators believe that Sessions' rescinding of the Cole Memo invites an opportunity for Congress to pass more definitive protections for marijuana businesses in states with legal marijuana programs during this Congress.[20]

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

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

On December 20, 2014, President Obama signed into law a federal spending bill with a Congressional appropriation rider for the year ending September 30, 2015, providing that "None of the funds made available to the DOJ pursuant to the 2015 *Consolidated and Further Continuing Appropriations Act* may be used to prevent certain states, including Arizona, Nevada and California, from implementing their own laws that have authorized the use, distribution, possession, or cultivation of medical marijuana" (the "**Rohrabacher-Blumenauer Amendment**"). This limitation was carried over for the year ending September 30, 2016. The DOJ addressed the impact of the Rohrabacher-Blumenauer Amendment in a memorandum dated February 27, 2015, which was released to the public in August 2015. That memorandum took the position that the Rohrabacher-Blumenauer Amendment does not bar the use of funds for civil and criminal enforcement "consistent with the existing DOJ guidance…." The DOJ's interpretation appears to have been firmly rejected by the U.S. Court of Appeals for the Ninth Circuit (which includes federal court districts of Arizona and Nevada). In a decision dated August 16, 2016, the Court specifically ruled that the Rohrabacher-Blumenauer Amendment prohibited the use of DOJ funds for "conduct completely authorized by State law" *United States v McIntosh*, No.15-10117, 2016 WL 4363168, at 32 (9th Cir. Aug. 16, 2016). Both Congress and marijuana-related businesses recognize that guidance is not law and thus have worked to continually renew the Rohrabacher-Blumenauer Amendment since 2014. This amendment prevents the DOJ from using congressional funds to prosecute cannabis businesses in states that have medical marijuana laws and programs. In 2017, Senator Patrick Leahy (D-Vermont) introduced a similar amendment to H.R.1625 – a vehicle for the *Consolidated Appropriations Act* of 2018), preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding, being the Leahy Amendment. The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018, but was effectively extended to December 21, 2018 when Congress passed the *Continuing Appropriations Act, 2019* in September 2018. On December 22, 2018, the U.S. Congress failed to pass an omnibus appropriations bill for fiscal year 2019, causing a shutdown of the federal government. Currently, the Leahy Amendment is no longer in effect. At this time, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Further, while the Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill, there can be no assurances that it will be included in final appropriations package. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

For fiscal year 2019, the strategy amongst the Congressional Marijuana Working Group, is to introduce numerous marijuana-related appropriations amendments in the Appropriations Committee in both the House and Senate, similar to the strategy employed in fiscal year 2018.[21] 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.[22] On February 15, 2019, the former

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

[22] Congress of the United States. (2018 January 17). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of Treasury. Retrieved from https://dennyheck.house.gov/sites/dennyheck.house.gov/files/FINCEN%20MJ%20Guidance%20Letter%20FINAL.pdf; see also States Senate. (2018 January 11). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. R from https://www.documentcloud.org/documents/4347431-368944892-Letter-Urging-FinCEN-to-Maintain.html#document/p1; see also United States Sen January 18). Letter to Director Kenneth Blanco of the Financial Crimes Enforcement Network of the Department of the Treasury. Retrieved from https://www.documentcloud.org/documents/4356160-18-01-18-FinCEN-LTR-Cannabis-Banking.html; see also Congress of the United States. (2018 Jan Letter to The Honorable Donald Trump. Retrieved from https://www.warren.senate.gov/files/documents/2018_01_25%20Letter%20to%20Trump%20on%20Sessions%20withdrawal%20of%20the%20Cole%20r

President of the United States signed an omnibus appropriations bill in respect of certain appropriations bills for the remainder of fiscal year 2019 which included appropriations protecting the medical cannabis industry.[23] The Leahy Amendment was included in the 2020 Fiscal Year Appropriations Package of the federal budget for fiscal year 2020 which runs from October 1, 2019 to September 30, 2020, and was signed by the President of the United States on December 20, 2019 to pass. However, it should be noted that there is no assurance that such amendments will be passed into law.

On June 7, 2018, the *Strengthening the Tenth Amendment Through Entrusting States Act* (the "**STATES Act**") was introduced in the Senate by Republican Senator Cory Gardner of Colorado and Democratic Senator Elizabeth Warren of Massachusetts. A companion bill was introduced in the House by Democratic representative Jared Polis of Colorado. The bill provides in relevant part that the provisions of the CSA, as applied to marijuana, "*shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marihuana*." Even though marijuana will remain within Schedule I under the STATES Act, it makes the CSA unenforceable to the extent it is in conflict with state law. In essence, the bill extends the limitations afforded by the protection within the federal budget—which prevents the DOJ and the DEA from using funds to enforce federal law against state-legal medical cannabis commercial activity – to both medical and recreational cannabis activity in all states where it has been legalized. By allowing continued prohibition to be a choice by the individual states, the STATES Act does not fully legalize cannabis on a national level. In that respect, the bill emphasizes states' rights under the Tenth Amendment, which provides that "*the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."* Under the STATES Act, companies operating legal cannabis operations would no longer be considered "trafficking" under the CSA, and this would likely assist financial institutions in transacting with individuals and businesses in the cannabis industry without the threat of money laundering prosecution, civil forfeiture, and other criminal violations that could lead to a charter revocation. The STATES Act is currently draft legislation and there is no guarantee that it will become law in its current form.

Since 2014, Congress has made immense strides in marijuana policy. The bipartisan Congressional Cannabis Caucus launched in 2017 and is headed by Representatives Dana Rohrabacher (CA-48), Earl Blumenauer (OR-03), Don Young (AK-At Large), and Jared Polis (CO-02). The group is "**dedicated to developing policy reforms that bridge the gap between federal laws banning marijuana and the laws in an ever-growing number of states that have legalized it for medical or recreational purposes.**"[24] Additionally, each year more Representatives and Senators sign on and co-sponsor marijuana legalization bills including the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end U.S. federal marijuana prohibition, Congressman Blumenauer and Senator Wyden introduced the three-bill package, Path to Marijuana Reform which would fix the 280E provision, eliminate civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduce barriers to banking, and would de-schedule, tax and regulate marijuana in 2017.[25] Senator Booker has also introduced the *Marijuana Justice Act*, which would de-schedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion.

An additional challenge to marijuana-related businesses is that the provisions of the Internal Revenue Code of 1986 as amended (the " **U.S. Tax Code**"), Section 280E, are being applied by the IRS to businesses operating in the medical and adult use marijuana industry. Section 280E of the U.S. Tax Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective U.S. 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.

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23 Boston Globe. Trump issues signing statement on medical marijuana provision of funding bill. Retrieved from https://www.bostonglobe.com/news/marijuana/2019/02/15/trump-issues-signing-statement-medical-marijuana-provisionfunding-bill/UwqDzyQwhRppWqN9lCvuiP/story.html

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

25 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.

On December 20, 2018, Congress passed the Farm Bill, which became law in the United States and included the legalization of hemp, which will change how hemp and hemp-derived products like CBD are regulated in the U.S., which is expected to be regulated by the United States Department of Agriculture

Currently, there are 35 states plus the District of Columbia, Puerto Rico and Guam that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Other states are considering similar legislation. Conversely, under the CSA, the policies and regulations of the federal government and its agencies are that cannabis has no proven medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited.

Local, state, and U.S. federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's business. No prediction can be made as to the nature of any future laws, regulations, interpretations or applications, nor can it be determined what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Notwithstanding the permissive regulatory environment of medical marijuana at the state level, marijuana continues to be categorized as a controlled substance under the CSA. Under the CSA, the policies and regulations of the U.S. federal government and its agencies are that cannabis has no "proven" medical benefits. Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that U.S. federal authorities may enforce current U.S. federal law, and we may be deemed to be producing, cultivating, or dispensing marijuana in violation of U.S. federal law with respect to the Company's current or proposed business operations, or the Company may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law. A change in the U.S. federal government's approach to begin more active enforcement of cannabis may adversely affect our revenues and profits. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated U.S. federal policy remains uncertain.

Laws and regulations affecting the medical marijuana industry are constantly changing, which could detrimentally affect the proposed operations of the Company. The risk of U.S. federal enforcement and other risks associated with the Company's business are described "*Risk Factors*" below.

State Regulatory Environment

STATE LEVEL U.S. CANNABIS OPERATIONS

Illinois

Illinois Regulatory Landscape

The Compassionate Use of Medical Cannabis Pilot Program Act, which allows individuals diagnosed with a debilitating medical condition access to medical marijuana, became effective January 1, 2014. There are more than 50 qualifying conditions as part of the medical program, including epilepsy, traumatic brain injury, and PTSD. Illinois' retail market size for 2020 was $1 billion, representing an 312% year-over-year increase. On August 28, 2018, the *Alternatives to Opioids Act* (Public Act 100-1114) was signed into law. The *Alternative to Opioids Act* significantly expands the Illinois' medical marijuana market by enabling patients to access medical marijuana in place of pharmaceutical opioid medications. The Illinois Department of Public Health reports that there were more

than 5.3 million prescriptions for opioid-based painkillers filled last year. This paves the way for the single-largest expansion of the existing Illinois Medical Cannabis Pilot Program, which has about 42,000 authorized patients. Those patients have brought the state about $200 million in sales tax revenue since the program's inception in late 2015.[26] On August 9, 2019, the "Pilot" status was removed and the medical program became permanent.

The Opioid Alternative Pilot Program launched January 31, 2018 with registration open through the Illinois Department of Public Health. The pilot program is part of the *Alternative to Opioids Act*, which former Gov. Bruce Rauner signed into law in August 2018, with the aim of combating the opioid epidemic. The pilot program will allow patients that receive or are qualified to receive opioid prescriptions access to medical marijuana as an alternative to prescription opioid medications such as OxyContin, Percocet and Vicodin. Medical Cannabis Pilot Program patients with one of more than 50 qualifying medical conditions designated by the state of Illinois, and a doctor recommendation can also receive a temporary medical cannabis card online and make immediate cannabis purchases without waiting for their permanent card to be processed. In January 2019, one of Cresco's Illinois dispensary locations launched its participation in this pilot program and made the first sale of medical cannabis thereunder.

In January 2019, JB Pritzker was sworn into office as Governor of Illinois. Cresco's CEO and co-founder, Charles Bachtell, has been appointed to the Cannabis Legalization Subcommittee of the governor's transition team. Cannabis Legalization is one of four subcommittees under the Governor's Restorative Justice and Safe Communities Transition Committee. The primary goals of the Cannabis Legalization Subcommittee are to evaluate and develop implementation recommendations for the Governor-elects platform on legalizing cannabis. As outlined during the Governor's campaign, these priorities include safely legalizing and decriminalizing cannabis, reviewing and commuting the sentences of people incarcerated for cannabis offenses in Illinois, as well as a focus on diversity and community outreach.

On June 25, 2019, Governor Pritzker signed into law the *Cannabis Regulation and Tax Act*, thereby legalizing the recreational use of cannabis. The establishment of a regulatory scheme and the grant of licenses to cultivate, distribute, and sell recreational cannabis in Illinois are in process for new operators. Sales of recreational cannabis began on or about January 1, 2020.

Cresco entered into sale and leaseback transactions related to three properties for its Illinois operations. See the " *Significant Events or Milestones*" section, above, for greater detail.

Illinois Licenses

Cresco currently operates three medical and adult-use cannabis cultivation and manufacturing centers in Illinois and operates ten dispensary locations in Illinois. The cultivation and manufacturing licenses were awarded based on merit in a competitive application process to applicants who demonstrated operational expertise and financial backing.

Cresco is licensed to operate in the state of Illinois as a medical and adult-use cultivator and manufacturer. Phoenix Farms of Illinois, LLC d/b/a Phoenix Botanical d/b/a Sunnyside ("**Phoenix Farms**"), PDI, FloraMedex LLC d/b/a Sunnyside (" **FloraMedex**"), MedMar Lakeview d/b/a Sunnyside, and MedMar Rockford d/b/a Sunnyside, are licensed to operate retail dispensaries in the State of Illinois. The Table below lists the licenses issued to Cresco, Phoenix Farms, PDI, FloraMedex, MedMar Lakeview, and MedMar Rockford in respect of its operations in Illinois. Under applicable laws, the licenses permit Cresco, Phoenix Farms, PDI, FloraMedex, MedMar Lakeview and MedMar Rockford to cultivate, manufacture, process, package, sell, and purchase (as applicable) marijuana pursuant to the terms of the licenses, which are issued by the Department of Agriculture and the Department of Financial and Professional Regulation under the provisions of the Illinois Revised Statutes 410 ILCS 130. All licenses are, as of the date hereof, active with the State of Illinois. There are two categories of licenses in Illinois: (i) cultivation/processing and (ii) dispensary. The licenses are independently issued for each approved activity.

[26] Illinois News Network (2018 August 28). New law expands access to medical marijuana in Illinois to curb opioid use https://www.ilnews.org/news/health/new-law-expands-access-to-medical-marijuana-in-illinois-to/article_4b2a156c-ab05-11e8-95a9-037d97496f1a.html

All cultivation/processing establishments must register with the Illinois Department of Agriculture. All dispensaries must register with the Illinois Department of Financial and Professional Regulation. If applications contain all required information, and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the Department of Agriculture or Illinois Department of Financial and Professional Regulation and include a renewal form.

Licenses in the State of Illinois

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Cresco Labs, LLC	Early Approval Adult Use Cultivation Center License License Number: 1503060739-EA	Kankakee	01/29/21	Permit to operate an early approval adult use cultivation center
	Early Approval Adult Use Cultivation Center License License Number: 1503060740-EA	Lincoln	01/29/21	Permit to operate an early approval adult use cultivation center
	Early Approval Adult Use Cultivation Center License License Number: 1503060741-EA	Joliet	01/29/21	Permit to operate an early approval adult use cultivation center
Cresco Labs, LLC	Medical Cannabis Cultivation Center Operating Permit License Number: 1503060739	Kankakee	05/18/21	Permit to operate medical cannabis cultivation center
	Medical Cannabis Cultivation Center Operating Permit License Number: 1503060740	Lincoln	03/09/22	Permit to operate medical cannabis cultivation center
	Medical Cannabis Cultivation Center Operating Permit License Number: 1503060741	Joliet	03/09/22	Permit to operate medical cannabis cultivation center
	Industrial Hemp Processor License License Number: 1204-301	Kankakee	12/31/22	Permit to process industrial hemp
	Industrial Hemp Processor License License Number: 1204-302	Joliet	12/31/22	Permit to process industrial hemp
	Industrial Hemp Processor License License Number: 1204-303	Lincoln	12/31/22	Permit to process industrial hemp

Phoenix Farms of Illinois, LLC (d/b/a Sunnyside)	Registered Medical Cannabis Dispensing Organization Certificate License: DISP.000035	Champaign	04/26/21	Permit to operate a medical cannabis dispensary
Phoenix Farms of Illinois, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000006	Champaign	03/31/21	Permit to operate a recreational cannabis dispensary
Phoenix Farms of Illinois, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000056	Danville	03/31/21	Permit to operate a recreational cannabis dispensary
PDI Medical III, LLC (d/b/a Sunnyside)	Registered Medical Cannabis Dispensing Organization Certificate License: DISP.000016	Buffalo Grove	12/07/21	Permit to operate a medical cannabis dispensary
PDI Medical, III, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000009	Buffalo Grove	03/31/21	Permit to operate a recreational cannabis dispensary
PDI Medical, III, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000080	Naperville	03/31/21	Permit to operate a recreational cannabis dispensary
FloraMedex, LLC (d/b/a Sunnyside)	Registered Medical Cannabis Dispensing Organization Certificate License: DISP.000034	Elmwood Park	04/18/21	Permit to operate a medical cannabis dispensary
FloraMedex, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000010	Elmwood Park	03/31/21	Permit to operate a recreational cannabis dispensary
FloraMedex, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000061	Schaumburg	03/31/21	Permit to operate a recreational cannabis dispensary
MedMar Lakeview, LLC (d/b/a Sunnyside)	Registered Medical Cannabis Dispensing Organization Certificate License: DISP.000050	Chicago	01/13/22	Permit to operate a medical cannabis dispensary
MedMar Lakeview, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000008	Chicago	03/31/21	Permit to operate a recreational cannabis dispensary

MedMar Lakeview, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000053	Chicago	03/31/21	Permit to operate a recreational cannabis dispensary
MedMar Rockford, LLC (d/b/a Sunnyside)	Registered Medical Cannabis Dispensing Organization Certificate License: DISP.000013	Rockford	11/24/21	Permit to operate a medical cannabis dispensary
MedMar Rockford, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000007	Rockford	03/31/21	Permit to operate a recreational cannabis dispensary
MedMar Rockford, LLC (d/b/a Sunnyside)	Registered Adult Use Dispensing Organization Certificate License: AUDO:000059	South Beloit	03/31/21	Permit to operate a recreational cannabis dispensary

Illinois License and Regulations

The medical retail dispensary license permits Cresco to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients. The adult use retail dispensary license permits Cresco to purchase adult use marijuana and marijuana products from cultivation/processing facilities and allows the sale of adult use marijuana and marijuana products to purchasers aged 21 or older.

The medical cultivation licenses permit Cresco to acquire, possess, cultivate, manufacture/process marijuana into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. The adult use cultivation licenses permit Cresco to acquire, possess, cultivate, manufacture/process adult use marijuana into edible marijuana products and/or marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to adult use marijuana dispensaries.

Illinois imposes an income surtax, equal to the amount of federal income tax levied, on any direct or indirect transfer of Illinois license permit.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Illinois Reporting Requirements

The State of Illinois uses BioTrack as the state's computerized track-and-trace ("**T&T**") system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. Cresco uses the commercial version of BioTrack as its in-house computerized seed to sale software, which integrates with the state's BioTrack program and captures the required data points for cultivation, manufacturing and retail as required in the Illinois Compassionate Use of Medical Cannabis Pilot Program Act. In February 2019, BioTrackTHC, a subsidiary of Helix TCS Inc., announced that it was requested by the State of Illinois to provide the software solution that will track medical cannabis sales for patients participating in the state's Opioid Alternative Pilot Program. BioTrackTHC is already responsible for tracking and tracing the state's medical cannabis supply chain, and its software now provides a unified solution for these programs.

Illinois Storage and Security Requirements

As to its cultivation facilities, the regulations require Cresco to store marijuana and marijuana infused products in a safe, vault or secured room in such a manner to prevent diversion, theft or loss. Any marijuana that is not a finished product must likewise be maintained in a secured area within the facility only accessible to authorized personnel. All locks and security equipment safeguarding the marijuana must be kept in good working order, and the storage areas must be locked and protected from unauthorized access at all times.

The cultivation facilities must also have an operational 24-hour, seven days a week, closed circuit television surveillance system on the premises that complies with certain regulatory minimum standards. Access to the surveillance area is restricted to only those people who are essential to surveillance operations, law enforcement agencies, security system service personnel and the regulator. In addition, video surveillance recordings shall be retained for 90 days at the facilities and an additional 90 days off site.

Cresco must also maintain an alarm system at its cultivation facilities. The cultivation facilities must maintain and use a professionally monitored robbery and burglary alarm system that meets certain regulatory minimum standards. A qualified alarm system vendor must test the system annually.

With respect to its Illinois dispensaries, Cresco must store inventory on site in a secured and restricted access area consistent with the security regulations and tracked in accordance with the inventory tracking regulations. Any containers storing medical marijuana that have been tampered with or opened must be stored separately until disposed; such materials can only be stored at the dispensary for one week.

The dispensaries must also implement security measures to deter and prevent entry into and theft from restricted access areas that contain marijuana and/or currency, including having a commercial grade alarm and surveillance system installed by an Illinois licensed private alarm contractor or private alarm contractor agency. The facility must also have security measures to protect the premises, registered qualifying patients, designated caregivers and dispensing organization agents.

Pennsylvania

Pennsylvania Regulatory Landscape

The Pennsylvania medical marijuana program was signed into law on April 17, 2016 under Act 16 and provided access to state residents with one of 21 qualifying conditions, including epilepsy, chronic pain, and PTSD. The state operates as a high-barrier market with very limited market participation. Retail sales opened in February 2018 to a limited number of retail locations across the state. Pennsylvania is the fifth-largest state in the country, home to nearly 13 million people. Pennsylvania's medical marijuana market is expected to become one of the biggest markets in the U.S.[27]

The state originally awarded only 12 licenses to grow/process and 27 licenses to operate retail dispensaries (which entitled holders to up to three medical dispensary locations). Cresco Yeltrah, LLC ("**Cresco Yeltrah**"), a subsidiary of Cresco, was awarded one medical cannabis grow and processing license and one dispensary license in Pennsylvania (allowing for three (3) dispensary locations in Pennsylvania). Cresco subsequently obtained an additional dispensary license in December 2018 for three (3) additional dispensary locations, for a total of six (6) in the state of Pennsylvania, three of which are currently operational.

Retail sales opened in February 2018 to a limited number of retail locations across the state. Cresco Yeltrah, on February 15, was the first cultivator/processor to release product into Pennsylvania market (approximately 6 weeks ahead of any other producer) and its dispensary was the first to sell product to patients in the state.

27 https://mjbizdaily.com/chart-pennsylvanias-medical-marijuana-market-set-become-one-countrys-biggest/

On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which will include 13 additional grow/processing licenses and 23 additional dispensary licenses. The application period ran from April 2018 through May 17, 2018. Cresco Yeltrah obtained an additional dispensary license which will amount for three (3) additional dispensaries.

It was announced on April 17, 2018 that dry flower would be included in the regulations as an approved product form for sale and consumption (in addition to the already approved forms of concentrates, pills, and tinctures). Simultaneously, it was announced that the list of qualifying conditions would expand from 17 to 21, including additions of cancer remission therapy and opioid-addiction therapy.

Pennsylvania Licenses

Cresco Yeltrah is licensed to operate in the Commonwealth of Pennsylvania as a medical cannabis grower/processor and to operate six (6) medical cannabis dispensaries, three (3) of which are currently operational. After winning its initial licenses in the state in 2017, in December 2018, Cresco Yeltrah was awarded a second merit-based license for dispensary operations in Pennsylvania. The permit allows Cresco Yeltrah six months in which to become operational before it can begin dispensing medical marijuana and has been extended administratively by the Department of Health as Cresco Yeltrah continues to build out these facilities. Cresco Yeltrah is licensed for three (3) additional medical cannabis dispensaries under its second license. The table below lists the licenses issued to Cresco Yeltrah in respect of its operations in Pennsylvania. Under applicable laws, the licenses permit Cresco Yeltrah to cultivate, manufacture, process, package, sell, and purchase medical marijuana pursuant to the terms of the licenses, which are issued by the Pennsylvania Department of Health under the provisions of *Medical Marijuana Act* (35 P.S. § § 10231.101— 10231.2110) and Chapters 1141, 1151 and 1161 of the Pennsylvania regulations. All licenses are, as of the date hereof, active with the Commonwealth of Pennsylvania. There are two categories of licenses in Pennsylvania: (i) cultivation/processing; and (ii) dispensary. The licenses are independently issued for each approved activity for use at Cresco Yeltrah facilities in Pennsylvania.

All cultivation/processing establishments must register with Pennsylvania Department of Health. All dispensaries must register with the Pennsylvania Department of Health. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Specifically, for licenses that Cresco Yeltrah currently holds, each have undergone one renewal period.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Cresco Yeltrah, LLC	Medical Marijuana Dispensary Permit Applicant ID: D-5016-17	Butler	06/29/21	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-5016-17	Pittsburgh	06/29/21	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D-5016-17	New Kensington	06/29/21	Permit to operate a medical marijuana dispensary
	Medical Marijuana Grower/Processor Permit Applicant ID: GP-6012-17	Brookville	06/20/21	Permit to grow and process medical marijuana
	Medical Marijuana Dispensary Permit Applicant ID: D18-1007	Exeter Township Originally approved at Reading address	12/18/20 (administratively extended by DOH)	Permit to grow and process medical marijuana
	Medical Marijuana Dispensary Permit Applicant ID: D18-1007	TBD in Southeast Region	12/18/20 (administratively extended by DOH)	Permit to operate a medical marijuana dispensary
	Medical Marijuana Dispensary Permit Applicant ID: D18-1007	TBD in Southeast Region	12/18/20 (administratively extended by DOH)	Permit to operate a medical marijuana dispensary

Pennsylvania License and Regulations

The retail dispensary licenses permit Cresco Yeltrah to purchase marijuana and marijuana products from growing/processing facilities and allows the sale of marijuana and marijuana products to registered patients.

The medical cultivation licenses permit Cresco Yeltrah to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Pennsylvania Reporting Requirements

The Commonwealth of Pennsylvania uses MJ Freeway as the state's computerized T&T system for seed-to-sale. Individual licensees are required to use MJ Freeway to push data to the state to meet all reporting requirements. Cresco Yeltrah uses MJ Freeway as its in-house computerized seed to sale software, which integrates with the state's MJ Freeway program and captures the required data points for cultivation, manufacturing and retail as required in the Pennsylvania medical marijuana laws and regulations.

Pennsylvania Storage and Security

The regulations require the maintenance of storage areas at Cresco Yeltrah's grower/processor location in a clean and orderly condition, free from infestation. These separate and locked limited access areas are used for the grower/processor to store seeds, immature plants, mature plants and medical marijuana that is expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packages have been opened or breached until such product is destroyed or otherwise disposed of.

The regulations also require Cresco Yeltrah's grower/processor facility to have a commercial grade security system to prevent unauthorized entry and to prevent and detect any attempted diversion. This security must include an alarm system that covers the interior and exterior of the facility, including a silent alarm.

A dispensary must also have a locked limited access area for the storage of medical marijuana that is expired, damaged, deteriorated, mislabeled, contaminated, recalled or whose containers or packages have been opened or breached until such product is returned to the grower/processor.

Cresco Yeltrah's dispensaries must have a security system with the same features as that for the grower/processor facility. This system must be professionally monitored 24-hours a day and seven days a week with fixed cameras on the interior and exterior of the facilities. The surveillance system must store data for a period of four years in a readily available format for investigative purposes.

Ohio

Ohio Regulatory Landscape

House Bill 523, effective on September 8, 2016, legalized medical marijuana in Ohio. The Ohio Medical Marijuana Control Program (" **MMCP**") allows people with certain medical conditions, upon the recommendation of an Ohio-licensed physician certified by the State Medical Board, to purchase and use medical marijuana. Ohio's medical cannabis sales are projected to be between $200 and $400 million once the system is fully matured.[28] According to industry experts, Ohio could become a national "powerhouse" for the medical marijuana industry, largely because of its population — it's the seventh largest state — and because the broad list of conditions eligible for treatment with medical marijuana includes "pain."[29] House Bill 523 required that the framework for the MMCP will be in place no later than September 2018. This timeframe allowed for a deliberate process to ensure the safety of the public and to promote access to a safe product. The first medical marijuana sales were on January 16, 2019. Cresco Labs Ohio, LLC was one of four (4) dispensaries open on the first day.

The three following state government agencies are responsible for the operation of MMCP: (1) the Ohio Department of Commerce is responsible for overseeing medical marijuana cultivators, processors and testing laboratories; (2) the State of Ohio Board of Pharmacy is responsible for overseeing medical marijuana retail dispensaries, the registration of medical marijuana patients and caregivers, the approval of new forms of medical marijuana and coordinating the Medical Marijuana Advisory Committee; and, (3) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana and may add to the list of qualifying conditions for which medical marijuana can be recommended.

Several forms of medical marijuana are legal in Ohio, these include: inhalation of marijuana through a vaporizer (not direct smoking), oils, tinctures, plant material, edibles, patches and any other forms approved by the State of Ohio Board of Pharmacy.

28 https://cannabusinessplans.com/ohios-medical-cannabis-market/
29 https://cannabusinessplans.com/ohios-medical-cannabis-market/

Cresco entered into a sale and leaseback transaction related to its Ohio operations. See the " *Significant Events or Milestones*" section, above, for greater detail.

Ohio Licenses

On June 4, 2018, the State of Ohio Board of Pharmacy awarded 56 medical marijuana provisional dispensary licenses. The licenses were awarded after a review of 376 submitted dispensary applications.

Provisional licensees are authorized to begin the process of establishing a dispensary in accordance with the representations in their applications and the rules adopted by the State of Ohio Board of Pharmacy. Per rule, all provisional license holders have a maximum of six months to demonstrate compliance with the dispensary operational requirements to obtain a certificate of operation (a "**Certificate of Operation**"). Compliance will be determined through an inspection by a Board of Medical Marijuana Compliance Agent. Once a dispensary is awarded a Certificate of Operation, it can begin selling medical marijuana to Ohio patients and caregivers in accordance with Ohio laws and rules.

By rule, the State of Ohio Board of Pharmacy is limited to issuing up to 60 dispensary licenses across the state but will have the authority to increase the number of licenses. To date, no announcement has been made if the number of licenses will be increased. Per the program rules, the State of Ohio Board of Pharmacy will consider, on at least a biennial basis, whether enough medical marijuana dispensaries exist, considering the state population, the number of patients seeking to use medical marijuana, and the geographic distribution of dispensary sites.

Cresco Labs Ohio, LLC ("**Cresco Ohio**"), a subsidiary of Cresco, was awarded one provisional dispensary license on June 7, 2018. A provisional license serves as authorization from the board for Cresco Ohio to begin the construction or modification of your facility and to secure any other applicable permits you may need from your local jurisdiction in order to receive a Certificate of Operation. In December 2018, Cresco Ohio received its certificate of operation to operate a medial dispensary in the Ohio. The dispensary is located in Winterville, Ohio and commenced operations on January 16, 2019 under the name "CY+".

Cresco Ohio applied for and on November 30, 2017 received one provisional cultivation license. It received its certificate of operation for this facility in September 2018. Cresco Ohio's cultivation facility is a hybrid greenhouse structure located in Yellow Springs, Ohio and is currently comprised of approximately 25,000 square feet of cultivation space.

On June 8, 2020, Cresco Ohio was granted a provisional processing license by the State of Ohio. The license allows Cresco Ohio to extract oils and manufacture products from cannabis which will now provide the Company the ability to sell its entire brand portfolio in Ohio.

During February 2021, Cresco closed on the acquisition of four additional Ohio dispensaries with licenses from Verdant Creations, LLC bringing Cresco's total number of dispensaries in Ohio to five which is the maximum allowed by the state.

A holder of a provisional cultivation license is prohibited from operating as a licensed cultivator and performing any cultivation or production activities, including the procurement of seeds, seedlings, or other starting plant material until a Certificate of Operation is issued by the Ohio Department of Commerce. This provisional license serves as authorization from the Ohio Department of Commerce for Cresco Ohio to begin the construction or modification of the facility and to secure any other applicable permits needed from local jurisdictions in order to receive a Certificate of Operation. Pursuant to Ohio Administrative Code s. 3796:2-1-06(B), a provisional license holder has nine months to obtain a Certificate of Operation. On September 14, 2018, Cresco Ohio received its Certificate of Operation.

Licenses in the State of Ohio

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Cresco Labs Ohio, LLC	MMCPC00017	Yellow Springs	09/13/21	Cultivation License
	MMD 0700002	Wintersville	07/01/21	Dispensary License
	MMCP00041	Yellow Springs	07/01/21	Provisional Medical Processor License
	MMCPP00117	Yellow Springs	11/25/21	Processor Plant Only Level 1
JDC Newark, LLC	MMD.0700061	Newark	12/04/22	Dispensary License
JDC Marion, LLC	MMD.0700062	Marion	12/04/22	Dispensary License
JDC Columbus, LLC	MMD.0700063	Cincinnati	12/04/22	Dispensary License
JDC Chillicothe, LLC	MMD.0700064	Chillicothe	12/04/22	Dispensary License

Ohio License and Regulations

The dispensary license permits Cresco Ohio to purchase marijuana and marijuana products from cultivation and/or processing facilities, and allows the sale of marijuana and marijuana products to registered patients.

The medical cultivation licenses permit Cresco Ohio to acquire, possess, cultivate, manufacture/process into medical marijuana products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries.

A medical processor license allows for the manufacturing and production of medical marijuana products. Cresco Ohio submitted an application for a processor license, which was denied. Cresco Ohio is currently appealing this decision.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Ohio Reporting Requirements

Ohio uses METRC as its seed-to-sale tracking system. Licensees are required to use METRC in Ohio to push data to the state to meet all of the reporting requirements. Cresco Ohio integrates its in-house seed-to-sale tracking system (BioTrack) with METRC to capture the required data points as required in the Ohio medical marijuana laws and regulations.

Ohio Storage and Security Requirements

For Cresco Ohio's dispensaries, a designated representative is responsible for providing supervision and control of medical marijuana and medical marijuana products to ensure that they are dispensed in accordance with the law and regulations. In addition, the dispensaries must have physical or electronic security over such items. In particular, Cresco Ohio's dispensaries must also maintain security (with alarms and surveillance equipment) as required by the

regulations to prevent diversion and theft, as well as to protect patients, caregivers and employees. The dispensary department, restricted access areas and stock of medical marijuana must be secured by a physical barrier with suitable locks and an electronic barrier. Medical marijuana must also be stored in a secure area and tracked in the inventory tracking system. No person is permitted in this secure area unless under the personal supervision of a licensed dispensary employee. The storage area must be clean and free of infestation. Containers storing expired, damaged, deteriorated, misbranded, adulterated or opened medical marijuana shall be separated from other medical marijuana until they are properly destroyed; these materials can only be stored for one week.

The regulations permit Cresco Ohio to store medical marijuana inventory at its cultivation facility in a designated, enclosed, locked facility identified in Cresco Ohio's plans and specifications that it submitted to the Ohio Department of Commerce. This storage area can only be accessible by authorized individuals. On an annual basis and as a condition to renewal of its cultivator license, Cresco Ohio must perform a physical, manual inventory, of the medical marijuana on hand and compare it to the annual report generated by the inventory tracking system. The cultivation facility must install a commercial grade security alarm system to prevent and detect diversion, theft, or loss. The facility also must maintain surveillance equipment to capture the entire facility and provide direct access to the regulator on a real-time basis. All of this equipment must be kept in good working order and inspected and tested on an annual basis by a third party.

California

California Regulatory Landscape

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the *Compassionate Use Act of 1996*. This legalized 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 establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the *Medical Cannabis Regulation and Safety Act* ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, 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. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as *Medicinal and Adult-Use Cannabis Regulation and Safety Act* ("**MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are the California Bureau of Cannabis Control (the "**BCC**"), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine the number of licenses they will issue to marijuana operators or can choose to ban marijuana outright.

MAUCRSA went into effect on January 1, 2018.

The California marijuana market is expected to be one of the fastest growing industries in California over the next four years. Market analysts forecast a stabilized market to occur after 2025 where the California marijuana market is estimated to be valued at approximately US$10 billion.[30] In 2016, California recorded approximately $850 million in medical marijuana retail sales from operated dispensaries state wide; however, it is estimated approximately 85% of total transactions are unrecorded for revenue and are carried out through illegal transactions.

California Operations—SLO Cultivation Inc. and Origin House

On June 7, 2018, Cresco acquired a 60% ownership interest in SLO Cultivation Inc. (" **SLO**"). On September 27, 2018, Cresco acquired a further 20% ownership interest in SLO bringing its total ownership to 80%. Moreover, SLO wholly-owns Bolivar Distribution Services, LLC, Mandela Manufacturing Services, LLC and Mahatma Distribution Services, LLC (the "**Cal Subsidiaries**"). SLO operates a marijuana cultivation operation in the cities of Carpinteria (Santa Barbara County) and San Luis Obispo (San Luis Obispo County) California. As a result of Cresco's acquisition, Cresco has essentially complete management and operational control (except for certain farm-specific functions that remain under the supervised management of SLO). The cannabis will initially be cultivated from the Carpinteria facilities. From there, the harvest will ultimately be transported as fresh (or fresh frozen) material to our manufacturing facilities in Mendota (Fresno County) California.

While the facility in Santa Barbara was initially limited to medical cannabis activities only by local ordinance, in October 2018, the County of Santa Barbara ratified its ordinance to allow for "commercial" cannabis, which includes both medical and recreational cannabis under California state law.

On January 8, 2020, the Company announced the closing of its acquisition of Origin House. See the " *General Development of the Business – Acquisitions and Dispositions – Origin House*" section, above, for greater detail. Origin House operates as the leading California cannabis wholesale distribution and cultivation operator. The acquisition of Origin House makes Cresco a leading wholesale distributor in California, selling into over 575 dispensaries, representing approximately 65% of California's storefront dispensaries. Origin House's Continuum distribution platform distributes both Cresco-owned and party brands, including Kings Garden. Origin House's ultra-premium indoor cultivation and distribution facilities have allowed Cresco to expand its offering of Cresco branded products across California rapidly; growing market share, generating brand equity, and driving shareholder value.

Licenses in the State of California

Pursuant to MAUCRSA, as set out herein, SLO will be applying for and/or has been granted licenses permitting it to cultivate, process, manufacture, distribute and retail medical (and in some instances, adult use) cannabis and cannabis-related products:

Mendota (Fresno County)

- SLO has been issued one (1) provisional license for Type 7 (Manufacturing 2 – Volatile), Adult-Use & Medical ("**A&M**").
- SLO has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- SLO submitted annual applications for the two (2) listed license types to the state regulator and is awaiting approval for these annual applications.

[30] Sources: Berke, Jeremy. (2017 December 8). The legal marijuana market is exploding – it'll hit almost $10 billion sales this year. Retrieved from http://www.businessinsider.com/legal-weed-market-to-hit-10-billion-in-sales-report-says-2017-12; Morris, Chris. (2017 December 6). Legal Marijuana Sales Are Expected to Hit $10 Billion This Year. Retrieved from http://fortune.com/2017/12/06/legal-marijuana-sales-10-billion/; The Arcview Group. (2017 December 6). NEW REPORT: Legal Marijuana Sales to Grow 33% to $10 Billion in 2017. Retrieved from https://globenewswire.com/news-release/2017/12/06/1234230/0/en/NEW-REPORT-Legal-Marijuana-Sales-to-Grow-33-to-10-Billion-in-2017.html.

Willow Road (SLO County)

- SLO maintains good standing on this property and has the ability to pursue medical cannabis licenses; however, for strategic purposes SLO will not be submitting applications at this time.

Carpinteria (Santa Barbara County)

- SLO has been issued:
  - Twenty-three (23) Cultivation: Small Mixed-Light Tier 1 licenses.
  - One (1) Nursery license: allowing for the planting and cultivation of medical cannabis from seeds, clones and immature plants.
  - One (1) Processor license: allowing for the harvesting, drying, curing, grading or tanning of cannabis as well as the packaging and labelling of certain non-manufactured cannabis.
- SLO submitted annual applications for the three (3) listed license types to the state regulator and is awaiting approval of annual applications.

West Sacramento (Yolo County)

- Origin House has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- Origin House submitted an annual application for the one (1) listed license type to the state regulator and is awaiting approval for the annual application.

La Habra (Orange County)

- Origin House has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- Origin House submitted an annual application for the one (1) listed license type to the state regulator and is awaiting approval for the annual application.

Unincorporated Sonoma (Sonoma County)

- Origin House has been issued one (1) provisional license for Cultivation, Medical Medium Indoor.
- Origin House has been issued one (1) provisional license for Processor, Medical.
- Origin House has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- Origin House has been issued one (1) provisional license for Cultivation: Medical Small Indoor.
- Origin House submitted annual applications for the four (4) listed license types to the state regulator and is awaiting approval for these annual applications.

In addition to the six (6) active licenses listed above, Origin House continues to pursue new state license opportunities and recently applied for a Type 11 (Distribution) license for the Unincorporated Sonoma (Sonoma County) location.

Cresco also maintains an active Cannabis Event Holder Provisional License with the Bureau of Cannabis Control enabling the company to host events.

SLO:

Holding Entity	Permit/License	City	Description	Expiration/Renewal Date (if applicable) (MM/DD/YY)
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional Manufacturing Number: CDPH-10003334	Mendota	Medical and Adult Use Manufacturing	05/31/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: C11-0000193-LIC	Mendota	Medical and Adult Use Distribution	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002726	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002733	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002727	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002728	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002729	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002731	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21

SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002765	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002764	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002763	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002762	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002761	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002760	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002759	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002757	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002756	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002755	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21

SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002754	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002753	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002752	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002766	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional License Number: CCL18-0002751	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional Nursery License Number: CCL18-0002750	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional Processor License Number: CCL18-0002749	Carpinteria	Cultivation Small Mixed Light, Tier 1	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional Processor License Number: CCL18-0002816	Carpinteria	Nursery	05/31/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional Processor License Number: CCL18-0002817	Carpinteria	Processor	05/28/21
SLO Cultivation Inc. (d/b/a Cresco California)	Provisional Event Organizer License Number: CEO14-0000044-LIC	Carpinteria	Event Organizer	07/01/21

Origin House:

Holding Entity	Permit/License	City	Description	Expiration/Renewal Date (if applicable) (MM/DD/YY)
FloraCal	Medium Indoor Cultivation (Provisional) CCL18-0002186	Santa Rosa	Cultivation: Medical Medium Indoor:	03/21/22
FloraCal	Processor (Provisional) CCL19-0000639	Santa Rosa	Processor	06/27/21
FloraCal	Distribution (Provisional) C11-0001222-LIC	Santa Rosa	Distribution	06/25/21
Cub City, LLC	Small Indoor Cultivation (Provisional) CCL18-0002062	Santa Rosa	Cultivation: Medical Small Indoor	03/21/22
River Distributing Co., LLC d/b/a Continuum	Distribution (Provisional) C11-0000933-LIC	Sacramento	Distribution	07/22/21
River Distributing Co., LLC d/b/a Continuum	Distribution (Provisional) C11-0000608-LIC	La Habra	Distribution	07/01/21

California state licenses are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by the corresponding regulatory agency. While renewals are annual, there is no limit to the number of renewals a licensee may obtain. Additionally, with respect of the renewal process for the licenses issued to SLO, the Cal Subsidiaries and Origin House, each state and local license is submitted for renewal in a timely manner as required by applicable law. Further, no California cannabis regulatory body has notified Cresco Labs, SLO, the Cal Subsidiaries or Origin House of any material adverse issues with license renewal requests. While Origin House, SLO's and the Cal Subsidiaries' compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the licenses will be renewed in the future in a timely manner.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and could have a material adverse effect on its business, financial condition, results of operations or prospects.

California License and Regulations

A Medicinal Retailer licenses permits the sale of medicinal cannabis and cannabis products by a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations.

An Adult-Use Retailer license permits the sale of cannabis and cannabis products to any individual 21 years of age or older. It does not require the individual to possess a physician's recommendation. Under the terms of such licenses, the holder is permitted to sell adult-use cannabis and cannabis products to any person, provided the local jurisdiction permits the sale of adult use cannabis and the person presents a valid government- issued photo identification.

The Medicinal and Adult-Use Cultivation licenses that have been granted to SLO, Origin House and/or the Cal Subsidiaries permits commercial cannabis cultivation activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit the production, labeling and packaging of a limited number of non-manufactured cannabis products (e.g., pre-rolled joints) and permit the licensee to sell cannabis to certain licensed entities (both Medical and Adult-Use licensees) within the State of California for resale or manufacturing purposes.

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

Cresco maintains an open and collaborative relationship with the each of the four California regulatory agencies: the BCC, Manufactured Cannabis Safety Branch of the California Department of Public Heath, the CalCannabis Licensing Division of the California Department of Food and Agriculture and the California Department of Tax and Fee Administration, as well as the local jurisdiction's cannabis regulatory agencies.

Cresco and Origin House submit timely annual renewals and are in the process of submitting renewals for applications in the normal course.

In the State of California, only cannabis that is grown in the state can be sold in the state. Although California is not a vertically integrated system, the state also allows SLO and the Cal Subsidiaries to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

California Reporting Requirements

The State of California has selected Franwell Inc.'s METRC solution as the state's T&T system used to track commercial cannabis activity and movement across the distribution chain ("**seed-to-sale**"). The METRC system is in the process of being implemented state-wide but has not yet been released. When operational, the system will allow for other third-party system integration *via* application programming interface ("**API**"). Cresco will utilize an electronic system independent of METRC that will integrate with METRC *via* API. T&T currently captures required data points for cultivation, distribution and retail as stipulated in the corresponding regulatory agencies' regulations. Cresco will implement its own interim track-and-trace solution, leveraging its own internal controls and standard operating procedures, ensuring maximum compliance and transparency, until the statewide T&T solution is ready to be deployed.

California Storage and Security

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

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

Nevada

Nevada Regulatory Landscape

Nevada is one of the most dynamic markets anticipated for the full development of the recreational market. By certain estimates, the recreational market in Nevada is projected to be over $1 billion by 2024.[31] Medical marijuana use was legalized in Nevada by a ballot initiative in 2000. In November 2016, voters in Nevada passed an adult use marijuana measure to allow for the sale of recreational marijuana in the state. The first dispensaries to sell adult use marijuana began sales in July 2017. The Nevada Department of Taxation ("**DOT**") is the regulatory agency overseeing the medical and adult use cannabis programs.

Cresco Labs Nevada, LLC, a subsidiary of Cresco, acquired an approximately 1.2% equity ownership interest in Lighthouse Strategies, LLC ("**Lighthouse**") via a Unit Purchase and Sales Agreement dated August 12, 2019. Nevada Business Services Group (" **NBSG**") is a subsidiary of Lighthouse and is the sole owner of Paradise Wellness Center, LLC ("**Paradise Wellness**") d/b/a Las Vegas Releaf and Silver State Wellness, LLC ("**Silver State**"), entities licensed to operate in the State of Nevada.

Nevada Licenses

NBSG is licensed to operate in the State of Nevada as a medical dispensary and retail dispensary. Silver State is licensed to operate in the State of Nevada as a cultivator. Under applicable laws, the licenses permit the applicable entities to cultivate, manufacture/process, package, sell or purchase pursuant to the terms of the license, which is issued by the DOT under the provisions of Nevada Revised Statutes section 453A. All Nevada Licenses are, as of the date hereof, active with the State of Nevada.

31 BDSA, USA Market Forecast Summary, February 2021. Retrieved from https://bdsa.com/cannabis-industry-intelligence

All marijuana establishments must register with DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. The issuance by DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one (1) year and are subject to annual renewals after required fees are paid and the business remains in good standing. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from DOT may an entity engage in cannabis business operation.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Nevada License and Regulations

In the State of Nevada, only cannabis that is grown or produced in the state by a licensed establishment may be sold in the state. Although Nevada is not a vertically integrated system, NBSG is vertically integrated and has the capabilities to cultivate, harvest, process and sell, dispense and/or deliver cannabis and cannabis products.

Nevada Reporting Requirements

The State of Nevada uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. For the Nevada Licenses, Silver State will designate an in-house computerized seed to sale software that will integrate with METRC via API. The chosen seed-to-sale system captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A. For the operating dispensary, Silver State currently uses BioTrackTHC's seed-to-sale solution and anticipates full integration of processes through METRC.

Storage and Security

Paradise Wellness and Silver State ensure the safety and security of cannabis business premises and maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products.

Arizona

Arizona Regulatory Landscape

In 2010, Arizona passed Ballot Proposition 203, which amended Title 36 to the Arizona Revised Statutes (" **ARS**"). This amendment added Chapter 28.1, titled the *Arizona Medical Marijuana Act* (the "**AMMA**"). The AMMA also appointed the Arizona Department of Health Services (the "**ADHS**") as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. The ADHS has established the Arizona Department of Health Services Medical Marijuana Program ("**MMJ Program**"), which includes a vertically integrated license, meaning if allocated a Medical Marijuana Dispensary Registration Certificate ("**AZ Dispensary License**"), entities are authorized to dispense and cultivate medical cannabis. Arizona's medical marijuana market is one of the largest in the nation as well as one of the hottest. By certain estimates, the medical market in Arizona is projected to be approximately $483 million by 2026.[32]

The ADHS Regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the **"Rules"**). ARS § 36-2801(11) defines a "nonprofit medical cannabis dispensary" as a not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses cannabis or related supplies and educational materials to cardholders.

32 BDSA, USA Market Forecast Summary, February 2021. Retrieved from https://bdsa.com/cannabis-industry-intelligence/

The ADHS has established the MMJ Program, which includes a vertically-integrated license, meaning if allocated an AZ Dispensary License, entities are authorized to dispense and cultivate medical cannabis. Each AZ Dispensary License allows the holding entity to operate one (1) on-site cultivation facility, and one (1) off-site cultivation facility which can be located anywhere within the state of Arizona. An entity holding an AZ Dispensary License is required to file an application to renew with the ADHS on an annual basis, which must also include audited annual financial statements. While an AZ Dispensary License may not be sold, transferred or otherwise conveyed, AZ Dispensary License holders typically contract with third parties to provide various services related to the ongoing operation, maintenance and governance of its dispensary and/or cultivation facility so long as such contracts do not violate the requirements of the AMMA or the MMJ Program.

The ADHS has established a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by law enforcement officials and dispensaries to verify a patient's status as such. The ADHS also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase cannabis).

On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale.

In order to qualify to use medical marijuana under the AMMA, a patient is required to have a "debilitating medical condition". Valid medical conditions include: HIV, cancer, glaucoma, immune deficiency syndrome, hepatitis C, Chron's disease, agitation of Alzheimer's disease, ALS, cachexia/wasting syndrome, muscle spasms, nausea, seizures, severe and chronic pain or another chronic or debilitating condition.

Arizona Licensing Requirements

In order for an applicant to receive a Dispensary Registration Certificate (a **"Certificate"**) they must: (i) fill out an application on the form proscribed by ADHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the dispensary. Certificates are renewed annually so long as the dispensary is in good standing with ADHS and pays the renewal fee and submits an independent third-party financial audit.

Once an applicant has been issued a Certificate, they are allowed to establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an approval to operate from ADHS for the applicable site. This approval to operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the proposed location to ensure compliance with the Rules and consistency with the dispensary's applicable policies and procedures.

On or about November 16, 2018, Cresco acquired 100% of the membership interests of Arizona Facilities Supply, LLC (" **AFS**"). AFS provides management and advisory services to Encanto Green Cross Dispensary, a non-profit entity that holds a vertical license to cultivate, process and dispense medical marijuana in the State of Arizona and operates a medical marijuana dispensary in Phoenix, Arizona, and owns real property used for cultivation in Salome, Arizona.

In November 2020, voters in Arizona passed an adult use marijuana measure to allow for the sale of recreational marijuana in the state. On January 29, 2021, the Company was approved to sell adult use marijuana in the state.

Arizona Licenses

Holding Entity	Permit/License	Registration Number	City	Expiration/ Renewal Date (if applicable) (MM/ DD/YY)	Description
Encanto Green Cross Dispensary	Medical Marijuana Dispensary and Cultivation Site Registration Certificate; Approval to Operate	00000080DCQI00709964	Phoenix	08/07/22	Approval to cultivate and dispense medical marijuana
Encanto Green Cross Dispensary	Medical Marijuana Dispensary Registration Certificate; Approval to Operate	00000080DCQI00709964	Salome	08/07/22	Approval to cultivate medical marijuana
Encanto Green Cross Dispensary	Adult-use Marijuana Dispensary Site Registration Certificate; Approval to Operate	00000101ESZO30906924	Phoenix	01/28/23	Approval to dispense adult-use marijuana

The Arizona license is renewable every two years. Before the expiration date, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiration date after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, if the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, Cresco would expect to receive the applicable renewed license in the ordinary course of business. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license, there is no assurance that the license will be renewed in the future in a timely manner.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Arizona Security Requirements for Dispensary Facilities

Any dispensary facility (both retail and cultivation) must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized agents of the dispensary who are in possession of a dispensary agent identification card; and (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system and (g) panic buttons inside each building.

Arizona Storage Requirements

Any dispensary facility (both retail and cultivation) must abide by the following requirements for the storage of product: (i) product must be stored in an area that is separate from areas used to store toxic and flammable materials; (ii) product must be stored in a manner that is clean and sanitary; (iii) product must be protected from flies, dust, dirt, and any other contamination; and (iv) all surfaces and objects used in the handling and storage of product must be cleaned daily. Additionally, the Rules establish strict inventory protocols for tracking product from "seed to sale," which requires all product to be traceable to the original plants used to grow the cannabis used in the product.

Arizona Transportation Requirements

Dispensaries may transport medical cannabis between their own sites or between their sites and another dispensary's site and must comply with the following Rules: (i) prior to transportation, the dispensary agent must complete a trip plan showing: (a) the name of the dispensary agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported; and (d) the anticipated route of transportation; (ii) during transport the dispensary agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible; and (iii) dispensaries must maintain trip plan records.

ADHS Inspections and Enforcement

ADHS may inspect a facility at any time upon five (5) days' notice to the dispensary. However, if someone has alleged that the dispensary is not in compliance with the AMMA or the Rules, ADHS may conduct an unannounced inspection. ADHS will provide written notice to the dispensary of any violations found during any inspection and the dispensary then has 20 working days to take corrective action and notify ADHS.

ADHS must revoke a Certificate if a dispensary: (i) operates before obtaining approval to operate a dispensary from the ADHS; (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another dispensary with a valid dispensary registration certificate issued by the ADHS, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card; (iii) acquires usable cannabis or mature cannabis plants from any entity other than another dispensary with a valid dispensary registration certificate issued by the ADHS, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card; or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, ADHS may revoke a Certificate if a dispensary does not: (i) comply with the requirements of the AMMA or the Rules, or (ii) implement the policies and procedures or comply with the statements provided to the ADHS with the dispensary's application.

New York

New York is one of the most promising medical cannabis markets that opened in 2016. The state population numbers near twenty million and New York City is among the most populous and visited cities in the U.S.[33] The New York program, when initially implemented, allowed for only five fully vertically integrated licenses. The licenses allowed each license holder the opportunity to operate a cultivation facility, extraction and manufacturing, and four retail medical marijuana dispensaries. The state program was adjusted to increase the range of qualifying conditions which, as of the date hereof, includes chronic and severe pain. In August 2017, the State of New York also increased the number of licensed operators in the state to a total of ten. Each of the newly added licenses can carry out the same operations as the original license holders. The state has made progress towards the ability to

33 United States Census Bureau. (2017). QuickFacts United States. Retrieved from https://www.census.gov/quickfacts/NY; see also NYC and Company. NYC Travel & Tourism Visitation Statistics. Retrieved from http://www.nycandcompany.org/research/nyc-statistics-page; see also World Atlas. (2017 November 9). The Most Visited Cities In The US. Retrieved from https://www.worldatlas.com/articles/the-most-visited-cities-in-the-us.html.

increase the outreach to qualified patients through the ten licensed operators via the disbursement of retail locations across the state, the increase in range of qualifying conditions, and other various methods to support patient access. In July, the New York Department of Health filed emergency regulations to add any condition, for which an opioid could be prescribed, as a qualifying condition for medical marijuana. This legislation was signed into law on September 24, 2018. From July 10 to September 25, 2018 the number of certified patients in the system rose to 18%. [34]

New York Regulatory Landscape

In July 2014, the New York Legislature and Governor enacted the *Compassionate Care Act* (A06357E, S07923) (the "**CCA**") to provide a comprehensive, safe and effective medical marijuana program to meet the needs of New Yorkers. The program allows ten (10) "**Registered Organizations**" to hold vertically-integrated licenses and service qualified patients and caregivers. Limited product types are allowed in the state and smoking of cannabis flower is prohibited. The NYSDOH is the regulatory agency overseeing the medical marijuana program.

New York Licenses

Valley Ag is licensed to operate as a medical marijuana cultivator, manufacturer and retailer, as a "Registered Organization", under applicable New York jurisdictional law. Valley Ag holds five licenses, one cultivation/manufacturing license and four dispensary licenses (collectively, the "**NY Licenses**"), under the CCA and Medical Use of Marihuana Regulations (Title 10, Chapter XIII, Part 1004) by the NYSDOH, permitting Valley Ag to possess, cultivate, process, transport, dispense and sell medical cannabis in the State of New York. Cresco obtained the rights to the NY Licenses following closing of its acquisition of Valley Ag's parent entity as described in "*General Development of the Business*" above.

On October 8, 2019, the Company closed the acquisition of GSC, the parent entity of Valley Ag. Cresco now has a license for a cultivation and manufacturing facility within the state of New York, as well as four (4) dispensary locations strategically located across the state (in Brooklyn, Huntington, Bardonia and New Hartford). These four (4) locations are branded as Sunnyside* dispensaries. The Company intends to continue developing and investing appropriate funds to develop Valley Ag into a vertically-integrated cannabis company. Please see the table below for a list of the licenses issued to Valley Ag in New York.

34 https://mjbizdaily.com/new-york-formalizes-medical-cannabis-as-alternative-to-opioids-market-boost-seen/

New York Licenses

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Valley Agriceuticals, LLC	Certificate of Registration Number: MM0801M	Middletown	07/31/21	Acquiring, possession, manufacture, sale, transporting and distributing medical marijuana
	Certificate of Registration Number: MM0802D	Brooklyn	07/31/21	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
	Certificate of Registration Number: MM0803D	Huntington	07/31/21	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
	Certificate of Registration Number: MM0804D	Bardonia	07/31/21	Acquiring, possession, sale, transporting, cutting, and dispensing medical marijuana
	Certificate of Registration Number: MM0805D	New Hartford	07/31/21	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana

The state licenses in New York are renewed every two years. Before the two-year period ends, licensees are required to submit a renewal application per guidelines published by the NYSDOH. While renewals are granted every two years, there is no ultimate expiration date 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, Valley Ag would expect to receive the applicable renewed license in the ordinary course of business. While Valley Ag's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Valley Ag's licenses will be renewed in the future in a timely manner.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Valley Ag and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

New York Regulations

The NY Licenses permit the sale of medical cannabis products to any qualified patient who possesses a physician's recommendation. Under the terms of the NY Licenses, Valley Ag is permitted to sell NYSDOH approved medical marijuana manufactured products to any qualified patient, provided that the patient presents a valid government-issued photo identification and NYSDOH-issued registry identification card proving that the patient or designated caregiver meets the statutory conditions to be a qualified patient or designated caregiver. Registry identification cards are valid for one year after the date the certification is signed. The card contains the recommendation from the physician and the limitation on form or dosage of medical marijuana.

For a physician to recommend medical marijuana, the physician must pay for and pass a NYSDOH approved physician certification training program which lasts for four hours. The content of the course includes: "pharmacology of marijuana; contraindications; side effects; adverse reactions; overdose prevention; drug interactions; dosing; routes of administration; risks and benefits; warnings and precautions; abuse and dependence; and such other components as determined by the commissioner."

In order for a patient or registered caregiver to receive dispensed marijuana, they must be logged into the Prescription Monitoring Program ("**PMP**") registry. The PMP registry is monitored by the NYSDOH and contains controlled substance prescription dispensing history and medical marijuana dispensing history to ensure that patients only receive a maximum of 30 days' worth of dispensed product from one Registered Organization. Only registered pharmacists can dispense medical marijuana to approved patients and caregivers.

Allowable forms of medical marijuana in New York State are the following: metered liquid or oil preparations, solid and semisolid preparations (e.g. capsules, chewable and effervescent tablets, lozenges), metered ground plant preparations, topical forms and transdermal patches.

Medical marijuana may not be incorporated into food products by the Registered Organization, unless approved by the Commissioner of Health. Smoking is not an approved route of administration.

Qualifying conditions in the State of New York are the following: cancer, HIV infection or AIDS, ALS, Parkinson's disease, multiple sclerosis, spinal cord injury with spasticity, epilepsy, inflammatory bowel disease, neuropathy, Huntington's disease, PTSD or chronic pain. The severe debilitating or life-threatening condition must also be accompanied by one or more of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures, or severe or persistent muscle spasms.

In the State of New York, only cannabis that is grown and manufactured in the state can be sold in the State. New York is a vertically integrated system however it does allow Registered Organizations to wholesale manufactured products to one another. As such, Valley Ag has the ability to be vertically integrated and cultivate, harvest, process, transport, sell and dispense cannabis products. Delivery is allowed from dispensaries to patients, however, the delivery plan must be pre-approved by the NYSDOH. As of the date hereof, Valley Ag has not submitted a delivery plan to the NYSDOH.

New York Reporting Requirements

The State of New York has selected BioTrackTHC's solution as the state's T&T system used to track commercial cannabis activity and seed-to-sale. The BioTrackTHC system is required to serve as all Registered Organizations' patient verification system but is optional as the Registered Organizations' facing tracking system. Valley Ag currently uses BioTrackTHC as its seed-to-sale tracking system but is also exploring more robust options for the future that more seamlessly integrate with its tracking systems used in other states.

Every month the NYSDOH requests a dispensing report in Excel format, via email, showing all products dispensed for the month. This is the only report Valley Ag is required to submit to the NYSDOH. All other data is pulled by the NYSDOH directly from Valley Ag's seed-to-sale tracking system.

Storage and Security

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

- Maintain a security operations plan that includes but is not limited to, perimeter alarms, motion detectors, video cameras, duress alarms, panic alarms, 24-hour recording capabilities, automatic voice dialer, holdup alarm, date and time stamp embedding, and the ability to remain operational during a power outage.
- Ensure that any manufacturing facility and dispensing facility maintains all security system equipment and recordings in a secure location so as to prevent theft, loss, destruction or alterations;
- Have a back-up alarm system approved by the department that shall detect unauthorized entry during times when no employees are present at the facility and that it shall be provided by a company supplying commercial grade equipment;
- Limit access to any surveillance areas solely to persons that are essential to surveillance operations, law enforcement agencies, security system service employees, the department or the department's authorized representative, and others when approved by the department.
- Keep illuminated the outside perimeter of any manufacturing facility and dispensing facility that is operated under the registered organization's license;
- Ensure that all video recordings shall allow for the exporting of still images in an industry-standard image format (including .jpeg, .bmp, and .gif).
- Keep all security equipment in full operating order and test such equipment no less than semi-annually at each manufacturing facility and dispensing facility that is operated under the registered organization's registration. Records of security tests must be maintained for five years and made available to the department upon request;
- With respect to the manufacturing facility, keep it securely locked and protected from unauthorized entry at all times and maintain appropriate visitor logs;
- Ensure that all marijuana is stored in a secure area or location accessible to the minimum number of employees essential for efficient operation and in such a manner as approved by the department in advance, to prevent diversion, theft or loss;
- Return marijuana to its secure location immediately after completion of manufacture, distribution, transfer or analysis;
- Ensure that all medical marijuana is stored in such a manner as to protect against physical, chemical and microbial contamination and deterioration of the product;
- Ensure that all approved safes, vaults and any other approved equipment or areas used for the manufacturing or storage of marijuana and approved medical marijuana products are securely locked or protected from entry, except for the actual time required to remove or replace marijuana or approved medical marijuana products;
- Ensure that keys are not left in the locks or stored or placed in a location accessible to individuals who are not authorized access to marijuana or manufactured medical marijuana products;
- Ensure that all security measures, such as combination numbers, passwords or biometric security systems, are not accessible to individuals other than those specifically authorized to access marijuana or manufactured medical marijuana products;

- Prior to transporting any medical marijuana, complete a shipping manifest using a form determined by the department;
- Maintain all shipping manifests and make them available to the department for inspection upon request, for a period of 5 years;
- Ensure that its employees, when transporting approved medical marijuana products, ensures that products are transported in a locked storage compartment not visible outside the vehicle and travel directly to his or her destination(s) and shall not make any unnecessary stops in between;
- Ensure that all approved medical marijuana product delivery times are randomized;
- Staff all transport vehicles with a minimum of two employees. At least one transport team member shall remain with the vehicle at all times that the vehicle contains approved medical marijuana products;
- Ensure that its transport team member shall have access to a secure form of communication with employees at the registered organization's manufacturing facility at all times that the vehicle contains approved medical marijuana products;
- Ensure its transport team member possesses a copy of the shipping manifest at all times when transporting or delivering approved medical marijuana products and produces it to the commissioner, the commissioner's authorized representative or law enforcement official upon request.

Massachusetts

In November 2015, Massachusetts, a medical cannabis market since January 2013, voted in favor of "Question 4", approving the legalization of adult use. BDS Analytics Inc. projects that the Massachusetts market will grow to over $1.35 billion by 2024.[35] The Question 4 ballot initiative requiring the state legislature to authorize the adult use of cannabis in the state was approved by the Massachusetts electorate in November 2016. The first adult use dispensaries opened their doors on July 1, 2018. Located in the very populous North-Eastern region of the U.S., tourism is anticipated to be an important factor in driving market growth in a state that itself has a growing population of 6.8 million. The adjoining states represent an additional "tourist" market of 26 million, vastly exceeding the very successful industry in Colorado. The new legislation allows local control policy, allowing local government officials in towns that voted "no" on the 2016 ballot initiative to ban marijuana businesses until December 2019. For towns that voted "yes" in 2016, any bans must be placed on a local ballot for voters to approve. The maximum sales tax rate will increase from 12% to 20%. Under the bill, the state tax will be 17% and the local option will be 3%.

The Medical Use of Marijuana Program (the "**MUMP**") registers qualifying patients, personal caregivers, Registered Marijuana Dispensaries ("**RMD**"), 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 Ballot Question 3 in the 2012 general election. Registered Marijuana Dispensary certifications are vertically integrated licenses in that each RMD license entitles a license holder to (3) cultivation facilities, three (3) processing facilities and up to three (3) dispensary locations. There is a limit of three RMD licenses per person/entity.

Massachusetts Regulatory Framework

The Massachusetts Department regulations 105 CMR 725.000 et seq. provide a regulatory framework that requires licensed producers, which are statutorily defined as "Registered Marijuana Dispensaries", 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, 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.

35 https://bdsa.com/massachusetts-cannabis-sales-on-track-for-record-q1-2020/

Massachusetts Licensing Requirements

On December 23, 2018, administration and oversight of the Massachusetts Medical Use of Marijuana Program was transferred from the Department of Public Health (DPH) to the Cannabis Control Commission (CCC) which also oversees the adult-use cannabis program. 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) a RMD may not cultivate and dispense medical cannabis from more than two locations statewide; (v) all dispensary agents must be registered with the Massachusetts Department; (vi) a RMD must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vii) one executive of a 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 US$500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (ix) payment of the required application fee. In a 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) a detailed summary of the business plan for the RMD; (iv) an operational plan for the cultivation of marijuana including a detailed summary of all 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. A 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 all laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background. Upon the determination by the Massachusetts Department that a 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. Thereafter, the Massachusetts Department 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 Massachusetts Department completes all inspections and issues approval for a RMD of its facilities, the Massachusetts Department shall issue a final certificate of registration to the RMD applicant. RMD final certificates of registration 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.

Massachusetts Licenses

As described in the "*General Development of the Business – Acquisitions and Dispositions – Hope Heal Health* " above, Cresco acquired HHH via certain agreements giving it operational control on October 1, 2019. On February 7, 2020, the Company announced the legal close of the acquisition. HHH holds a final certificate of registration from the Massachusetts Department that allows for cultivation, manufacturing and processing. The Company has established a medical cannabis dispensary in Fall River, Massachusetts and has the ability to apply for up to two additional such licenses. HHH has entered into host community agreements with the municipalities of Rockland and North Attleborough to allow for the siting of a medical cannabis dispensary, subject to site approval, and is in the process of applying for adult-use licenses from the Massachusetts Cannabis Control Commission.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Hope Heal Health, Inc.	Final Medical Marijuana Treatment Center License	Fall River	11/20/21	Cultivation, manufacturing and processing and it establishes and allows for dispensary operations
Hope Heal Health, Inc.	MC281478	Fall River	06/18/21	Marijuana Cultivator -Tier 4
Hope Heal Health, Inc.	MC281361	Fall River	06/18/21	Marijuana Product Manufacturer
Hope Heal Health, Inc.	MC281337	Fall River	06/18/21	Marijuana Retailer

Before the expiration date, licensees are required to submit a renewal application. While renewals are granted annually, there is no ultimate expiration date 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, Cresco would expect to receive the applicable renewed license in the ordinary course of business. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that licenses will be renewed in the future in a timely manner.

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Massachusetts Dispensary Requirements

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 shall 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. There is no specified numeric maximum amount that a RMD may have on its premises. The Massachusetts Regulations require that RMDs must limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. A RMD shall only dispense to a registered qualifying patient who has a current valid certification.

Massachusetts Security Requirements

A RMD shall 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 all finished marijuana in a secure locked safe or vault; (vi) keeping all equipment, safes, vaults or secured areas securely locked at all times; (vii) ensuring that the outside perimeter of the RMD is sufficiently lit to facilitate surveillance; and (viii) ensuring that all 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 all 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 all 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 shall also maintain a backup alarm system with all of the capabilities of the primary system, and both systems shall be in good working order at all times and shall be inspected and tested on regular intervals.

Massachusetts Transportation

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 725.105(B)(2) of the Massachusetts Regulations; (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 all transport vehicles with a minimum of two dispensary agents. At least one dispensary agent shall remain with the vehicle at all times that the vehicle contains marijuana or MIPs. Prior to leaving the origination location, a RMD must weigh, inventory, and account for, on video, all 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 all delivery times and routes are randomized. Each dispensary agent shall carry his or her Massachusetts department-issued MUMP ID card at all times when transporting marijuana or MIPs and shall produce it to Massachusetts Department 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 Massachusetts Department and local law enforcement within 24 hours. A RMD shall report to the Massachusetts Department and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within 24 hours. A RMD shall retain all transportation manifests for no less than one year and make them available to the Massachusetts Department 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 Massachusetts Department prior to use.

During transit, a RMD shall 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) all 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 at all times that the vehicle contains marijuana or MIPs.

Massachusetts Department Inspections

The Massachusetts Department 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 Massachusetts Department all information that may be relevant to a Massachusetts Department inspection, and the Massachusetts Department 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 Massachusetts Department outlining with particularity each deficiency and the timetable and steps to remediate the same. The Massachusetts Department 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. Adult-use cannabis **"Marijuana Establishment"** are regulated in Massachusetts by the Cannabis Control Commission pursuant to 935 CMR 500.000 et seq. Pursuant to section 500.101(2), RMDs that have received a provisional or final certificate of registration are authorized to apply for a vertically-integrated Marijuana Establishment license on a priority basis over new applicants without a RMD certification. 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 Cannabis Control Commission. 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 and all regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and all 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.

The adult-use license application process commenced on April 1, 2018 for existing RMD license holders and will commence for all non-RMD license holders on July 1, 2018. Existing RMD license holders that timely applied for an adult-use license on or before April 1, 2018 are eligible to receive three adult-use licenses per medical RMD license. Namely, one integrated RMD medical license is eligible, if awarded by the Cannabis Control Commission, to receive three adult-use licenses as follows: one for cultivation, one for processing and one for dispensary. 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.

Maryland

Maryland adopted a comprehensive law legalizing medical cannabis in 2014. The Maryland program will result in a large medical marijuana market as a result of an expansive list of qualifying conditions, less restrictive provisions for obtaining cannabis certifications from doctors, and patient freedom to choose preferred methods of ingestions. The Maryland Medical Cannabis Commission began to sell through dispensaries on December 1, 2017. 14 growers, 12 processors and nine dispensaries have been licensed by the Maryland Medical Cannabis Commission, and on the day sales began, approximately 15,000 people had signed up to be prospective patients. Almost 550 healthcare providers have registered with Maryland to recommend cannabis to their patients. Maryland has a population of over 6 million people.

The Maryland Medical Cannabis Commission (the "**MMCC**") grants medical cannabis grower, processor, dispensary and transportation licenses. A licensee may hold a license in each category to obtain vertical integration. The applicant must first seek pre-approval from the MMCC in order to be granted a license. As part of the pre-approval application, the applicant must submit information related to its operations; safety and security; medical cannabis professionalism; retail management factors; business and economic factors; and other additional factors that may apply.

Maryland Licensing Requirements

In order to become a licensed medical cannabis dispensary, each applicant must submit an application detailing the location of the proposed dispensary, the personal details of each principal officer or director, and operating procedures the dispensary will use. All owners, members, shareholders, officers, and directors of dispensary holding a 5% or greater interest in the company must undergo a criminal and financial background checks. All employee, volunteers and personnel who will be working in the dispensary with access to the non-public areas are required to undergo background checks and register as a dispensary agent with the MMCC.

Maryland Licenses

Cresco entered into a financing and consulting arrangement with AFS Maryland LLC, a former affiliate of AFS (" **AFS Maryland**"). AFS Maryland holds a processing license for medical cannabis issued by the Maryland Medical Cannabis Commission. Under the arrangement, Cresco provides funding and consulting services to support the development and operations of AFS Maryland and will receive interest and fee payments and the right to take assignment of the membership interests of AFS Maryland in lieu of receiving such payments as and when permitted by applicable law. On December 15, 2020, the MMCC unanimously approved the transfer of ownership from AFS Maryland to the Company.

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
AFS Maryland	P-17-00010	Snow Hill	01/03/23	Processor License

Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Maryland Reporting Requirements

Once licensed, the medical cannabis dispensary is required to submit to the MMCC quarterly reports including the following information: (i) the number of patients served; (ii) the county of residence of each patient served; (iii) the medical condition for which medical cannabis was recommended; (iv) the type and amount of medical cannabis dispensed; and (v) if available, a summary of clinical outcomes, including adverse events and any cases of suspected diversion. The medical cannabis dispensary must not include any patient personal information in the quarterly report.

Maryland Inspections

Licensees must be inspected by the MMCC prior to receiving approval from the MMCC to be authorized to begin cultivation, processing, and dispensing. Licensees are eligible to apply to renew their license every two years during which time a full inspection of the facility is performed. Spot-inspections may be performed at the dispensary at any time and without advance notice.

Maryland Safety and Security Requirements

As part of the medical cannabis dispensary application, the applicant must provide information about the dispensary's operating procedures consistent with the oversight regulations established by the MMCC, including the following: (i) storage of cannabis and products containing cannabis only in enclosed and locked facilities; (ii) security features and procedures; (iii) how the dispensary will prevent diversion; and (iv) safety procedures. As part of the safety and security requirements, the applicant must detail how the premises will be constructed to prevent unauthorized entry, including a designation of a secured room that meets high-security requirements. The applicant must describe how it would train all registered dispensary agents on safety procedures, including responding to: (i) a medical emergency; (ii) a fire; (iii) a chemical spill; and (iv) a threatening event including: (a) an armed robbery, (b) an invasion, (c) a burglary, or (d) any other criminal incident.

The applicant must describe its security and surveillance plan with information including the following: (i) an alarm system that covers all perimeter entry points, windows, and portals at the premises that: (a) will be continuously monitored; (b) detects smoke and fire capabilities; (c) detects power loss capabilities; (d) includes panic alarm devices mounted at convenient, readily-accessible locations through the licensed premises; (e) inclusion of a second, independent alarm system to protect where records are stored on-and off-site and where any secure room holds medical cannabis; (f) equipped with auxiliary power to continue operation for at least 48 hours; (ii) a video surveillance that: (a) records continuously for 24 hours per day for 365 days a year without interruption, (b) has cameras in fixed places that allow for the clear facial identification and of activities in the controlled areas of the premises, including where medical cannabis is packaged, tested, processed, stored, or dispensed, (c) has the capability of recording clear images and displays the time and date of the recording, and (d) demonstrates a plan for retention of recordings for at least 30 days.

Following licensure, no major renovation or modification may be undertaken without notification to the MMCC. Other than while the dispensary is open for business and one hour before and one hour after, the medical cannabis inventory must be stored in the secure room.

Maryland Operating Requirements

As part of the dispensary application, the applicant must provide information about the dispensary's operations, including the following: (i) communication systems; (ii) facility odor mitigation; and (iii) back-up systems for all cultivation and processing systems. The applicant must establish a standard operating procedure of all aspects of the receipt, storage, packaging, labelling, handling, tracking, and dispensing of products containing medical cannabis and medical cannabis waste.

In addition, the applicant must provide information about the dispensary's medical cannabis professionalism, including the following information: (i) experience, knowledge, and training in training dispensary agents in the science and use of medical cannabis; and (ii) use of a clinical director (optional).

The applicant must also provide information about the dispensary's retail management operations, including the following: (i) a detailed plan to preserve the quality of the medical cannabis; (ii) a plan to minimize any negative impact on the surrounding community and businesses; (iii) a detailed inventory control plan; and (iv) a detailed medical cannabis waste disposal plan.

The business and economic factors of the dispensary business must also detail the following information: (i) a business plan demonstrating a likelihood of success, demonstrating sufficient business ability and experience on the part of the applicant, and providing for appropriate employee working conditions, benefits, and training; (ii) demonstration of adequate capitalization; and (iii) a detailed plan evidencing how the dispensary will enforce the alcohol and drug free workplace policy.

Additional information the applicant must also provide includes the following: (i) demonstration of Maryland residency among the owners and investors; (ii) evidence that the applicant is not in arrears regarding any tax obligation in Maryland or other jurisdictions; and (iii) the medical cannabis extracts and medical cannabis-infused products proposed to be dispensed with proposed cannabinoid profiles, including varieties with high cannabidiol content, and the varieties of routes of administration.

Maryland Record Keeping and Inventory Tracking

Maryland requires use of a seed-to-sale tracking system operated by METRC. Licensees must create and use a perpetual inventory control system that identifies and tracks the stock of medical cannabis from the time it is delivered or produced to the time it is delivered to a patient or qualified caregiver. The applicant must describe how it will assure the integrity of the electronic manifest and inventory control system and that a cannabis transportation agent will continue the chain of custody to a dispensary agent.

The applicant must retain attendance records and ensure dispensary agents are trained on the record retention and standard operating procedure. MMCC regulators have the authority to audit the records of licensees to ensure they comport with the reporting in METRC.

Maryland Transportation

Only licensed medical cannabis growers, processors and authorized secure transportation companies may transport business-to-business packages containing medical cannabis. Dispensaries are not authorized to pick up medical cannabis products from licensed growers or processors. Owners and employees of secure transportation companies must register as transportation agents with the MMCC by undergoing criminal and financial background checks, and they must carry identification cards evidencing that they hold current registration at all times while in possession of medical cannabis. Transportation agents must possess a current, valid driver's license and may not wear any clothing or symbols that indicate ownership or possession of medical cannabis while on duty. Medical cannabis transport vehicles must be approved by the MMCC and shall display current registration from the state, be insured, and may not display any sign or illustration related to medical cannabis or a licensee.

Electronic manifests must accompany all shipments to record the chain of custody and includes (i) the name and address of the shipping licensee; (ii) the shipping licensee's shipment identification number; (iii) the weight and description of each individual package that is part of the shipment, and the total number of individual packages; (iv) the name of the licensee agent that prepared the shipment; (v) the name and address of the receiving licensee; (vi) any special handling or storage instructions; (vii) the date and time the shipment was prepared; (viii) the date and time the package was placed in the secure transport vehicle; and (ix) a listing of any other people who had custody or control over the shipment, and the person's identity, circumstances, duration and disposition.

Dispensary licensees in Maryland are authorized to perform home delivery directly to patients. To do so, the dispensary must (i) independently verify the patients identification and registration status; (ii) enter the transaction in METRC prior to delivery; (iii) perform the delivery through a registered dispensary agent; and (iv) confirm that the transaction otherwise complies with all other requirements regarding the sale of medical cannabis under applicable regulations. The policy committee of the MMCC recently recommended several changes to the home delivery rules that would require all home delivery be performed using a secure medical cannabis transport vehicle.

Michigan

Michigan Regulatory Landscape

In November 2008, Michigan residents approved the *Michigan Medical Marihuana Act*[36] (the "**MMMA**") to provide a legal framework for a safe and effective medical marijuana program. In September 2016, the Michigan Senate passed the *Medical Marihuana Facilities Licensing Act*[37] (the "**MMFLA**") and the Marihuana Tracking Act[38] (the

36 Michigan Legislature. Initiated Law 1 of 2008. Retrieved from http://www.legislature.mi.gov/(S(2wgqx52pio2mltrnmi13rr0a))/mileg.aspx?page=getObject&objectName=mcl-Initiated-Law-1- of-2008.

37 Michigan Legislature. Act 281 of 2016. Retrieved from http://www.legislature.mi.gov/(S(xy4vurthgtuob3hr0napuhxv))/mileg.aspx?page=getObject&objectName=mcl-Act-281-of-2016.

38 Michigan Legislature. Act 282 of 2016. Retrieved from http://www.legislature.mi.gov/(S(zup32t1bwxxnrdiax0r4ji2p))/mileg.aspx?page=getobject&objectname=mcl-Act-282-of2016&query=on&highlight=marihuana%20AND%20tracking.

"**MTA**" and together with the MMMA and the MMFLA, the " **Michigan Cannabis Regulations**") to provide a comprehensive licensing and tracking scheme, respectively, for the medical marijuana program.[39] Additionally, the Michigan Department of Licensing and Regulatory Affairs and its licensing board ("**LARA**") has supplemented the Michigan Cannabis Regulations with "Emergency Rules" to further clarify the regulatory landscape surrounding the medical marijuana program. LARA is the main regulatory authority for the licensing of marijuana businesses.

Under the MMFLA Michigan administrates five (5) types of "state operating licenses" for medical marijuana businesses: (i) a "grower" license, (ii) a "processor" license, (iii) a "secure transporter" license, (iv) a "provisioning center" license and (e) a "safety compliance facility" license. There are no stated limits on the number of licenses that can be made available on a state level; however, the State has discretion over the approval of applications and municipalities can pass additional restrictions.

On November 6, 2018, Michigan voters approved Proposal 1, to make marijuana legal under state and local law for adults 21 years of age or older and to control the commercial production and distribution of marijuana under a system that licenses, regulates, and taxes the businesses involved. The act will be known as the *Michigan Regulation and Taxation of Marihuana Act* .[40] According to Proposal 1, LARA is required to start accepting applications for retail (recreational) dispensaries within 12 months of the measure's effective date. [41]

On November 13, 2019, the state's Marijuana Regulatory Agency announced that any existing medically licensed businesses would be allowed to sell recreational use cannabis beginning December 1, 2019. In December 2019, the state's Marijuana Regulatory Agency adopted rules for adult-use cannabis.

Michigan License

On March 25, 2019, an affiliate of the Company (the "**Michigan Affiliate**") announced that it had completed the most comprehensive portion of Michigan's application process, being pre-qualified for a cultivation and processing license by the Department of Licensing and Regulatory Affairs Medical Marihuana Licensing Board. The pre-qualification represents the authorization of the entity to move forward with the licensing process for its intended facilities.

On March 4, 2020, the Michigan Affiliate was granted approval to commence manufacturing medical products at its facility in Marshall, Michigan. As the construction of the cultivation part of this location continues, the Michigan Affiliate will seek the necessary inspections and approvals for cultivation. In early January 2021, the Michigan Affiliate submitted all required information to renew this license. The renewal remains pending and the license remains in good standing.

On March 16, 2020, Cresco Michigan received pre-qualification to operate in the adult-use market and received an adult-use processor license on June 22, 2020.

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39 LARA's "Emergency Rules" were filed on May 30, 2018 and updated in September and October 2018. "Department of Licensing and Regulatory Affairs, Bureau of Medical Marihuana Regulation, Medical Marihuana Facilities Licensing Act, Emergency Rules Filed with the Secretary of State." (2018 September 11). Retrieved from https://www.michigan.gov/documents/lara/Medical_Marihuana_Facilities_Licensing_Emergency_Rules_9-7-18_634831_7.pdf.

40 Coalition to Regulate Marijuana Like Alcohol. Initiative Text. Retrieved from https://www.regulatemi.org/initiative/

41 16 Michigan Proposal 1, Marijuana Legalization Initiative (2018). Retrieved from https://ballotpedia.org/Michigan_Proposal_1,_Marijuana_Legalization_Initiative_(2018).

Holding Entity	Permit/License	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Cresco Labs Michigan, LLC	PR-000067	Marshall	03/04/21	Medical Processor License
Cresco Labs Michigan, LLC	AU-P-000127	Marshall	06/22/21	Adult Use Processor License

State operating licenses for marijuana businesses have a 1 year term and are annually renewable if certain conditions are met: (a) the renewal application is submitted prior to the date the license expires, or within sixty (60) days of expiration if all other conditions are met and a late fee is paid, (b) the licensee pays the regulatory assessment fee set by LARA and (c) the licensee continues to meet the requirements to be a licensee under the Michigan Cannabis Regulations. Each renewal application is reviewed by LARA, but there is no guarantee of a timely renewal. There is no ultimate expiry after which no renewals are permitted.

Michigan Regulations

Products may be purchased in a retail setting from a provisioning center by registered qualified patients or registered primary caregivers connected to a registered qualifying patient (each, a "**Michigan Qualified Purchaser**"); in each case, Michigan Qualified Purchasers must present a valid registry identification card issued by LARA (a "**Michigan Registry ID**"). For a Michigan Qualified Purchaser to receive Products, provision centers must deploy an inventory control and tracking system that is capable of interfacing with the statewide monitoring system to determine (a) whether a Michigan Qualified Purchaser holds a Michigan Registry ID and (b) whether the sale or transfer will exceed the then-current daily and monthly purchasing limit for the holder of the Michigan Registry ID.

In order to receive a Michigan Registry ID, an applicant must provide: a completed application dated within one year of submission, a written certification from a physician with a bona-fide physician-patient relationship to the underlying patient, the application or renewal fee, contact information for the patient, caregiver (if applicable) and physician, as well as proof of Michigan residency.

For registered qualifying patients, the daily purchasing limit is 2.5 ounces, and for registered primary caregivers, the daily purchasing limit is 2.5 ounces per underlying registered qualifying patient that the registered primary caregiver is connected with through the registration process. Finally, the licensee shall verify in the statewide monitoring system that the sale or transfer does not exceed the monthly purchasing limit of ten (10) ounces of marijuana product per month to a qualifying patient, either directly or through the qualifying patient's registered primary caregiver.[42]

Allowable forms of medical marijuana includes smokable dried flower, dried flower for vaporizing and marijuana infused products, which are defined under the Act to include topical formulations, tinctures, beverages, edible substances or similar products containing usable marijuana that is intended for human consumption in a matter other than smoke inhalation. Under the Michigan Cannabis Regulations, marijuana-infused products shall not be considered food.

Qualifying conditions for the medical marijuana program in Michigan are the following:

- Cancer, glaucoma, positive status for human immunodeficiency virus, acquired immune deficiency syndrome, hepatitis C, amyotrophic lateral sclerosis, Crohn's disease, agitation of Alzheimer's disease, nail patella or the treatment of these conditions;
- A chronic or debilitating disease or medical condition or its treatment that produces 1 or more of the following: cachexia or wasting syndrome; severe and chronic pain; severe nausea; seizures, including but not limited to those characteristic of epilepsy; or severe and persistent muscle spasms, including but not limited to those characteristic of multiple sclerosis;

42 Michigan Department of Licensing and Regulatory Affairs. Medical Marihuana Regulation, Rule 41: Daily Purchasing Limits; Provisioning Center. Retrieved from https://www.michigan.gov/lara/0,4601,7-154-79571_83994-454569—,00.html.

- Post-Traumatic Stress Disorder (PTSD); and/or
- Any other medical condition or its treatment approved by the department under the Michigan Cannabis Regulations.

In the state of Michigan, only cannabis that is grown and manufactured in the state can be sold in the state.

Reporting Requirements

Pursuant to the requirements of the MTA, Michigan selected Franwell's METRC software as the state's third-party solution for integrated marijuana industry verification. Using METRC, regulators are able to track third party inventory, permissible sales and seed-to-sale information. Additionally, provisioning centers can use the METRC API to connect their own inventory management and/or point-of-sale systems to verify the identity as well as permissible sales for Michigan Qualified Purchasers. [43]

Storage and Security

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

- Maintain and submit a security operations plan that includes the following at a minimum: [44]
  - Escorts for all non-employee personnel in limited access areas.
  - Secure locks for all interior rooms, windows and points of entry and exits with commercial grade, nonresidential door locks.
  - An alarm system. Licensees will make all information related to the alarm system including monitoring and alarm activity available to LARA.
  - A video surveillance system that, at a minimum, consists of digital or network video recorders, cameras, video monitors, digital archiving devices and a color printer capable of delivering still photos.
  - 24-hour surveillance footage with fixed, mounted cameras, tamper/theft proof secured storage mediums and a notification system for interruption or failure of surveillance footage or storage of surveillance footage. All surveillance footage must be of sufficient resolution to identify individuals, have accurate time/date stamps and be stored for a minimum of 14 days unless state regulators notify that such recordings may be destroyed. Surveillance footage must cover:
    - All activity within 20 feet of all points of entry and exit to a facility.
    - Any areas where marijuana products are weighed, packed, stored loaded, and unloaded for transportation, prepared or moved within the marijuana facility.
    - Limited-access areas and security rooms. Transfers between rooms must be recorded.
    - Areas storing a surveillance system storage device with at least 1 camera recording the access points to the secured surveillance recording area.

43 Michigan Department of Licensing and Regulatory Affairs. "LARA—UPDATED—LARA Announces Medical Marihuana Educational Sessions." (2017 October 9). Retrieved from https://www.michigan.gov/lara/0,4601,7-154-10573_11472-449362— ,00.html.

44 Michigan Department of Licensing and Regulatory Affairs. Medical Marihuana Regulation, Rule 27: Security Measures; Required Plan; Video Surveillance System. Retrieved from https://www.michigan.gov/lara/0,4601,7-154-79571_83994-454548— ,00.html.

- All entrances and exists to the building must be recorded from both indoor and outdoor vantage points. The areas of entrance and exit between marijuana facilities at the same location if applicable, including any transfers between marijuana facilities.
- Point of sale areas where Michigan marijuana products are sold and displayed for sale.
- State access to view and obtain copies of any surveillance footage through LARA or related investigators, agents, auditors and/or state police. A facility shall also provide copies of recordings to LARA upon request.
- Logs of the following:
  - The identities of the employee or employees responsible for monitoring the video surveillance system.
  - The identity of the employee who removed the recording from the video surveillance system storage device and the time and date removed.
  - The identity of the employee who destroyed any recording.

- Maintain marijuana storage plan for provisioning centers that includes the following at a minimum:
  - A secured limited access area for inventories of Products.
  - Clearly labeled containers (a) marked, labeled or tagged, (b) enclosed on all sides and (c) latched or locked to keep all contents secured within. All such containers must be identified and tracked in accordance with the MTA.
  - A locked area for chemical and solvents separate from Products.
  - Separation of marijuana-infused products from toxic or flammable materials.
  - A sales or transfer counter or barrier separated from stock rooms to ensure registered qualifying patients or registered primary caregivers do not have direct access to Products

Cresco signed a binding agreement to sell and leaseback its Marshall property. See the " *Significant Events or Milestones*" section, above, for a description of the transaction.

Cresco Compliance Program

Cresco Labs Code of Conduct is based on the Federal Sentencing Guidelines, subsequent guidance from the Office of Inspector General and applicable federal and state laws and regulations.

The Code of Conduct establishes Cresco Labs' expectations for the conduct of all employees. All employees are expected to read, understand, and comply with the Code of Conduct and Company Policies. Employees are expected to raise issues, concerns, and report any violations in good faith and can do so with full confidence in their actions. If an employee does not wish to be identified, independent hotline channels are available through EthicsPoint which is managed by an independent company called Navex Global. Retaliation against a reporting person by anyone is against the law, and a direct violation of the Code of Conduct. Employees are also protected from retaliation for any participation in a company led investigation of possible violations. Cresco Labs is committed to prompt and thorough investigation of any matter that violates the Code of Conduct or any other Policies.

Risk & Control Framework

Cresco continues to work closely with risk and compliance internal and external risk area experts to further develop, enhance and improve its compliance and risk management and mitigation processes and procedures in furtherance of continued compliance with the complex federal and state regulatory frameworks under which Cresco Labs

operations are subject. The internal compliance program currently in place includes continued monitoring by managers and executives of Cresco and its subsidiaries to ensure that all operations conform to and comply with required laws, regulations and operating procedures. Cresco further requires its operating subsidiaries to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

Regulatory Compliance Program

Cresco has developed and continues to refine a robust regulatory compliance program designed to ensure operational requirements continue to be satisfied, and has worked closely with internal and external experts and counsel, ("**Regulatory Counsel**") in every jurisdiction (state and local) in which it operates to assist in the development of standard operating procedures which assist the Company in managing and monitoring its compliance with U.S. state law on an ongoing basis.

The Facility Directors and Regulatory Compliance representatives for each jurisdiction serve as the liaison to state and local regulators during both regular business hours and after hours. The compliance department is responsible for ensuring operations and employees strictly comply with applicable laws, regulations and licensing conditions and ensure that operations do not endanger the health, safety or welfare of the community. The Facility Director and Compliance representative for each location coordinate with each operational unit within each facility to ensure that the operation and all employees are following and complying with Cresco's written security procedures and all regulatory compliance standards.

In conjunction with Cresco's human resources and operations departments, the compliance and quality departments help oversee and implement mandatory training for employees based on their function and role, including on the following topics:

- Compliance with state and local laws
- Dispensing procedures
- Security & safety policies and procedures
- Inventory control procedures
- Seed to Sale Tracking System
- Cultivation, Manufacturing & Quality Control
- Customer Complaints, Returns, & Recalls procedures
- Distribution & Transportation procedures

Cresco's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access Cresco's computerized seed-to-sale system.

Cresco's compliance department and legal team monitors all compliance notifications from the regulators and inspectors in each market to ensure timely resolution of issues identified. The team maintains records of compliance notifications received from the state regulators or inspectors and how and when the issue was resolved. Cresco has a comprehensive set of standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. Cresco maintains accurate records of its inventory at all licensed facilities. Adherence to Cresco's standard operating procedures is mandatory and ensures that Cresco's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements.

In addition to the above disclosure, please see "*Risk Factors*" below for further risk factors associated with the operations of Cresco.

Seed-to-Sale Tracking Software

The Company utilizes state specified and required seed-to-sale tracking platforms that integrates the inventory management program and facilitates the reporting, review, and assurance of continued compliance with state and local requirements. As specified by state requirements and Cresco Labs SOPs, daily, weekly, and monthly inventory counts, as well as random inventory spot checks, are built into routine operations to ensure that physical product inventory reflects the records the inventory management systems.

Product Quality

Cresco labs ensures compliance and the integrity of our products through the implementation of an effective quality management system. Operations follows established processes and quality is measured and monitored to ensure issues are identified and addressed in a timely manner.

RISK FACTORS

MARIJUANA IS ILLEGAL UNDER U.S. FEDERAL LAW AND ENFORCEMENT OF RELEVANT LAWS IS A SIGNIFICANT RISK.

READERS ARE STRONGLY ENCOURAGED TO CAREFULLY READ ALL OF THE RISK FACTORS CONTAINED IN THIS SECTION.

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

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

The following table is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in Staff Notice 51-352 for issuers that currently have marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*General Development of the Business* *Description of the Business - State Level U.S. Cannabis Operations*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Risk Factors*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	Risk Factors – U.S. Federal Regulation Risk Factors – Food and Drug Administration or Bureau of Alcohol, Tobacco, Firearms and Explosives regulation Risk Factors – Variation in State Regulations
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	Risk Factors – Anti-money Laundering Laws and Regulations Risk Factors – Access to Banks Risk Factors – Investments in the United States May be Subject to Heightened Scrutiny Risk Factors – Constraints on Marketing Products Risk Factors – Intellectual Property Risk Factors – Lack of Access to U.S. Bankruptcy Protections Risk Factors – Legality of Contracts Risk Factors – Newly Established Legal Regime Risk Factors – Risk of Civil Asset Forfeiture
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	Risk Factors – Newly Established Legal Regime Risk Factors – Access to Banks
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	**Note: the major operations of the Company are only in the United States**

	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	*Legal advice has been obtained.*
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Description of the Business – State Level U.S. Cannabis Operations*
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	General Development of the Business – United States Industry Background and Trends Description of the Business – State Level U.S. Cannabis Operations Risk Factors – U.S. State Regulatory Uncertainty
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*Description of the Business – State Level U.S. Cannabis Operations – Nevada*
	Provide reasonable assurance through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Cresco is not aware of any non-compliance
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Not applicable.

In accordance with Staff Notice 51-352, Cresco's subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the adult-use and/or medicinal cannabis marketplace in the states of Illinois, Pennsylvania, Ohio, Nevada, Arizona, New York, Massachusetts, Maryland, California and Michigan. In accordance with Staff Notice 51-352, Cresco will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on any license, business activities or operations will be promptly disclosed by the Company.

RISKS ASSOCIATED WITH THE SECURITIES OF THE COMPANY

Founder Voting Control

As a result of the Super Voting Shares, Charlie Bachtell, Joe Caltabiano, Robert Sampson, Dominic Sergi and Brian McCormack (the "**Founders**") exercise approximately 80.3% of the voting power in respect of the Company's outstanding shares. The Subordinate Voting Shares are entitled to one vote per share, the Proportionate Voting Shares are entitled to 200 votes per share (subject to adjustment in accordance with the terms thereof) and the Super Voting Shares are entitled to 2,000 votes per share. As a result, the Founders (and any three of the Founders for certain actions not requiring a 2/3 majority) potentially have the ability to control the outcome of matters submitted to the Company's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Company. Mr. Caltabiano left the Company in March 2020. If the remaining Founders' employment with the Company is terminated or they resign from their positions with the Company, they will continue to have the ability to exercise the same significant voting power. Additionally, each Super Voting Share, may be so transferred to the holder's immediate family members, or in connection with estate or tax planning matters.

In addition, because the number of Super Voting Shares held by a holder thereof from time to time is dependent upon the number of Cresco Redeemable Units (and Cresco Redeemable Shares, if and when issued) beneficially owned, directly or indirectly, or deemed to be so beneficially owned by such holder from time to time, should the Company cause Cresco LLC to issue additional Cresco Redeemable Units or Cresco Redeemable Units in the future to a Founder in connection with employee equity incentive programs, it would prolong the Founder's voting control.

To supplement the rights, privileges, restrictions and conditions attached to the Super Voting Shares, the Company and the Founders, being the initial holders of Super Voting Shares, entered into an investment agreement effective as of the completion of the Business Combination which, among other things, provides that (i) each Super Voting Share will be transferable only to the holder's immediate family members or an affiliated entity or a transfer to the other Founder or an entity affiliated with the other Founder, and (ii) upon any sale of Super Voting Shares to a third party purchaser not listed in clause (i), such Super Voting Shares will immediately be redeemed by the Company for their issue price.

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

As directors and/or officers of the Company, the remaining Founders have control over the day-to-day management and the implementation of major strategic decisions of the Company, subject to authorization and oversight by the Company Board. As board members and/or officers, the remaining Founders owe a fiduciary duty to the Company's shareholders and are obligated to act honestly and in good faith with a view to the best interests of the Company. As shareholders, even controlling shareholders, the Founders are entitled to vote their shares, and shares over which they have voting control, in their own interests, which may not always be in the interests of the Company or the other shareholders of the Company.

Unpredictability Caused by the Capital Structure and Founder Voting Control

Although other Canadian-based companies have dual class or multiple voting share structures, given the concentration of voting control that is held by the Founders and given the other unique features of the capital structure of the Company, including the existence of a significant amount of redeemable equity securities that have been issued by, and are issuable pursuant to the exercise, conversion or exchange of the applicable convertible securities of, Cresco, LLC, which equity securities are redeemable from time to time for Proportionate Voting Shares, in accordance with their terms, the Company is not able to predict whether this structure and control will result in a lower trading price for or greater fluctuations in the trading price of the Subordinate Voting Shares or will result in adverse publicity to the Company or other adverse consequences.

Additional Issuance of Subordinate Voting Shares and Subsidiary Securities May Result in Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Subordinate Voting Shares, and existing shareholders will have no pre-emptive rights in connection with such further issuance. The Company's Board has discretion to determine the price and the terms of further issuances. Moreover, additional Subordinate Voting Shares will be issued by the Company on the conversion of the Proportionate Voting Shares in accordance with their terms. The Company may also issue Subordinate Voting Shares to finance future acquisitions. The Company cannot predict the size of future issuances of Subordinate Voting Shares or the effect that future issuances and sales of Subordinate Voting Shares will have on the market price of the Subordinate Voting Shares. Issuances of a substantial number of additional Subordinate Voting Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Subordinate Voting Shares. With any additional issuance of Subordinate Voting Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its revenue per share.

Additionally, the subsidiaries of the Company, such as Cresco Corp. and Cresco LLC, may issue additional securities, including Cresco Redeemable Shares, Cresco Redeemable Units and LTIP Units to new or existing shareholders, members or securityholders, including in exchange for services performed or to be performed on behalf of such entities or to finance future acquisitions. Any such issuances could result in substantial dilution to the indirect equity interest of the holders of Subordinate Voting Shares in Cresco LLC. Moreover, certain unitholders of Cresco LLC and shareholders of Cresco may sell their securities of Cresco LLC or the Company. The sale of a substantial number of such securities, or the perception in the market that holders of a large number of securities intend to sell securities, could reduce the market price of the Subordinate Voting Shares and could impair the Company's ability to raise capital through the sale of additional equity securities. The effect of any such sales on the prevailing market price of the Subordinate Voting Shares is not predictable.

Additional Financing

The Company expects to require substantial additional capital in the near future to continue operations at its cultivation and production facilities, dispensaries, expansion of its product lines, development of its intellectual property base, increasing production capabilities and expanding its operations in states where it currently operates and states where it currently does not have operations. The Company may not be able to obtain additional financing on terms acceptable to it, or at all. If the Company fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised.

Even if the Company obtains financing for its near-term operations, it expects that it will require additional capital thereafter. The capital needs of the Company will depend on numerous factors including: (i) profitability; (ii) the release of competitive products by competitors; (iii) the level of investment in research and development; and (iv) the amount of our capital expenditures, including acquisitions. There can be no assurance that the Company will be able to obtain capital in the future to meet its needs.

Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to companies in the U.S. cannabis industry. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable.

No Guaranteed Return

There is no guarantee that an investment in the Subordinate Voting Shares will earn any positive return in the short, medium or long term. There is no assurance that holders of the Subordinate Voting Shares will receive cash distributions or any rate of return on, or repayment of, their investment in the Subordinate Voting Shares. In fact, an investor could lose its entire investment in the Subordinate Voting Shares.

Volatile Market Price of the Subordinate Voting Shares and Other Listed Securities

The market price of the Subordinate Voting Shares and other listed securities of the Company from time to time, cannot be predicted and has been and may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Subordinate Voting Shares or such other securities to sell their securities at an advantageous price. Market price fluctuations in the Subordinate Voting Shares or such other securities may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or competitive, regulatory or economic trends, adverse changes in the economic performance or market valuations of companies in the industry in which the Company operates, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments or other material public announcements by the Company or its competitors or government and regulatory authorities, operating and share price performance of the companies that investors deem comparable to the Company, addition or departure of the Company's executive officers and other key personnel, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Subordinate Voting Shares or such other securities.

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

Negative Cash Flow from Operating Activities

The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incurs significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset its costs and operating expenses or if the Company is unable to raise financing to fund capital or operating expenditures or acquisitions, it could limit its growth and may have a material adverse effect upon the Company's business, financial condition, cash flows, results of operations or prospects.

Sales by Existing Shareholders

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time either by existing holders of Subordinate Voting Shares or by holders of Cresco Redeemable Shares (if issued) or Cresco Redeemable Units upon redemption of the same and issuance to such holders of the applicable Proportionate Voting Shares and their subsequent conversion to Subordinate Voting Shares. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares, Proportionate Voting Shares, Cresco Redeemable Shares (if issued) or Cresco Redeemable Units intend to sell Subordinate Voting Shares, could reduce the market price of the Subordinate Voting Shares and other listed securities of the Company from time to time. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

Limited Market for Securities

Notwithstanding that the Subordinate Voting Shares are listed on the CSE, there can be no assurance that an active and liquid market for the Subordinate Voting Shares will develop or be maintained and a Company shareholder may find it difficult to resell any securities of the Company.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Subordinate Voting Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Tax

Canadian federal and provincial and U.S. federal and state tax issues should be taken into consideration prior to investing in the Subordinate Voting Shares. The return on an investor's investment is subject to taxes and to changes in Canadian and U.S. tax laws. There can be no assurance that tax laws, regulations or judicial or administrative interpretations of these laws and regulations will change in a manner that fundamentally alters the tax consequences to investors holding or disposing of the Subordinate Voting Shares.

If you are purchasing the Subordinate Voting Shares outside of Canada, you should consult your own tax advisor for advice for your local jurisdiction.

RISKS ASSOCIATED WITH THE COMPANY'S INDEBTEDNESS

Substantial Indebtedness

In January 2020, the Company borrowed $100 million under the Term Loan. The Term Loan contains a mutual option of the Company and the lenders to increase the Term Loan up to $200 million. In December 2020, the Company refinanced the Term Loan and exercised the mutual option to increase the loan size to $200 million by entering into the Amended Term Loan. As part of the amendment, the maturity date of the loan was extended to January 23, 2023. The Company's substantial indebtedness could have important consequences. For example, it could:

- require the Company to dedicate a substantial portion of available cash flow to pay interest on its outstanding debt, which will reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit flexibility in planning for and reacting to changes in the Company's business and in the industry in which it operates;
- increase the Company's vulnerability to general adverse economic and industry conditions and to deterioration in operating results;
- limit the Company's ability to engage in strategic transactions or implement its business strategies;
- limit the Company's ability to borrow additional funds, or to refinance, repay or restructure its indebtedness; and
- place the Company at a disadvantage compared to any competitors that have less debt.

Any of the factors listed above could materially and adversely affect the Company's business and results of operations.

If the Company does not have sufficient cash flow to service its debt, the Company may be required to refinance all or part of its existing debt, sell assets, borrow more money or sell securities, none of which the Company can guarantee it will be able to do.

The Company may be able to incur significant additional indebtedness in the future. Although the Amended Term Loan contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to important qualifications and exceptions, including an exception for the incurrence of additional indebtedness consented to by the lenders. If the Company incurs new indebtedness, the related risks, including those described above, could intensify.

The Company's Ability to Service its Indebtedness Depends on Factors Beyond its Control

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. As a result, prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond the Company's control, will affect its ability to make payments on its indebtedness.

The required repayment of the Amended Term Loan will be accelerated if, among other things, any governmental authority enforces a prohibition or ban on the Company's business or if certain cannabis-related licenses are revoked, suspended or cancelled without replacement.

If the Company does not generate sufficient cash flow from operations to satisfy its debt service obligations, it may have to pursue alternative financing plans, such as refinancing or restructuring its indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company's ability to refinance or restructure its debt will depend on the capital markets, the prevailing regulatory environment and the Company's financial condition at such time. In addition, the terms of the Amended Term Loan may restrict the Company from adopting some of these alternatives. The Company's inability to generate sufficient cash flow to satisfy its debt service obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect, which could be material, on the Company's business, financial position, results of operations and cash flows.

Restrictive Covenants

The Amended Term Loan contains a number of restrictive covenants imposing significant operating and financial restrictions on the Company and some or all of its subsidiaries, including restrictions that may limit the Company's ability to engage in acts that may be in its long-term best interests.

The Amended Term Loan includes covenants restricting, among other things, the ability of the Company and its subsidiaries to:

- incur or guarantee additional debt;
- pay dividends or make redemptions, repurchases or distributions, with respect to equity interests;
- create or incur liens;
- make loans or investments;
- engage in mergers, acquisitions, amalgamations, asset sales and sale and leaseback transactions other than those specified in the Amended Term Loan; and
- engage in transactions with affiliates.

These restrictions are subject to important exceptions. In addition, the Company must maintain a minimum cash balance.

The operating and financial restrictions and covenants in the Amended Term Loan and any future financing agreements may adversely affect the Company's ability to finance future operations or capital needs or to engage in other business activities. If a default occurs under the Amended Term Loan the lenders may, subject to certain cure periods, elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable and enforce their security interest. If the Company were unable to repay outstanding borrowings when due, the lenders would have the right to proceed against the collateral granted to them to secure the Amended Term Loan.

RISKS ASSOCIATED WITH THE BUSINESS OF THE COMPANY

COVID-19 Pandemic

The novel coronavirus commonly referred to as "COVID-19" was identified in December 2019 in Wuhan, China. On January 30, 2020, the World Health Organization declared the outbreak a global health emergency, and on March 11, 2020, the spread of COVID-19 was declared a pandemic by the World Health Organization. On March 13, 2020, the spread of COVID-19 was declared a national emergency by President Donald Trump. On February 24, 2021, President Joseph Biden published in the Federal Register and transmitted to the United States Congress a notice stating that the national emergency would continue in effect beyond March 1, 2021. The outbreak has spread throughout the world, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel and gathering restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

The rapid development of the COVID-19 pandemic and the measures being taken by governments and private parties to respond to it are extremely fluid. While the Company has continuously sought to assess the potential impact of the pandemic on its financial and operating results, any assessment is subject to extreme uncertainty as to probability, severity and duration. The Company has attempted to assess the impact of the pandemic by identifying risks in the following principle areas:

- **Mandatory Closure.** In response to the pandemic, many states and localities have implemented mandatory shut-downs of business to prevent the spread of COVID-19. Subsequently, the Company's business was deemed an "essential service", permitting the Company's operations to stay open despite the mandatory closure of non-essential businesses. More recently, the mandatory closure that impacted the Company's operations were lifted, and the Company resumed full operations, albeit subject to various COVID-19 related precaution. The Company's ability to generate revenue would be materially impacted by any future shut down of its operations.
- **Customer Impact.** While the Company has not noticed an overall downturn in demand for its products in connection with the pandemic, if its customers become ill with COVID-19, are forced to quarantine, decide to self-quarantine or not to visit its dispensaries or distribution points to observe "social distancing", it may have a material negative impact on demand for its products while the pandemic continues. While the Company is seeking to implement measures, where permitted, such as "curb side" sales and delivery, to reduce infection risk to its customers, regulators may not permit such measures, or such measures may not prevent a reduction in demand.
- **Supply Chain Disruption.** The Company relies on third party suppliers for equipment and services to produce its products and keep its operations going. If its suppliers are unable to continue operating due to mandatory closures or other effects of the pandemic, it may negatively impact its own ability to continue operating. At this time, the Company has not experienced any failure to secure critical supplies or services. However, disruptions in our supply chain may affect our ability to continue certain aspects of the Company's operations or may significantly increase the cost of operating its business and significantly reduce its margins.

- **Staffing Disruption.** The Company is, for the time being, implementing among its staff where feasible "social distancing" measures recommended by such bodies as the Center of Disease Control, the Presidential Administration, as well as state and local governments. The Company has cancelled nonessential travel by employees, implemented remote meetings where possible, and permitted all staff who can work remotely to do so. For those whose duties require them to work on-site, measures have been implemented to reduce infection risk, such as reducing contact with customers, mandating additional cleaning of workspaces and hand disinfection and providing masks and gloves to certain personnel. Nevertheless, despite such measures, the Company may find it difficult to ensure that its operations remain staffed due to employees falling ill with COVID-19, becoming subject to quarantine, or deciding not to come to come to work on their own volition to avoid infection. At certain locations, the Company has experienced increased absenteeism due to the pandemic. If such absenteeism increases, the Company may not be able, including through replacement and temporary staff, to continue to operate in some or all locations.
- **Regulatory Backlog.** Regulatory authorities, including those that oversee the cannabis industry on the state level, are heavily occupied with their response to the pandemic. These regulators as well as other executive and legislative bodies in the states in which we operate may not be able to provide the level of support and attention to day-to-day regulatory functions as well as to needed regulatory development and reform that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Company's business by delaying such activities as product launches, facility openings and business acquisitions, thus materially impeding development of its business.
- **Limited Availability of Vaccine.** On March 2, 2021, President Biden stated that the US will have sufficient COVID-19 vaccine supply for all adults by the end of May 2021. Actual delivery of the vaccines to individuals, however, is controlled by state and local governments using various prioritization criteria and states continue to impose activity limitations and other precautions on businesses during this period until the vaccine is widely disseminated. In addition, there can be no assurance of when the Company's employees in any particular jurisdiction will be able to access the vaccine. Moreover, there can be no assurance that all employees will choose to avail themselves of the vaccine or, if so, when they will choose to do so. The same applies to the Company's patients, customers, regulators, and suppliers. Consequently, the COVID-19 risk factors described above continue to be applicable.

The Company is actively addressing the risk to business continuity represented by each of the above factors through the implementation of a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. The above risks individually or collectively may have a material impact on the Company's ability to generate revenue. Implementing measures to remediate the risks identified above may materially increase our costs of doing business, reduce our margins and potentially result in losses. While the Company is not currently in financial distress, if the Company's financial situation materially deteriorates as a result of the impact of the pandemic, the Company could eventually be unable to meet its obligations to third parties, including observing financial covenants under the Amended Term Loan. See the "*Risk F*actors – Substantial Indebtedness" and "Risk Factors – Restrictive Covenants" sections, above for greater detail.

U.S. Federal Regulation

MARIJUANA IS ILLEGAL UNDER U.S. FEDERAL LAW AND ENFORCEMENT OF RELEVANT LAWS IS A SIGNIFICANT RISK.

The Company could be found to be violating laws related to medical cannabis. For an overview of the U.S. cannabis regulatory environment, see the "*Description of the Business – United States Regulatory Environment* " section, above. Below is a summary of the potential risks related to federal and state level laws related to the operations of the Company.

Risk of U.S. Federal Law Proceedings Against the Company

Potential proceedings under U.S. federal law could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets. However, as of the date hereof, the Company has obtained legal advice in respect thereof that proceedings of this nature have historically been sufficiently uncommon to be characterized as remote absent a shift by federal authorities to a more aggressive enforcement approach. The Company has also received advice from its legal counsel regarding the potential exposure and implications arising from U.S. federal law generally. As the legal landscape at both the U.S. federal level and the state level is evolving, all such legal advice is historical in nature, and is only effective up to the date such advice was received.

Following the issuance of the Sessions Memo and the Barr Comments, the Company continues to look to the guidelines of the Cole Memo as an industry best practice and continues to do the following to ensure compliance with the Cole Memo:

- ensuring the operations of its subsidiaries are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Company retains appropriately experienced legal counsel and other professionals to conduct the necessary due diligence to ensure compliance of such operations with all applicable;
- the activities relating to the cannabis business adhere to the scope of the licensing obtained. Accordingly, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult-use, the products are only sold to individuals who meet the requisite age requirements;
- the Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and
- the Company conducts reviews of products and product packaging to ensure that the 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.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under U.S. federal law. For the reasons described above and the risks further described below, there are significant risks associated with the business of the Company.

Food and Drug Administration or Bureau of Alcohol, Tobacco, Firearms and Explosives Regulation

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the Food and Drug Administration would seek to regulate cannabis under the Food, Drug and Cosmetics Act of 1938. Additionally, the Food and Drug Administration may issue rules and regulations, including good manufacturing practices, related to the growth, cultivation, harvesting, processing and labeling of medical cannabis. Clinical trials may be needed to verify the efficacy and safety of cannabis. It is also possible that the Food and Drug Administration would require facilities where medical use cannabis is grown to register with the Food and Drug Administration and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including the costs, requirements and possible prohibitions that may be enforced. If we are unable to comply with the potential regulations or registration requirements prescribed by the Food and Drug Administration, it may have an adverse effect on our business, prospects, revenue, results of operation and financial condition.

It is also possible that the federal government could seek to regulate cannabis under the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives. The Bureau of Alcohol, Tobacco, Firearms and Explosives may issue rules and regulations related to the use, transporting, sale and advertising of cannabis or cannabis products, including smokeless cannabis products.

Variation in State Regulations

Variations in state and local regulation, and enforcement in states that have legalized medical cannabis, may restrict marijuana-related activities, including activities related to medical cannabis, which may negatively impact our revenues and prospective profits.

The marijuana laws of each state are not necessarily consistent with those of other states. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Despite the current state of the federal law and the CSA, the states of Arizona, California, Nevada, Massachusetts, Maine, Michigan, New Jersey, Illinois, South Dakota, Montana, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Maine has not yet begun recreational cannabis commercial operations as of December 31, 2020. During the November 2020 election, voters in Arizona, New Jersey, South Dakota, and Montana passed an adult-use marijuana measure to allow for the sale of recreational marijuana in the state. South Dakota and Mississippi voters passed initiatives to allow medical marijuana. In early 2018, Vermont became the first state to legalize recreational cannabis by passage in a state legislature but does not allow commercial sales of recreational cannabis. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, provided that there are strict limits on the levels of THC. However, 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. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect our business and our revenue and profits.

The Company is in compliance with, and has obtained legal advice in respect of its compliance with, U.S. state laws and the related licensing framework of Illinois, Pennsylvania, Ohio, Nevada, California, Arizona, Maryland, New York, Massachusetts and Michigan, applicable to its respective business operations.

Change of Cannabis Laws

It is possible that U.S. federal or state legislation could be enacted in the future that would prohibit the Company from selling cannabis and cannabis products, and if such legislation were enacted, the Company's revenues could decline, leading to a loss of shareholder investment. Additionally, it is possible that regulatory bodies could impose new restrictions on our ability to operate in the U.S., which could lead to a loss of shareholder investment.

U.S. State Regulatory Uncertainty

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

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

The Company is aware that proportionate states are considering special taxes or fees on businesses in the marijuana industry. Illinois has, for example, imposed a license transfer surtax. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

The Company is required to obtain or renew government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of funds, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

Risk of Legal, Regulatory or Political Change

Delays in enactment of new state or U.S. federal regulations could restrict the ability of the Company to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Company is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Company, and thus, the effect on the return of investor capital, could be detrimental. The Company is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the marijuana industry. Federal actions against individuals or entities engaged in the marijuana industry or a repeal of applicable marijuana related legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

The commercial medical and adult-use marijuana industry is in its infancy and the Company anticipates that such regulations will be subject to change as the jurisdictions in which the Company does business matures. The Company has in place a detailed compliance program with dedicated staff who oversee, maintain, and implement the compliance program and personnel. In addition to the Company's robust legal and compliance departments, the Company also has local regulatory/compliance counsel engaged in every jurisdiction in which it operates. The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Additionally, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to regulation in the marijuana industry.

Overall, the medical and adult-use marijuana industry is subject to significant regulatory change at both the state and federal level. The inability of the Company to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

WARNING TO CANADIAN INVESTORS—*Canadian Investors May be Barred from Entering the U.S.*

Todd Owen, former executive assistant commissioner for the Office of Field Operations of the U.S. Customs and Border Protection Agency ("**CBP**") has stated that Canadians who work in the marijuana industry and those who invest in the cannabis sector risk a lifetime ban on travel to the U.S. The CBP will continue to apply long-standing U.S. federal laws and regulations that treat marijuana as a banned substance and participants in the cannabis industry as drug traffickers who are inadmissible into the U.S. Although some U.S. states have eased marijuana laws, the U.S. continues to maintain a federal prohibition that applies at the border. CBP officials are not planning to go out of their way to interrogate every Canadian traveler about marijuana use. However, other factors may cause them to raise the topic. In July 2018, a venture-capitalist from Vancouver, British Columbia who had invested more than $100,000 into legal American cannabis companies, was denied entry to the U.S. and barred from future entry as his investments were deemed to be assisting and abetting in the illicit trafficking of drugs.

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 cannabis industry in U.S. states where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Company), who are not United States citizens face the risk of being barred from entry into the United States for life. As described above, on October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

Internal Controls

The failure to implement and maintain proper and effective internal controls and disclosure controls could result in material weaknesses in the Company's financial reporting, such as errors in its financial statements and in the accompanying footnote disclosures that could require restatements. Investors may lose confidence in the Company's reported financial information and disclosure, which could negatively impact its share price.

The Company does not expect that its internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Global Economic Conditions

The Company's business, financial condition, results of operations, and cash flow have been, and may in the future be, negatively impacted by challenging global economic conditions.

A global economic slowdown would cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and declining consumer and business confidence, which can lead to decreased levels of consumer spending. These macroeconomic developments have and could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or it may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on the business, financial condition, results of operations, and cash flow of the Company.

Limited Operating History

As a high growth enterprise, Cresco does not have a history of profitability. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Difficulty in Recruiting and Retaining Management and Key Personnel

The Company's future success depends on its key executive officers and its ability to attract, retain, and motivate qualified personnel.

Future success largely depends upon the continued services of the Company's executive officers and management team. If one or more of the executive officers are unable or unwilling to continue in their present positions, replacements may not be readily available, if at all. Additionally, the Company may incur additional expenses to recruit and retain new executive officers. If any of the executive officers joins a competitor or forms a competing corporation, we may lose some or all of our customers. Finally, we do not maintain "key person" life insurance on any of our executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect our business, financial condition, and results of operations, and thereby an investment in the Subordinate Voting Shares.

The continuing ability to attract and retain highly qualified personnel will also be critical to the reporting issuer's success because it will need to hire and retain additional personnel as the business grows. There can be no assurance that highly qualified personnel will be retained or available. Due to the competition for skilled personnel in the U.S. cannabis industry, it is more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, the Company may not be able to effectively manage or grow its business, which could adversely affect its financial condition and the value of any investment in the Company could be significantly reduced or completely lost.

Unreliability of Forecasts

Any forecasts made by the Company about its operations may prove to be inaccurate. The Company must, among other things, determine appropriate risks, rewards, and level of investment in its product lines, respond to economic and market variables outside of its control, respond to competitive developments and continue to attract, retain, and motivate qualified employees. There can be no assurance that the Company will be successful in meeting these challenges and addressing such risks and the failure to do so could have a materially adverse effect on our business, results of operations, and financial condition. The prospects of the Company must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in the early stage of development. As a result of these risks, challenges, and uncertainties, the value of any investment in the Company could be significantly reduced or completely lost.

Managing Growth

The Company may not be able to effectively manage its growth or improve its operational, financial, and management information systems, which would impair its results of operations.

In the near term, the Company intends to expand the scope of its operations and activities significantly. If it is successful in executing its business plan, it will experience growth that could place a significant strain on its business operations, finances, management, and other resources. The factors that may place strain on the Company's resources include, but are not limited to, the following:

1. the need for continued development of financial and information management systems;

2. the need to manage strategic relationships and agreements with manufacturers, customers, and partners; and

3. difficulties in hiring and retaining skilled management, technical, and other personnel necessary to support and manage the business.

Additionally, the strategy of the Company envisions a period of rapid growth that may impose a significant burden on its administrative and operational resources. The ability to effectively manage growth will require it to substantially expand the capabilities of its administrative and operational resources and to attract, train, manage, and retain qualified management and other personnel. There can be no assurance that the Company will be successful in recruiting and retaining new employees, or retaining existing employees.

The Company cannot provide assurances that its management will be able to manage this growth effectively and the failure to successfully manage growth could result in its sales not increasing commensurately with capital investments or otherwise materially adversely affecting the business, financial condition, or results of operations.

Inability to Innovate and Find Efficiencies

If the Company is unable to continually innovate and increase efficiencies, our ability to attract new customers may be adversely affected. In the area of innovation, the Company must be able to develop new technologies and products that appeal to its customers. This depends, in part, on the technological and creative skills of the Company's personnel and on our ability to protect our intellectual property rights. The Company may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Website

Prospective customers may be deterred from doing business with the Company with a significant nationwide online presence because of fears of U.S. federal or state enforcement of laws prohibiting possession and sale of medical or adult-use marijuana.

The Company's website is visible in jurisdictions where medicinal and/or adult-use of marijuana is not permitted and, as a result, the Company may be found to be violating the laws of those jurisdictions. The Company could lose potential customers as they could fear federal prosecution for buying its marijuana, reducing its revenue.

Operational Risk

The Company will be affected by a number of operational risks and it may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Reliance on Third-Party Suppliers, Manufacturers and Contractors; Reliance on Key Inputs

The Company's business is dependent on a number of key inputs from third parties and their related costs including raw materials and supplies related to its cultivation and production operations, as well as electricity, water and other local utilities. Due to the uncertain regulatory landscape for regulating cannabis in the U.S., the Company's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for

the Company's operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs from third parties could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers in the future. If the Company becomes reliant upon a sole source supplier and it was to go out of business or suspend services the Company might be unable to find a replacement for such source in a timely manner or at all. Similarly, if any future sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Additionally, any supplier could at any time suspend or withdraw services. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition and operating results.

Revenue Shortfalls

Revenue shortfalls from budget may result from lower than expected sales volume, sale price and/or inventory due to inadequate marketing or lower than expected market stimulation. Average sales prices may be less than budgeted due to aggressive competitor pricing below the Company's prices.

Failure to Complete Acquisitions

The Company currently expects to complete certain transactions in the future. These acquisitions are subject to a number of customary closing conditions including in certain instances, regulatory approval and may not close for a variety of reasons including if the closing conditions are not satisfied or waived, some of which may not be within the control of the Company. In addition, even if these transactions were to be completed, they may not close on terms or within the timing currently expected, and there can be no assurance that the Company's business will ultimately benefit from these transactions. The Company's acquisition strategy may result in the Company failing to realize the growth opportunities and synergies currently anticipated due to, among other things, challenges associated with integration of the operations and personnel of the Company with potential acquisition targets and the ability of the combined company to attract capital.

If one or more of these transactions do not close or are completed pursuant to terms or timelines different than expected, it could have an adverse effect on the Company's future capital plans and require the Company to reallocate funds. Failure to complete the Company's proposed or contemplated acquisitions could have a material adverse effect on the Company's business, financial condition and results of operations.

Permits and Authorizations

The Company may be able to obtain or maintain the necessary licenses, permits, authorizations, or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the medical marijuana industry. Failure to comply with or to obtain or maintain the necessary licenses, permits, authorizations, or accreditations could result in restrictions on our ability to operate the medical marijuana business, which could have a material adverse effect on our business.

Potential for Conflict of Interest

All decisions to be made by such directors and officers involving the Company are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Company. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on any matter in which they may have a material conflict of interest. For a description of certain risks associated with the Company's dual class voting structure, see "*Founder Voting Control*".

Certain of the Company's directors and officers are, and may continue to be, or may become, involved in other business ventures through their direct and indirect participation in, among other things, corporations, partnerships and joint ventures, that are or may become competitors of the products and services the Company provides or intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other

interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in a contract or transaction or a proposed contract or transaction with the Company that is material to the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. This does not impact the directors and officers obligation to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

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

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

Intellectual Property

If the Company fails to protect its intellectual property, its business could be adversely affected. Viability will depend, in part, on the Company's ability to develop and maintain the proprietary aspects of its technology to distinguish its products from its competitors' products. The Company relies on copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect our intellectual property.

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

Any infringement or misappropriation of the Company's intellectual property could damage its value and limit its ability to compete. The Company may have to engage in litigation to protect the rights to its intellectual property, which could result in significant litigation costs and require a significant amount of its time. In addition, the Company's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the U.S., which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Company.

Competitors may also harm the Company's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Company does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue.

The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time- consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

Although the Company believes that its technology does not and will not infringe upon the patents or violate the proprietary rights of others, it is possible such infringement or violation has occurred or may occur, which could have a material adverse effect on the business.

The Company is not aware of any infringement by it of any person's or entity's intellectual property rights. In the event that products sold by the Company are deemed to infringe upon the patents or proprietary rights of others, the Company could be required to modify its products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that the Company would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon the Company's business.

There can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. If the Company's products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, the Company could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on the Company's business and its financial condition.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology (" **IT**") systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. While the Company has a formal CyberSecurity Program led by Senior Vice President of IT Security, the Company's risk and exposure to these matters cannot be fully mitigated primarily due to the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remains a priority. As cyber threats continue to evolve, the Company will expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Trade Secrets

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

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

Lack of Access to U.S. Bankruptcy Protections

Because the use of cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Fluctuations in Currency Exchange Rates

Fluctuations in currency exchange rates may significantly and adversely impact Cresco's financial position and results. Cresco does not have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

Insurance Coverage

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. Cresco is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Company's business.

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

The Company's insurance coverage may be inadequate to cover all significant risk exposures as it will be exposed to liabilities that are unique to the products we provide. While the Company intends to maintain insurance for certain risks, the amount of its insurance coverage may not be adequate to cover all claims or liabilities, and it may be forced to bear substantial costs resulting from risks and uncertainties of its business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain adequate insurance coverage on terms favorable to the Company, or at all, could have a material adverse effect on its business, financial condition, and results of operations. The Company has business interruption insurance. However, a significant business disruption or natural disaster could result in substantial costs and diversion of resources.

Anti-money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations domestically and in the U.S. 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*), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada.

In February 2014, the FinCEN of the Treasury Department issued a memorandum (the " **FinCEN Memo**") providing instructions to banks seeking to provide services to marijuana-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to marijuana-related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that then Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of money laundering offenses predicated on marijuana-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 Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its common shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risk of Civil Asset Forfeiture

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

Investments in the United States May be Subject to Heightened Scrutiny

For the reasons set forth above, the Company's existing operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Government policy changes or public opinion may also result in a significant influence over the regulation of the marijuana industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical marijuana in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical marijuana, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Constraints on Marketing Products

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

Settlements of Trades

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

Environmental Risk and Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its current or proposed production, manufacturing or sale of marijuana or marijuana products or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production, manufacturing or sale of marijuana or marijuana products, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production or manufacturing costs or reduction in levels of production, manufacturing or sale or require abandonment or delays in development.

Access to Banks

The Company may have difficulty accessing the service of banks, which may make it difficult for it to operate.

Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues. The inability to open or maintain bank accounts or take credit cards may make it difficult for us to operate our contemplated medical marijuana businesses.

Legality of Contracts

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

Holding Company

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

Unfavorable Tax Treatment of Cannabis Businesses

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

United States Tax Classification of the Company

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

The Company intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the ITA) for

Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations. The Company may not qualify for certain U.S.-Canada income tax treaty benefits, which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Company will pay any dividends on the 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 U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

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

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

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

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

Consumer Acceptance of Marijuana

We are dependent on the popularity of consumer acceptance of Cresco product lines.

The Company's ability to generate revenue and be successful in the implementation of the Company's business plan is dependent on consumer acceptance and demand of Cresco products. Acceptance of Cresco products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If these customers do not accept Cresco products, or if such products fail to meet customers' needs and expectations adequately, our ability to continue generating revenues could be reduced.

A drop in the retail price of medical marijuana products may negatively impact the business.

The demand for Cresco products depends in part on the price of commercially-grown marijuana. Fluctuations in economic and market conditions that impact the prices of commercially-grown marijuana, such as increases in the supply of such marijuana and the decrease in the price of products using commercially-grown marijuana, could cause the demand for marijuana products to decline, which would have a negative impact on our business.

Security Risks

As cash businesses, the premises of the marijuana dispensaries are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. In the event of robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Company.

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

Risk of Litigation

If the Company incurs substantial liability from litigation, complaints, or enforcement actions, its financial condition, business and results of operation could suffer.

The Company's participation in the medical marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various U.S. federal, state, or local governmental authorities against the Company or its subsidiaries. Litigation, complaints, and enforcement actions involving the Company or its subsidiaries could consume considerable amounts of financial and other corporate resources, which could have a negative impact on our sales, revenue, profitability, and growth prospects. The Company's subsidiaries are presently engaged in the distribution of marijuana, however, neither the Company nor its subsidiaries are currently, subject to any litigation, complaint or enforcement action regarding marijuana brought by any U.S. federal, state, or local governmental authority with respect to the business.

From time-to-time in the normal course of business operations, the Company may become subject to litigation that may result in liability material to its financial statements as a whole or may negatively affect its operating results if changes to its business operations are required. The cost to defend such litigation may be significant and may require a diversion of resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of the business, regardless of whether the allegations are valid or whether the Company is ultimately found liable. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of the Company's insurance coverage for any claims could adversely affect its business and the results of operations.

Risks Inherent in an Agricultural Business

The Company's business involves the growing of medical and adult-use 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. Although the Company expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Vulnerability to Rising Energy Costs

Adult-use and medical marijuana growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Company.

Reliance on License

The Company's ability to cultivate, store, produce and distribute medical and adult-use marijuana products in Illinois, Pennsylvania, Ohio, Nevada, Arizona, Massachusetts, Maryland, Michigan, California and New York is dependent on maintaining its licenses in good standing with each applicable State regulator. Failure to comply with the requirements of any of its licenses or any failure to maintain any of the licenses would have a material adverse impact on the business, financial condition and operating results of the Company. The Company's (or its subsidiaries) licenses related to its ability to cultivate, store, produce and distribute medical and adult-use marijuana products (as applicable) in Illinois, Pennsylvania, Ohio, Nevada, Arizona, Massachusetts, Maryland, Michigan, California and New York are currently in good standing.

Product Liability

As a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that Cresco'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 Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. Although the Company has secured product liability insurance, and strictly enforces a quality standard within the operations, there can be no assurances that the Company will be able to maintain its product liability insurance on acceptable terms or with adequate coverage against potential liabilities. This scenario could prevent or inhibit the commercialization of the Company's potential products. To date, there have been no product related issues.

Product Recalls

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

Regulatory or Agency proceedings, Investigations and Audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Newly Established Legal Regime

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

General Economic Risks

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

DIVIDENDS AND DISTRIBUTIONS

It is contemplated by the Company that it will reinvest all future earnings in order to finance the development and growth of its business. As a result, it is not contemplated that dividends will be paid on the Subordinate Voting Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Company's Board and will be made in accordance with applicable law and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Company's Board deems relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Subordinate Voting Shares, an unlimited number of Proportionate Voting Shares and an unlimited number of Super Voting Shares. As of March 26, 2021, the outstanding share capital of the Company consists of: (i) 220,350,171 Subordinate Voting Shares; (ii) 137,405 Proportionate Voting Shares (which includes securities to be issued in connection with an acquisition and are convertible on a 1:200 basis into 27,480,982 Subordinate Voting Shares); (iii) 500,000 Super Voting Shares; and 639 Special Subordinate Voting Shares (as-converted to SVS).

Summary of Share Provisions

Subordinate Voting Shares

Right to Notice and Vote	Holders of Subordinate Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share held.
Class Rights & Right of First Refusal	As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.
Dividends	Holders of Subordinate Voting Shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares shall, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Subordinate Voting Shares (including, without restriction, the Super Voting Shares) be entitled to participate ratably along with all other holders of Subordinate Voting Shares, Special Subordinate Voting Shares (on an as converted to Subordinate Voting Shares basis) and the Proportionate Voting Shares (on an as converted to Subordinate Voting Shares basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, the Special Subordinate Voting Shares, the Proportionate Voting Shares and the Super Voting Shares are subdivided or consolidated in the same manner or such other adjustment is made so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	In the event that an offer is made to purchase Proportionate Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules or conditions of listing of a stock exchange on which the Proportionate Voting Shares are then listed, to be made to all or substantially all the holders of Proportionate Voting Shares in a given province or territory of Canada to which these requirements apply, each Subordinate Voting Share shall become convertible at the option of the holder into Proportionate Voting Shares at the inverse of the Conversion Ratio then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Subordinate Voting Shares for the purpose of depositing the resulting Proportionate Voting Shares pursuant to the offer, and for no other reason. In such event, the Company's transfer agent shall deposit the resulting Proportionate Voting Shares on behalf of the holder. Should the Proportionate Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Proportionate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Company or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.

Take-Over Bid Protection

In the event that a take-over bid is made for the Super Voting Shares, the holders of Subordinate Voting Shares will not be entitled to participate in such offer and may not tender their shares into any such offer, whether under the terms of the Subordinate Voting Shares or under any coattail trust or similar agreement.

The Founders have entered into an investment agreement with the Company whereby, upon any sale of Super Voting Shares to a third party purchaser that is not the holder's immediate family members or an affiliated entity or a transfer to the other Founder or an entity affiliated with the other Founder, such Super Voting Shares will immediately be redeemed by the Company for their issue price. See "*Super Voting Shares – Investment Agreement*" below.

Additionally, as noted above, the Company's articles entitle the holders of Subordinate Voting Shares to convert to Proportionate Voting Shares and tender to any take-over bid made solely to the holders of Proportionate Voting Shares.

Proportionate Voting Shares

Right to Vote	Holders of Proportionate Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Proportionate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Proportionate Voting Share could ultimately then be converted, which for greater certainty, shall initially be equal to 200 votes per Proportionate Voting Share (subject to adjustment at the discretion of the Company Board, depending upon the ratios necessary to preserve foreign private issuer status).
Class Rights	As long as any Proportionate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Proportionate Voting Shares and Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Proportionate Voting Shares. Consent of the holders of a majority of the outstanding Proportionate Voting Shares and Super Voting Shares shall be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Proportionate Voting Shares. In connection with the exercise of the voting rights for the foregoing only, each holder of Proportionate Voting Shares will have one vote in respect of each Proportionate Voting Share held.
Rights to Subscribe; Pre-Emptive Rights	The holders of Proportionate Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company.
Dividends	The holder of Proportionate Voting Shares shall have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted basis, assuming conversion of all Proportionate Voting Shares into Subordinate Voting Shares) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend will be declared or paid on the Proportionate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Proportionate Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Proportionate Voting Shares (including, without restriction, the Super Voting Shares), be entitled to participate ratably along with all other holders of Proportionate Voting Shares (on an as-converted to Subordinate Voting Share basis) and the Subordinate Voting Shares.
Changes	No subdivision or consolidation of the Proportionate Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, the Proportionate Voting Shares and the Super Voting Shares are subdivided or consolidated in the same manner or such other adjustment is made so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Conversion	The Proportionate Voting Shares each have a restricted right to convert into 200 Subordinate Voting Shares (the "**Conversion Ratio**"), subject to adjustments for certain customary corporate changes and foreign private issuer considerations. The ability to convert the Proportionate Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares, Proportionate Voting Shares and Super Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the *Securities Exchange Act of 1934*, as amended), may not exceed forty percent (40%) (subject to adjustment) of the aggregate number of Subordinate Voting Shares, Proportionate Voting Shares and Super Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. In addition, the Proportionate Voting Shares will be automatically converted into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under the *United States Securities Act of 1933*, as amended.

Super Voting Shares

Right to Vote	Holders of Super Voting Shares shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting holders of Super Voting Shares shall be entitled to 2,000 votes in respect of each Super Voting Share held *provided that,* if at any time the aggregate number of issued and outstanding (i) Cresco Redeemable Shares in the capital of Cresco (if applicable) and (ii) Cresco Redeemable Units in the capital of Cresco (or such securities of any successor to Cresco Corp or Cresco as may exist from time to time) beneficially owned, directly or indirectly by a holder of the Super Voting Shares (the "**Holder**") and the Holder's predecessor or transferor, permitted transferees and permitted successors, and any prior transferor's transferor and any prior permitted transferee's permitted transferee (the "**Holder's Group**"), divided by the aggregate number of (i) Cresco Redeemable Shares (if applicable) and (ii) Cresco Redeemable Units beneficially owned, directly or indirectly by the Holders and the Holder's Group as at the date of completion of the business combination transaction involving, among others, the Company, Cresco Corp and Cresco be less than 50% (the "**Triggering Event**"), the Holder shall from that time forward be entitled to 50 votes in respect of each Super Voting Share held. The holders of Super Voting Shares shall, from time to time upon the request of the Company, provide to the Company evidence as to such holders' direct and indirect beneficial ownership (and that of its permitted transferees and permitted successors) of Cresco Redeemable Shares (if applicable) and Cresco Redeemable Units to enable the Company to determine the voting entitlement of the Super Voting Shares. For the purposes of these calculations, a Holder shall be deemed to beneficially own Cresco Redeemable Shares (if applicable) held by an intermediate company or fund in proportion to their equity ownership of such company or fund.
Class Rights	As long as any Super Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Super Voting Shares. Consent of the holders of a majority of the outstanding Super Voting Shares shall be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Super Voting Shares. In connection with the exercise of these voting rights, each holder of Super Voting Shares will have one vote in respect of each Super Voting Share held.
Rights to Subscribe; Pre-Emptive Rights	The holders of Super Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company not convertible into Super Voting Shares, now or in the future.
Dividends	The holders of the Super Voting Shares shall not be entitled to receive dividends.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the Company will distribute its assets firstly and in priority to the rights of holders of any other class of shares of the Company (including the holders of Subordinate Voting Shares and the Proportionate Voting Shares) to return the issue price of the Super Voting Shares to the holders, thereof and if there are insufficient assets to fully return the issue price to the holders of the Super Voting Shares, such holders will receive an amount equal to their pro rata share in proportion to the issue price of their Super Voting Shares along with all other holders of Super Voting Shares. The holders of Super Voting Shares shall not be entitled to receive directly or indirectly as holders of Super Voting Shares any other assets or property of the Company and their sole rights will be to the return of the issue price of such Super Voting Shares in accordance with this paragraph.

Changes	No subdivision or consolidation of the Super Voting Shares shall occur unless, simultaneously, the Super Voting Shares, Proportionate Voting Shares and the Subordinate Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	The holders of the Super Voting Shares shall have no right of conversion.
Redemption Rights	Upon the occurrence of a Triggering Event, the Company has the right to redeem all or some of the Super Voting Shares from the Holder and Holder's Group who caused the Triggering Event to occur, by providing two days prior written notice to the Holder and Holder's Group of such Super Voting Shares, for an amount equal to the issue price for each Super Voting Share, payable in cash to the holders of the Super Voting Shares so redeemed. The Company need not redeem Super Voting Shares on a pro-rata basis among the Holders or Holder's Group. Holders of Super Voting Shares to be redeemed by the Company shall surrender the certificate or certificates representing such Super Voting Shares to the Company at its records office duly assigned or endorsed for transfer to the Company (or accompanied by duly executed share transfers relating thereto). Each surrendered certificate shall be cancelled, and the Company shall thereafter make payment of the applicable redemption amount by certified cheque, bank draft or wire transfer to the registered holder of such certificate; provided that, if less than all the Super Voting Shares represented by a surrendered certificate are redeemed then a new share certificate representing the unredeemed balance of Super Voting Shares represented by such certificate shall be issued in the name of the applicable registered holder of the cancelled share certificate. If on the applicable redemption date the redemption price is paid (or tendered for payment) for any of the Super Voting Shares to be redeemed then on such date all rights of the holder in the Super Voting Shares so redeemed and paid or tendered shall cease and such redeemed Super Voting Shares shall no longer be deemed issued and outstanding, regardless of whether or not the holder of such Super Voting Shares has delivered the certificate(s) representing such securities to the Company, and from and after such date the certificate formerly representing the retracted Super Voting Shares shall evidence only the right of the former holder of such Super Voting Shares to receive the redemption price to which such holder is entitled.
Transfer	No Super Voting Share may be transferred by the holder thereof unless such transfer is to an immediate family member or a transfer for the purposes of estate or tax planning to a company or person that is wholly beneficially owned by such holder or immediate family members of such holder or which such holder or immediate family members of such holder are the sole beneficiaries thereof. In order to be effective, any transfer shall require the prior written consent of the Company.
Investment Agreement	To supplement the rights, privileges, restrictions and conditions attached to the Super Voting Shares, the Company and the Founders, being the initial holders of Super Voting Shares, entered into an investment agreement effective as of the completion of the Business Combination which, among other things, provides that (i) each Super Voting Share will be transferable only to the holder's immediate family members or an affiliated entity or a transfer to the other Founder or an entity affiliated with the other Founder, and (ii) upon any sale of Super Voting Shares to a third party purchaser not listed in clause (i), such Super Voting Shares will immediately be redeemed by the Company for their issue price.

Special Subordinate Voting Shares

Right to Vote	Holders of Special Subordinate Voting Shares shall be entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of Special Subordinate Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Special Subordinate Voting Shares could ultimately then be converted, which for greater certainty, shall initially be equal to 0.00001 of a vote per Special Subordinate Voting Share.
Class Rights	As long as any Special Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Special Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Special Subordinate Voting Shares. In connection with the exercise of these voting rights, each holder of Special Subordinate Voting Shares will have one vote in respect of each Special Subordinate Voting Share held.
Rights to Subscribe; Pre-Emptive Rights	The holders of Special Subordinate Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Company now or in the future.
Dividends	The holders of Special Subordinate Voting Shares shall have the right to receive dividends, out of any cash or other assets legally available therefor, pari passu (on an as converted basis, assuming conversion of all Special Subordinate Voting Shares into Subordinate Voting Shares at the Special Conversion Ratio) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend will be declared or paid on the Special Subordinate Voting Shares unless the Company simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and the Proportionate Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Special Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Special Subordinate Voting Shares (including, without restriction, the Super Voting Shares), be entitled to participate ratably along with all other holders of Special Subordinate Voting Shares (on an as-converted to Subordinate Voting Share basis), the Proportionate Voting Shares (on an as-converted to Subordinate Voting Share basis) and the Subordinate Voting Shares.
Changes	The Special Subordinate Voting Shares may be subdivided or consolidated by resolution of the directors (or a committee thereof) without the simultaneous subdivision or consolidation of the Subordinate Voting Shares, the Proportionate Voting Shares and the Super Voting Shares in the same manner, provided that the Special Conversion Ratio is correspondingly adjusted and the voting rights of the Special Subordinate Voting Shares are correspondingly adjusted such that the aggregate number of votes held by all holders of Special Subordinate Voting Shares prior to subdivision or consolidation is equal to the aggregate number of votes held by all holders of Special Subordinate Voting Shares following the subdivision or consolidation.
Ownership Restrictions	The Special Subordinate Voting Shares may only be beneficially owned or controlled, directly or indirectly, by a person or persons who are not specified U.S. Persons.

Transfer Restrictions	No Special Subordinate Voting Share or any rights or interests therein may be transferred legally, beneficially or in any other manner by the holder thereof without the prior written consent of the Company Board (or a committee thereof), which may be withheld in its sole discretion.
Redemption Rights	The Company has the right to redeem all or some of the Special Subordinate Voting Shares from any holder thereof at any time by providing two days prior written notice (the "Redemption Notice") to such holder for either: (i) cash, at a price per Special Subordinate Voting Share equal to the Special Conversion Ratio (as may be adjusted in accordance with its terms) multiplied by the average volume weighted average trading price of the Subordinate Voting Shares on the CSE (or such other stock exchange or quotation system the Subordinate Voting Shares are then principally listed or quoted) for the 10 trading days immediately prior to the date of the Redemption Notice; or (ii) Subordinate Voting Shares at the Special Conversion Ratio, as may be adjusted in accordance with its terms. The Company need not redeem Special Subordinate Voting Shares on a pro-rata basis among the holders of Special Subordinate Voting Shares.
Conversion	Holders of Special Subordinate Voting Shares have a restricted right to convert into 0.00001 Subordinate Voting Shares per Special Subordinate Voting Share (the "Special Conversion Ratio"), subject to customary adjustments for certain corporate changes. The ability to convert the Special Subordinate Voting Shares is subject to the prior written consent of the Company Board or a committee thereof. The Company may require each holder of Special Subordinate Voting Shares to convert all, and not less than all, of the Special Subordinate Voting Shares at the applicable Special Conversion Ratio if at any time all the following conditions are satisfied (or otherwise waived by special resolution of holders of Special Subordinate Voting Shares): (A) the Company is no longer a "foreign private issuer" (as determined in accordance with Rule 3b-4 of the U.S. Exchange Act); or (B) the Company Board (or a committee thereof) determine that the Special Subordinate Voting Shares are no longer necessary or required.

DESCRIPTION OF SHARE CAPITAL OF CRESCO

The share capital of Cresco consists of Cresco Voting Shares and Cresco Redeemable Shares.

Holders of Cresco Voting Shares are entitled to receive notice of, attend and vote at meetings of the security holders of Cresco Corp (other than meetings at which only holders of another class or series of shares are entitled to vote separately as a class or series). Each Cresco Voting Share entitles the holder thereof to one vote on all matters upon which holders of Cresco Voting Shares are entitled to vote.

Holders of Cresco Redeemable Shares (if and when issued) are entitled to exchange or redeem their Cresco Redeemable Shares for Proportionate Voting Shares pursuant to the terms specified in the articles of incorporation of Cresco Corp. Cresco Redeemable Shares do not entitle the holders thereof to receive notice of, attend or vote at meetings of the securityholders.

A holder of Cresco Redeemable Shares (other than the Company), if and when issued, has the right to cause Cresco Corp to redeem its Cresco Redeemable Shares. If a holder of Cresco Redeemable Shares (other than the Company) exercises its redemption or exchange right, Cresco Corp will repurchase for cancellation each such Cresco Corp Redeemable Share submitted for redemption or exchange in consideration for either Proportionate Voting Shares (currently, at a ratio of 1 Proportionate Voting Share for every 200 Cresco Redeemable Shares exchanged) or a cash amount equal to the cash settlement amount applicable to such Cresco Corp Redeemable Share, as determined by Cresco Corp; provided that Cresco Corp may assign to the Company its rights and obligations to effect a redemption or exchange directly with the redeeming holder. For further details on the rights attached to Proportionate Voting Shares, please see – "*Proportionate Voting Shares*" above. For greater certainty, Cresco Corp or Cresco may elect to deliver Subordinate Voting Shares (currently, on a 1:1 basis) in lieu of the Proportionate Voting Shares for the Cresco Redeemable Shares exchanged.

DESCRIPTION OF UNIT CAPITAL OF CRESCO

Management of Cresco

Following consummation of the Business Combination, Cresco Corp will be the sole manager of Cresco LLC and will have the exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Cresco LLC, subject to the terms of the A&R LLC Agreement and applicable laws.

A&R LLC Agreement

The following is a summary of the material provisions set forth in the A&R LLC Agreement to be entered into between Cresco LLC, and each of the Cresco Members in accordance with the provisions of the Pre-Combination LLC Agreement, which A&R LLC Agreement amended and restated the Pre-Combination LLC Agreement.

Duration

Cresco LLC has perpetual existence and will continue as a limited liability company until and unless Cresco LLC is terminated or dissolved in accordance with the A&R LLC Agreement and the ILLCA.

Purpose of Cresco LLC

The principal purpose and business of Cresco LLC shall be to engage in any lawful act or activity for which a limited liability company may be organized under the ILLCA and to conduct such other activities as may be necessary, advisable, convenient or appropriate to promote or conduct the business of Cresco LLC as set forth herein, including, but not limited to, entering into partnership agreements in the capacity of a general or limited partner, becoming a member of a joint venture or a limited liability company, participating in forms of syndication for investment, owning stock in corporations and the incurring of indebtedness and the granting of liens and security interests on the real and personal property of Cresco LLC.

Management: The Manager

Cresco Corp is the sole manager of Cresco LLC and will manage all of Cresco LLC's operations and activities in accordance with the A&R LLC Agreement. Cresco Corp has the capacity and authority to act as the manager of Cresco LLC.

Subject to the terms of the A&R LLC Agreement and the ILLCA, Cresco Corp has the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of Cresco LLC. Among other things, Cresco Corp is empowered to negotiate, execute and perform all agreements, conveyances or other instruments on behalf of Cresco LLC, and to mortgage, charge or otherwise create a security interest over any or all of the property of Cresco LLC or its subsidiaries, and to sell property subject to such a security interest.

The A&R LLC Agreement provides that, where Cresco Corp is permitted or required to take any action or to make a decision in its " **sole discretion**", "**discretion**", with "**complete discretion**" or any other grant of similar authority and latitude under the A&R LLC Agreement in managing Cresco's operations and activities, Cresco Corp shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall, to the fullest extent permitted by the ILLCA, have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of, or factors affecting, Cresco or the other Cresco Members.

Despite the foregoing, Cresco Corp will only be able to take certain types of actions (as set forth in the A&R LLC Agreement) if the same are approved, consented to or directed by a majority of the Cresco Members.

Capital Structure of Cresco LLC, Cresco Corp and Cresco

Upon the closing of the Business Combination, the capital of Cresco LLC initially consisted of three classes of units: the interest of Cresco Corp is to be represented by Common Units with the number of issued Common Units immediately following the Business Combination to be equal to the respective number of Subordinate Voting Shares issued and outstanding, provided that such Common Units held by Cresco Corp shall not entitle Cresco Corp to any exchange or redemption rights with respect to such Common Units. The interests of other Cresco Members will be represented by Common Units, pursuant to which all such other Cresco Members shall be entitled to certain exchange rights and redemption rights, as provided in the A&R LLC Agreement. Such Common Units held by such other Cresco Members are referred to herein as "**Cresco Redeemable Units.**" The A&R LLC Agreement shall also authorize the issuance of AO LTIP Units, FV LTIP Units, or other classes or series of membership units issued in accordance with Exhibit A of the A&R LLC Agreement ("**LTIP Units**") to persons who provide services for or on behalf of Cresco LLC, which such LTIP Units shall entitle the holder to certain rights and privileges, including the right to convert such LTIP Units to Common Units, subject to certain restrictions, qualifications and limitations, each as provided in the A&R LLC Agreement.

When the Company issues Subordinate Voting Shares, it may contribute all or a portion of the net proceeds to Cresco Corp in exchange for additional shares of Cresco Corp stock. Upon receipt of any such net proceeds from the Company, Cresco Corp will generally contribute such net proceeds to Cresco LLC as a capital contribution on account of its Common Units. In the event that a new class of shares in the capital of the Company is created, Cresco Corp may create a corresponding new class of Cresco LLC Units that has corresponding distribution rights to such new class of Company shares and will cause Cresco LLC to issue new units of such class to Cresco Corp. The Company may contribute all or a portion of the net proceeds from the issuance of any such shares to Cresco Corp and Cresco Corp, upon receipt of such proceeds, will generally contribute such net proceeds to Cresco LLC in exchange for units of Cresco LLC.

If the Company proposes to redeem, repurchase or otherwise acquire any Subordinate Voting Shares for cash, the A&R LLC Agreement requires that Cresco Corp cause Cresco LLC to redeem a corresponding number of Common Units held by Cresco Corp at an aggregate redemption price equal to the aggregate purchase or redemption price of the Subordinate Voting Shares being repurchased or redeemed by the Company (plus any expenses related thereto) and upon such other terms as are the same for the redemption by the Company, and the A&R LLC Agreement further requires that Cresco Corp, immediately prior to such redemption, repurchase or acquisition by the Company, but immediately following the redemption by Cresco, to redeem a corresponding number of shares of Cresco Corp stock held by the Company at an aggregate redemption price equal to the aggregate purchase or redemption price of the Subordinate Voting Shares being repurchased or redeemed by the Company (plus any expenses related thereto) and upon such other terms as are the same for the redemption by the Company.

In the event that any change is effected in the share capital of the Company, Cresco LLC shall undertake all actions requested by Cresco Corp, including a reclassification, distribution, division or recapitalization of the Common Units to maintain at all times the same ratios between the number of Subordinate Voting Shares, the number of Cresco Corp shares and the number of Common Units issued and outstanding immediately prior to any such reclassification, consolidation, split, dividend of securities or other recapitalization including, without limitation, also effecting a reclassification, consolidation, split, dividend of securities or other recapitalization with respect to, as applicable, the Subordinate Voting Shares, Cresco Corp shares and Common Units.

Exchange Mechanism

A holder of Common Units (other than Cresco Corp) will have the right to cause Cresco LLC to redeem its Common Units. If a holder of Common Units (other than Cresco Corp) exercises its exchange right, Cresco LLC will repurchase for cancellation each such Common Unit submitted for exchange in consideration for either Proportionate Voting Shares (at a ratio of 1 Proportionate Voting Share for every 200 Common Units exchanged) or

a cash amount equal to the cash settlement amount applicable to such Common Unit, as determined by Cresco Corp, provided that Cresco Corp shall have the right to complete such exchange directly with the redeeming holder or may assign to the Company its rights and obligations to effect an exchange directly with the redeeming holder. For greater certainty, Cresco LLC may elect to deliver Subordinate Voting Shares (currently, on a 1:1 basis) in lieu of the Proportionate Voting Shares for the Common Units exchanged.

Any holder that causes Cresco LLC to redeem its Common Units pursuant to the terms of the A&R LLC Agreement and otherwise fails to comply with the documentation requirements of U.S. Tax Code Section 1446, including the requirement that such holder provide to Cresco a properly completed IRS Form W-9 or satisfy another exception as permitted within U.S. Tax Code Section 1446, prior to the effective time of any such redemption or exchange, will generally be subject to U.S. withholding tax equal to ten percent (10%) of the fair market value of the Proportionate Voting Shares or the cash, as applicable, to be delivered to such holder pursuant to such redemption or exchange.

Additional Common Units; No Preemptive Rights

Except as described above, the A&R LLC Agreement authorizes Cresco Corp to cause Cresco LLC to issue additional Common Units and securities convertible or exchangeable into Common Units on any terms and conditions of offering and sale as Cresco Corp in its discretion may determine, including with respect to acquisitions by Cresco LLC of additional assets or equity interests in corporations, partnerships, limited liability companies and other entities and with respect to executive compensation. Unless otherwise determined by Cresco Corp, no person or entity shall have preemptive, preferential or any other similar right with respect to the issuances of any interest in Cresco LLC.

LTIP Units

Cresco may issue LTIP Units to new or existing Cresco Members in exchange for services performed or to be performed on behalf of Cresco. LTIP Units are intended to qualify as "**profits interests**" for U.S. federal income tax purposes in Cresco. Two initial series of LTIP Units designated as AO LTIP Units and FV LTIP Units, respectively, will be established. The number of LTIP Units, AO LTIP Units and FV LTIP Units that may be issued by Cresco shall not be limited.

LTIP Units may, in the sole discretion of Cresco Corp, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of an award, vesting or other similar agreement. The terms of any such award, vesting or similar agreement may be modified by Cresco Corp from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant award, vesting or similar agreement or by the terms of any plan pursuant to which the LTIP Units are issued, if applicable.

Unless otherwise specified in the relevant award, vesting or similar agreement, upon the occurrence of any event specified in such an agreement resulting in either the forfeiture of any LTIP Units or the repurchase thereof by Cresco at a specified purchase price, then, upon the occurrence of the circumstances resulting in such forfeiture or repurchase by Cresco , the relevant LTIP Units shall immediately and without any further action be treated as cancelled and no longer outstanding for any purpose or as transferred to Cresco.

Upon the occurrence of certain events, including (A) Cresco making a distribution on all outstanding Common Units in Units; (B) Cresco subdividing the outstanding Common Units into a greater number of Units or combining the outstanding Common Units into a smaller number of Units; or (C) Cresco issuing any Units in exchange for its outstanding Common Units by way of reclassification or recapitalization, then Cresco shall make a corresponding adjustment to the LTIP Units to maintain the same correspondence between the Common Units and LTIP Units as existed prior to the occurrence of any such actions.

A holder of LTIP Units shall have the right, at his or her option, at any time to convert all or a portion of his or her vested LTIP Units as follows:

1. an AO LTIP Unit that has become a vested LTIP Unit shall be converted into a number (or fraction thereof) of fully paid and non-assessable Common Units, giving effect to all adjustments (if any) made pursuant to terms of the A&R LLC Agreement equal to the applicable conversion factor as provided in the A&R LLC Agreement; and
2. a FV LTIP Unit that has become a vested LTIP Unit shall be converted into a number (or fraction thereof) of fully paid and non-assessable Common Units, giving effect to all adjustments (if any) made pursuant to the terms of the A&R LLC Agreement equal to the applicable conversion factor as provided in the A&R LLC Agreement.

If Cresco LLC or Cresco Corp is a party to any transaction (including without limitation a merger, consolidation, unit exchange, self-tender offer for all or substantially all Common Units or other business combination or reorganization, or sale of all or substantially all of Cresco's assets, but excluding any transaction which constitutes an event requiring an adjustment to the LTIP Units to maintain the same correspondence between the Common Units and the LTIP Units, as described above) as a result of which Common Units shall be exchanged for or converted into the right, or the holders of Common Units shall otherwise be entitled to receive cash, securities or other property or any combination thereof, then Cresco Corp shall, immediately prior to such transaction, insure the conversion of the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with such transaction or that would occur in connection with such transaction if the assets of Cresco were sold at the applicable price of such transaction or, if applicable, at a value determined by Cresco Corp in good faith using the value attributed to the Common Units in the context of the such transaction (in which case the date of the forced LTIP Unit conversion shall be the effective date of such transaction and the conversion shall occur immediately prior to the effectiveness of such transaction).

LTIP Units will not be redeemable at the option of Cresco; provided, however, that the foregoing shall not prohibit Cresco from repurchasing LTIP Units from the holder thereof if and to the extent that such holder agrees to sell such LTIP Units.

Except as otherwise set forth in the relevant award, vesting or similar agreement or other separate agreement entered into between Cresco and an LTIP Unit holder, and subject to the terms and conditions set forth in the A&R LLC Agreement, on or at any time after an applicable LTIP Unit conversion date each LTIP Unit holder will have the right to require Cresco to redeem all or a portion of the Common Units into which such LTIP Unit holder's LTIP Units were converted in exchange for cash, unless the terms of the A&R LLC Agreement, the relevant award, vesting or similar agreement or other separate agreement entered into between Cresco and the LTIP Unit holder expressly provide that such Common Units are not entitled to such redemption right.

Except as otherwise provided in the A&R LLC Agreement, holders of LTIP Units shall not have the right to vote on any matters submitted to a vote of the Cresco Members.

Subject to the terms of the relevant award, vesting or similar agreement or other documentation pursuant to which LTIP Units are granted, except in connection with the exercise of a redemption, a holder of LTIP Units may not transfer all or any portion of his or her LTIP Units without the prior written consent of Cresco Corp, which consent may be given or withheld in Cresco Corp's sole and absolute discretion.

Transfer of Common Units

Except as permitted by the A&R LLC Agreement, no holder of Common Units may transfer any interest in such Common Units. The A&R LLC Agreement permits a transfer of Common Units pursuant to (i) the prior written approval of Cresco Corp; (ii) certain transactions that cause a change of control of Cresco LLC; (iii) the exercise of exchange or redemption rights by any holder of Common Units; or (iv) certain other limited circumstances. Prior to transferring any Common Units (other than pursuant to certain transactions that cause a change of control of Cresco LLC) the transferring holder of Common Units will cause the transferee to execute a joinder to the A&R LLC Agreement and any other agreements required pursuant to the terms of the A&R LLC Agreement. Any transfer or attempted transfer of any Common Units in violation of any provision of the A&R LLC Agreement shall be void and Cresco LLC shall not record such transfer on its books or treat any purported transferee as the owner of such Common Units for any purpose.

In no event shall any transfer of Common Units be effective to the extent that such transfer could, in the reasonable determination of Cresco Corp:

- result in a violation of the *United States Securities Act of 1933* , as amended, or any other applicable federal, state or foreign laws;
- cause an assignment under the *United States Investment Company Act of 1940* , as amended;
- be a violation of or a default (or an event that, with notice or the lapse of time or both, would constitute a default) under, or result in an acceleration of any indebtedness under, any promissory note, mortgage, loan agreement, indenture or similar instrument or agreement to which Cresco LLC or Cresco Corp is a party; provided that the payee or creditor to whom Cresco LLC or Cresco Corp owes such obligation is not an affiliate of Cresco LLC or Cresco Corp;
- be a transfer to a person who is not legally competent or who has not achieved his or her majority under applicable law (excluding trusts for the benefit of minors);
- cause Cresco LLC to lose its status as a partnership for U.S. federal income tax purposes or, without limiting the generality of the foregoing, be effected on or through an "**established securities market**" or a "**secondary market or the substantial equivalent thereof,**" as such terms are used in Section 1.7704-1 of United States Treasury Regulations;
- cause Cresco LLC or any Cresco Member or Cresco Corp to be treated as a fiduciary under the *United States Employee Retirement Income Security Act of 1974*, as amended;
- cause Cresco LLC (as determined by Cresco Corp in its sole discretion) to be treated as a " **publicly traded partnership**" or to be taxed as a corporation pursuant to Section 7704 of the U.S. Tax Code or successor provision of the U.S. Tax Code; or
- result in Cresco LLC having more than one hundred (100) partners, within the meaning of Treasury Regulations Section 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations Section 1.7704-1(h)(3)) in any taxable year that is not a "**restricted taxable year**" (as defined in the A&R LLC Agreement).

Any holder that transfers its Common Units pursuant to the terms of the A&R LLC Agreement and otherwise fails to comply with the documentation requirements of U.S. Tax Code Section 1446, including the requirement that such holder provide to Cresco a properly completed IRS Form W-9 or satisfy another exception as permitted within U.S. Tax Code Section 1446, prior to the effective time of any such transfer, will generally be subject to U.S. withholding tax equal to ten percent (10%) of the fair market value of the consideration to be delivered to such holder pursuant to such redemption or exchange.

Power of Attorney

Each Cresco Member who is an individual, including those persons who become Cresco Members in connection with receiving any Common Units, automatically and irrevocably will appoint Cresco Corp, with full power of substitution, as that Cresco Member's agent to execute and file documents or instruments required for, among other things, but subject in each case to the other provisions of the A&R LLC Agreement, the A&R LLC Agreement (or a joinder thereto), all instruments that Cresco Corp deems appropriate or necessary to reflect any amendment, change, modification or restatement of the A&R LLC Agreement, all conveyances and other instruments or documents which Cresco Corp deems appropriate or necessary to reflect the dissolution or liquidation of Cresco LLC pursuant to the terms of the A&R LLC Agreement, all instruments relating to the admission, withdrawal or substitution of a Cresco Member pursuant to the terms of the A&R LLC Agreement, and any other ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of Cresco Corp, to evidence, confirm or ratify any vote, consent, approval, agreement, or other action made or given by the Cresco Members in accordance with the terms of the A&R LLC Agreement.

Capital Contributions

Following the issuance of the Common Units to the Cresco Members pursuant to the adoption of the A&R LLC Agreement, the Cresco Members will not be required to make further contributions to Cresco LLC.

Neither Cresco LLC nor Cresco Corp is liable for the return of any capital contribution made by a Cresco Member to Cresco LLC.

Limited Liability of the Cresco Members

Subject to the provisions of the ILLCA and of similar legislation in other jurisdictions of the United States and the A&R LLC Agreement: (i) the liability of each Cresco Member for the debts, liabilities and obligations of Cresco LLC will be limited to the Cresco Member's capital contribution, plus the Cresco Member's share of any undistributed income of Cresco LLC; and (ii) following payment of a Cresco Member's capital contribution, such Cresco Member may be required to return amounts previously distributed to such Cresco Member in accordance with the ILLCA and the laws of the State of Illinois.

Limitation on Authority of the Cresco Members and Limited Liability

The A&R LLC Agreement states that a Cresco Member (in its capacity as a Cresco Member) does not have the authority or power to do any of the following:

1. act for or on behalf of Cresco LLC;
2. to do any act that would be binding upon Cresco LLC;
3. make any expenditure on behalf of Cresco LLC;
4. seek or obtain partition by court decree or operation of law of any Cresco LLC property; or
5. own or use particular or individual assets of Cresco LLC.

The A&R LLC Agreement provides that Cresco LLC will indemnify each Cresco Member for all liabilities incurred by the Cresco Member that arises solely by reason of such Cresco Member being a member of Cresco LLC.

Distributions

Subject to the provisions set forth in the A&R LLC Agreement, Cresco Corp will cause distributions to be made by Cresco LLC as follows: (i) "**distributable cash**" (as defined in the A&R LLC Agreement) or other funds or property legally available to the extent permitted by the ILLCA and applicable law, to the Cresco Members pro rata in accordance to each Cresco Member's proportionate ownership interest in Cresco LLC in amounts on terms as Cresco Corp will determine; and (ii) not less than five business days prior to the due date of a U.S. federal income tax return for an individual calendar year taxpayer, cash in an amount equal to the excess of each Cresco Member's "**assumed tax liability**" (as defined in the A&R LLC Agreement) over distributions previously made to such Cresco Member with respect to each such taxable period.

In no case will Cresco LLC be required to make a distribution if such distribution would violate the ILLCA or any other applicable law.

Amendment of the A&R LLC Agreement

The A&R LLC Agreement may be amended or modified by Cresco Corp as determined to be necessary or advisable, in the sole discretion of Cresco Corp, in connection with the adoption, implementation, modification or termination of certain equity plans by the Company. Subject to the right of Cresco Corp to amend the A&R LLC Agreement in connection with the adoption, implementation, modification or termination of certain equity plans by the Company, unless otherwise specified in the A&R LLC Agreement that a specific amendment requires the approval or action of certain persons, the A&R LLC Agreement may only be amended with the consent of Cresco Corp and Cresco Members holding a majority of the outstanding Common Units.

Merger, Sale or Other Disposition of Assets

Cresco Corp shall have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of any, all or substantially all of the assets of Cresco LLC (including the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by Cresco LLC) or the merger, consolidation, reorganization or other combination of Cresco LLC with or into another entity.

Treatment of Cresco as a Partnership for U.S. Federal Income Tax Purposes

The Cresco Members intend that Cresco LLC be treated as a partnership for U.S. federal and, if applicable, state or local income tax purposes. Each Cresco Member and Cresco LLC will file all tax returns and will otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

Dissolution

Cresco LLC will dissolve, and its affairs will be wound up, upon the occurrence of any of the following:

- the decision of Cresco Corp together with the holders of a majority of the then- outstanding Common Units entitled to vote to dissolve Cresco LLC;
- a dissolution of Cresco LLC under the ILLCA; or
- the entry of a decree of judicial dissolution of Cresco LLC under the ILLCA.

Except as otherwise provided in the A&R LLC Agreement, Cresco LLC is intended to have perpetual existence. The withdrawal of a Cresco Member shall not cause a dissolution of Cresco LLC and Cresco LLC shall continue in existence subject to the terms and conditions of the A&R LLC Agreement.

Procedure on Dissolution

Upon dissolution of Cresco LLC, the procedure is as follows:

1. the liquidators shall cause a proper accounting to be made by a recognized firm of certified public accountants of Cresco LLC's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;
2. the liquidators shall cause the notice described in the ILLCA to be mailed to each known creditor of and claimant against Cresco LLC in the manner described thereunder;
3. the liquidators shall pay, satisfy or discharge from Cresco LLC funds, or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidators may reasonably determine): first, all expenses incurred in liquidation; and second, all of the debts, liabilities and obligations of Cresco LLC; and

4. all remaining assets of Cresco LLC shall be distributed to the Cresco Members in accordance with the terms of the A&R LLC Agreement by the end of the taxable year during which the liquidation of Cresco LLC occurs (or, if later, by ninety (90) days after the date of the liquidation), which shall constitute a complete return to the Cresco Members of their capital contributions to Cresco LLC, a complete distribution to the Cresco Members of their interest in Cresco LLC and all of Cresco LLC's property. To the extent that a Cresco Member returns funds to Cresco LLC, it has no claim against any other Cresco Member for those funds.

Withdrawal and Removal of the Manager

Cresco Corp may resign as the sole manager of Cresco LLC at any time by giving written notice to the Cresco Members. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Cresco Members, and the acceptance of the resignation shall not be necessary to make it effective. The Cresco Members have no right under the A&R LLC Agreement to remove or replace Cresco Corp as the sole manager of Cresco LLC. Vacancies in the position of manager occurring for any reason will be filled by Cresco Corp (or, if Cresco Corp has ceased to exist without any successor or assign, then by the holders of a majority in interest of the voting capital stock of Cresco Corp immediately prior to such cessation).

Indemnification

Under the A&R LLC Agreement, in most circumstances, Cresco LLC will indemnify and hold harmless any person to the fullest extent permitted under the ILLCA, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits Cresco LLC to provide broader indemnification rights than Cresco LLC is providing immediately prior to such amendment, substitution or replacement), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties) reasonably incurred or suffered by such person (or one or more of such person's affiliates) by reason of the fact that such person is or was a Cresco Member or is or was serving at the request of Cresco LLC as the manager, an officer, an employee or another agent of Cresco LLC or is or was serving at the request of Cresco LLC as a manager, member, employee or agent of another limited-liability company, corporation, partnership, joint venture, trust or other enterprise; provided, however, that no such person shall be indemnified for actions against Cresco LLC, the Manager or Managers or any other Cresco Members, or which are not made in good faith and not or in a manner which he or she reasonably believed to be in or not opposed to the best interests of Cresco LLC, or, with respect to any criminal action or proceeding other than by or in the right of Cresco LLC, had reasonable cause to believe the conduct was unlawful, or for any present or future breaches of any representations, warranties or covenants by such person or its affiliates as provided in the A&R LLC Agreement or other agreements to which Cresco LLC is a party.

Expenses, including attorneys' fees, incurred by any such person in defending a proceeding shall be paid by Cresco LLC as they are incurred and in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such person to repay such amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by Cresco LLC.

Cresco LLC will maintain directors' and officers' liability insurance, or make other financial arrangements at its expense, to protect any person indemnified pursuant to the A&R LLC Agreement against certain expenses, liabilities or losses described in the A&R LLC Agreement whether or not Cresco LLC would otherwise have the power to indemnify such person against such expenses, liabilities or losses under the provisions of the A&R LLC Agreement. Cresco LLC shall use its commercially reasonable efforts to purchase directors' and officers' liability insurance (including employment practices coverage) with a carrier and in an amount determined necessary or desirable as determined in good faith by Cresco Corp.

Books and Records

Cresco LLC shall keep, or cause to be kept, appropriate books and records with respect to Cresco LLC's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided to each person who was a Cresco Member during each fiscal year of Cresco LLC as is reasonably necessary for the preparation of such person's U.S. federal and applicable state income tax returns.

Tax Matters

All decisions to make or refrain from making any tax elections will be determined by Cresco Corp. Cresco Corp is authorized to represent Cresco LLC, at Cresco LLC's expense, in connection with all examinations of Cresco LLC's affairs by tax authorities, including resulting administrative and judicial proceedings. Each Cresco Member agrees to cooperate with Cresco Corp and to do or refrain from doing any or all things with regard to all things reasonably required by Cresco Corp to conduct such proceedings. Cresco Corp shall keep all Cresco Members fully advised on a current basis of any contacts by or discussions with the tax authorities, and the Cresco Members shall have the right to observe and participate through representatives of their own choosing (at their sole expense) in any tax proceedings.

TAX RECEIVABLE AGREEMENT

In connection with the Business Combination, Cresco Corp entered into a tax receivable agreement with Cresco LLC, the Cresco Members and the Cresco LTIP Unitholders (the "**Tax Receivable Agreement**"). Cresco Corp expects to obtain an increase in its share of the tax basis of the assets of Cresco LLC when a Cresco Member receives cash or Subordinate Voting Shares in connection with a redemption or exchange of such Cresco Member's Common Units for Subordinate Voting Shares or cash (such basis increase is referred to as the "**Basis Adjustments**").

The Tax Receivable Agreement provides for the payment by Cresco Corp to Cresco Members and Cresco LTIP Unitholders of 85% of the amount of tax benefits, if any, that Cresco Corp actually realizes, or in some circumstances is deemed to realize, as a result of the redemption and exchange transactions described above. This includes increases in the tax basis of the assets of Cresco LLC arising from such transactions, tax basis increases attributable to payments made under the Tax Receivable Agreement, and deductions attributable to imputed interest and other payments of interest pursuant to the Tax Receivable Agreement. Cresco Corp expects to benefit from the remaining 15% of tax benefits, if any, that Cresco Corp may actually realize.

Cresco LLC generally treats such acquisition of Common Units as a direct purchase by Cresco LLC of Common Units from a Cresco Member for U.S. federal income and other applicable tax purposes, regardless of whether such Common Units are surrendered by a Cresco Member to Cresco LLC, Cresco Corp or the Company upon the exercise by Cresco Corp of its election to acquire such Common Units directly or the exercise by Cresco Corp to assign its rights to acquire such Common Units directly to the Company. Basis Adjustments may have the effect of reducing the amounts that Cresco Corp may otherwise owe in the future to various tax authorities. The Basis Adjustments may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The actual Basis Adjustments, as well as any amounts paid to the Cresco Members under the Tax Receivable Agreement, will vary depending on a number of factors, including:

- the timing of any subsequent redemptions or exchanges—for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Cresco LLC at the time of each redemption or exchange;
- the price of Subordinate Voting Shares at the time of redemptions or exchanges—the Basis Adjustments, as well as any related increase in any tax deductions, is directly related to the price of Subordinate Voting Shares at the time of each redemption or exchange;
- the extent to which such redemptions or exchanges are taxable—if a redemption or exchange is not taxable for any reason, increased tax deductions will not be available; and

- the amount and timing of Cresco Corp's income—the Tax Receivable Agreement generally will require Cresco Corp to pay 85% of the tax benefits as and when those benefits are treated as realized under the terms of the Tax Receivable Agreement. If Cresco Corp does not have taxable income, it generally will not be required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the Tax Receivable Agreement for that taxable year because no tax benefits will have been actually realized. However, any tax benefits that do not result in realized tax benefits in a given taxable year will likely generate tax attributes that may be utilized to generate tax benefits in previous or future taxable years. The utilization of any such tax attributes will result in payments under the Tax Receivable Agreement.

Cresco LLC has in effect an election under Section 754 of the U.S. Tax Code effective for each taxable year in which a redemption or exchange of Common Units for Subordinate Voting Shares or cash occurs. These Tax Receivable Agreement payments are not conditioned upon any continued ownership interest in either Cresco LLC or the Company by any Cresco Member. The rights of each Member under the Tax Receivable Agreement are assignable to transferees of its Common Units (other than Cresco Corp as transferee pursuant to subsequent redemptions or exchanges of the transferred Common Units), subject to the satisfaction of certain requirements.

For purposes of the Tax Receivable Agreement, cash savings in income and franchise taxes will be computed by comparing Cresco Corp's actual income and franchise tax liability to the amount of such taxes that Cresco Corp would have been required to pay had there been no Basis Adjustments and had the Tax Receivable Agreement not been entered into. The Tax Receivable Agreement will generally apply to each taxable year in which the Tax Receivable Agreement remains effective, beginning with the first taxable year ending after the completion of the Business Combination. There is no maximum term for the Tax Receivable Agreement; however, the Tax Receivable Agreement may be terminated by Cresco Corp pursuant to an early termination procedure that requires Cresco Corp to pay the Cresco Members and Cresco LTIP Unitholders an agreed upon amount equal to the estimated present value of the remaining payments to be made under the Tax Receivable Agreement (calculated based on certain assumptions, including regarding tax rates and utilization of the Basis Adjustments).

The payment obligations under the Tax Receivable Agreement are obligations of Cresco Corp and not of the Company or Cresco LLC. The actual timing and amount of any payments that may be made under the Tax Receivable Agreement will vary. Any payments made by Cresco Corp to Cresco Members and Cresco LTIP Unitholders under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to Cresco Corp (or to the Company or Cresco LLC) and, to the extent that Cresco Corp is unable to make payments under the Tax Receivable Agreement for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by Cresco Corp.

Decisions made by Cresco Corp in the course of running its business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by a Cresco Member or Cresco LTIP Unitholder under the Tax Receivable Agreement. For example, the earlier disposition of assets following a transaction that results in a Basis Adjustment will generally accelerate payments under the Tax Receivable Agreement and increase the present value of such payments.

The Tax Receivable Agreement provides that if (i) Cresco Corp materially breaches any of its material obligations under the Tax Receivable Agreement; (ii) certain mergers, asset sales, other forms of business combinations, or other changes of control were to occur; or (iii) Cresco Corp elects an early termination of the Tax Receivable Agreement, then Cresco Corp's (or its successor's) obligations under the Tax Receivable Agreement would accelerate and become due and payable, based on certain assumptions, including an assumption that Cresco Corp would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement.

As a result, (i) Cresco Corp could be required to make cash payments to the Cresco Members and Cresco LTIP Unitholders that are greater than the specified percentage of the actual benefits it ultimately realizes in respect of the tax benefits that are subject to the Tax Receivable Agreement, and (ii) if Cresco Corp elects to terminate the Tax Receivable Agreement early, Cresco Corp would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, Cresco Corp's obligations under the Tax Receivable Agreement could have a material adverse effect on its or the Company's liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations, or other changes of control. There can be no assurance that Cresco Corp will be able to finance its obligations under the Tax Receivable Agreement.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that Cresco Corp determines. If any such position is subject to a challenge by a taxing authority the outcome of which would reasonably be expected to materially affect a recipient's payments under the Tax Receivable Agreement, then Cresco Corp will not be permitted to settle or fail to contest such challenge without the consent (not to be unreasonably withheld or delayed) of each Cresco Member that directly or indirectly owns at least 10% of the outstanding Common Units and LTIP Units. Cresco Corp will not be reimbursed for any cash payments previously made to any Cresco Member pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by Cresco Corp are subsequently challenged by a taxing authority and ultimately disallowed. Instead, in such circumstances, any excess cash payments made by Cresco Corp to a Cresco Member or Cresco LTIP Unitholder will be netted against any future cash payments that Cresco Corp might otherwise be required to make under the terms of the Tax Receivable Agreement. However, Cresco Corp might not determine that it has effectively made an excess cash payment to the Cresco Members or Cresco LTIP Unitholders for a number of years following the initial time of such payment and, if Cresco Corp's tax reporting positions are challenged by a taxing authority, it will not be permitted to reduce any future cash payments under the Tax Receivable Agreement until any such challenge is finally settled or determined. As a result, it is possible that Cresco Corp could make cash payments under the Tax Receivable Agreement that are substantially greater than its actual cash tax savings.

Payments are generally due under the Tax Receivable Agreement within a specified period of time following the filing of Cresco Corp's U.S. federal income tax return (filed as a subsidiary of Cresco Labs Inc. pursuant to Section 1501 of the U.S. Tax Code) for the taxable year with respect to which the payment obligation arises, although interest on such payments will begin to accrue at a rate of LIBOR plus 100 basis points from the due date (without extensions) of such tax return. Any late payments that may be made under the Tax Receivable Agreement will continue to accrue interest at LIBOR plus 500 basis points until such payments are made, including any late payments that Cresco Corp may subsequently make because Cresco Corp did not have enough available cash to satisfy its payment obligations at the time at which they originally arose.

SUPPORT AGREEMENT

Pursuant to the support agreement entered into by and among the Company, Cresco Corp and Cresco LLC (the " **Support Agreement**"), the Company will agree that, so long as any Common Units not owned by Cresco Corp or its affiliates are outstanding or Common Units are issuable pursuant to the exercise, conversion or exchange of any outstanding securities of Cresco LLC, the Company shall:

- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Cresco LLC, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of a redemption of Common Units by a holder thereof in respect of each issued and outstanding Common Unit upon a redemption of such Common Units by Cresco LLC and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Cresco LLC to cause to be delivered Proportionate Voting Shares, Subordinate Voting Shares and/or amounts in cash, as applicable, to the holders of Common Units in accordance with the provisions of the A&R LLC Agreement, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Common Units (if any);
- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Cresco Corp, if it elects to effect an exchange of Common Units directly with the holder thereof, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of the redemption or exchange of Common Units by a holder thereof and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Cresco Corp to cause to be delivered Proportionate Voting Shares, Subordinate Voting Shares and/or amounts in cash, as applicable, to the holders of Common Units in accordance with the provisions of the A&R LLC Agreement, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Common Units (if any);

- if Cresco Corp so elects, take all such actions and do all things as are reasonably necessary or desirable to effect the exchange of Common Units directly with the holder thereof, in accordance with applicable law, take all such actions and do all such things as are necessary or desirable to cause to be delivered directly Proportionate Voting Shares, Subordinate Voting Shares and/or amounts in cash, as applicable, to the holders of Common Units in accordance with the provisions of the A&R LLC Agreement, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Common Units (if any); and
- ensure that Cresco Corp does not exercise its vote as the manager of Cresco LLC to initiate the voluntary liquidation, dissolution or winding up of Cresco LLC nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Cresco LLC.

The Company will further agree that, so long as any Cresco Redeemable Shares (if and when issued) not owned by the Company or its affiliates which are redeemable or exchangeable for Proportionate Voting Shares (or Subordinate Voting Shares, at the election of Cresco Corp and/or Cresco) are outstanding or any Cresco Redeemable Shares are issuable pursuant to the exercise, conversion or exchange of any outstanding securities of Cresco Corp, the Company shall:

- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Cresco Corp, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of a redemption of Cresco Redeemable Shares by a holder thereof in respect of each issued and outstanding Cresco Corp Redeemable Share upon the redemption of such Cresco Redeemable Shares by Cresco Corp and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Cresco Corp to cause to be delivered Proportionate Voting Shares, Subordinate Voting Shares and/or amounts in cash, as applicable, to the holders of Cresco Redeemable Shares in accordance with the articles of incorporation and bylaws of Cresco Corp, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Cresco Redeemable Shares (if any);
- upon the election of Cresco Corp for the Company to effect an exchange directly with a holder of Cresco Redeemable Shares, take all such actions and do all things as are reasonably necessary or desirable to effect the exchange of Cresco Redeemable Shares directly with the holder thereof, in accordance with applicable law, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to cause to be delivered directly Proportionate Voting Shares, Subordinate Voting Shares and/or amounts in cash, as applicable, to the holders of Cresco Redeemable Shares in accordance with the provisions of the articles of incorporation of Cresco Corp, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions (if any) with respect to such Cresco Redeemable Shares; and
- ensure that Cresco Corp is not voluntarily liquidated, dissolved or wound up nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Cresco Corp.

The Support Agreement provides that in the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to Proportionate Voting Shares and/or Subordinate Voting Shares is proposed by the Company or is proposed to the Company or its shareholders and is recommended to the Company Board, or is otherwise effected or to be effected with the consent or approval of the Company Board, and the Common Units are not redeemed by Cresco LLC or purchased by Cresco Corp or the Company pursuant to the terms of the A&R LLC

Agreement or the Cresco Redeemable Shares (if and when issued) are not redeemed by Cresco Corp or purchased by Cresco Corp or the Company pursuant to the terms of the articles of incorporation of Cresco Corp, the Company will use its reasonable efforts in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Common Units (other than Cresco Corp and its affiliates) and Cresco Redeemable Shares (other than the Company and its affiliates) to participate in such offer to the same extent and on an economically equivalent basis as the holders of Proportionate Voting Shares and/or Subordinate Voting Shares, without discrimination. Without limiting the generality of the foregoing, the Company will use its reasonable efforts in good faith to ensure that holders of Common Units and Cresco Redeemable Shares (if and when issued) may participate in each such offer without being required to redeem Common Units as against Cresco LLC and Cresco Redeemable Shares against Cresco Corp (or, if so required, to ensure that any such retraction, shall be effective only upon, and shall be conditional upon, the closing of such offer and only to the extent necessary to tender or deposit to the offer). Nothing in the Support Agreement will limit the ability of the Company (or any of its subsidiaries including, without limitation, Cresco Corp or Cresco LLC) to make ordinary market purchases of Subordinate Voting Shares in accordance with applicable laws and regulatory and stock exchange requirements.

The Support Agreement provides that while any Common Units (or other rights pursuant to which Common Units may be acquired upon the exercise thereof) other than Common Units held by Cresco Corp or its affiliates are outstanding, and at all times while any Cresco Redeemable Shares (or other rights pursuant to which Cresco Redeemable Shares may be acquired upon the exercise thereof) other than Cresco Redeemable Shares held by the Company or its affiliates are outstanding, the Company will make available such number of Proportionate Voting Shares and/or Subordinate Voting Shares (or other shares or securities into which Proportionate Voting Shares and/or Subordinate Voting Shares may be reclassified or changed) without duplication equal to the sum of (i) the number of Common Units issued and outstanding from time to time; (ii) the number of Common Units issuable upon the exercise of all rights to acquire Common Units outstanding from time to time; (iii) the number of Cresco Redeemable Shares issued and outstanding from time to time; and (iv) the number of Cresco Redeemable Shares issuable upon the exercise of all rights to acquire Cresco Redeemable Shares outstanding from time to time in addition to any additional Proportionate Voting Shares and/or Subordinate Voting Shares as may be required to enable and permit the Company to meet its obligations under the A&R LLC Agreement, the Tax Receivable Agreement and under any other security or commitment pursuant to which the Company may be required to deliver Proportionate Voting Shares and/or Subordinate Voting Shares to any person, to enable and permit Cresco Corp to meet its obligations under each of the A&R LLC Agreement and the Tax Receivable Agreement with respect to the delivery of Proportionate Voting Shares and/or Subordinate Voting Shares and payment of the tax benefits contemplated under the Tax Receivable Agreement and to enable and permit Cresco LLC to meet its obligations under the Support Agreement and under the A&R LLC Agreement.

With the exception of changes for the purpose of (i) adding to the covenants of any or all of the parties; (ii) making such amendments or modifications not inconsistent with the Support Agreement as may be necessary or desirable with respect to matters or questions arising thereunder; or (iii) curing or correcting any ambiguities or defect or inconsistent provision or clerical omission or mistake or manifest errors (provided, in the case of (i), (ii) or (iii) that the board of directors of each of the Company and Cresco Corp and the manager of Cresco LLC are of the good faith opinion that such amendments are not prejudicial to the rights or interests of the holders of Common Units or Cresco Redeemable Shares), the Support Agreement may not be amended except by agreement in writing executed by Cresco LLC, Cresco Corp, and the Company and approved by the holders of a majority of the Common Units in accordance with the terms of the A&R LLC Agreement and a majority of the Cresco Redeemable Shares in accordance with the terms of the articles of incorporation and the bylaws of Cresco Corp.

Prior Sales of Cresco Securities

The following tables set forth details regarding issuances of Subordinate Voting Shares or issuances of securities convertible into or exchangeable, redeemable or exercisable for Subordinate Voting Shares during the financial year ended December 31, 2020:

Date Issued	Number of Cresco Securities	Issue Price per Unit ($)	Aggregate Issue Price ($)	Nature of Consideration
January 30, 2020	80,000	$6.11	$488,800	Share Conversion (redeemable shares)
January 30, 2020	20,231	$1.13	US$22,861	Cash (exercise of options)
January 31, 2020	100,000	$6.05	$605,000	Share Conversion (redeemable shares)
January 31, 2020	31,250	$1.00 - $3.75	$65,800	Cash (exercise of options)
February 11, 2020	100,000	$1.00	$100,000	Cash (exercise of options)
February 21, 2020	6,250	$1.14	$7,125	Cash (exercise of options)
February 27, 2020	30,000	C$6.20	C$186,000	Share Issuance (exercise of restricted stock units)
March 3, 2020	240,000	$4.09	$981,600	Share Conversion (redeemable shares)
March 3, 2020	34,292	C$5.40	C$185,177	Share Issuance (exercise of restricted stock units)
March 8, 2020	100,000	$1.00	$100,000	Cash (exercise of options)
March 13, 2020	1,000,000	$2.72	$2,720,000	Share Conversion (redeemable shares)
March 13, 2020	457,035	C$3.75	C$1,713,881	Share Issuance (exercise of restricted stock units)
March 24, 2020	45,761	C$4.10	C$187,620	Share Issuance (exercise of restricted stock units)
April 2, 2020	18,579	$6.86	$127,452	Share Issuance (share issuance of restricted stock units)
April 16, 2020	80,000	$1.00	$80,000	Cash (exercise of options)
April 16, 2020	100,000	$3.29	$329,000	Share Conversion (redeemable shares)
April 17, 2020	13,999	C$5.05	C$70,695	Share Conversion (in connection with the acquisition of Origin House)
April 23, 2020	15,494	$1.00	$15,494	Cash (exercise of options)
April 24, 2020	30,980	C$6.03	C$186,809	Share Issuance (exercise of restricted stock units)

April 29, 2020	293,427	$4.36	$1,279,342	Acquisition Termination Fee (in connection with the termination agreement which cancelled the purchase agreement to acquire interest in Tryke Companies, LLC)
April 29, 2020	90,136	$3.90	$351,530	Purchase Consideration (in connection with the acquisition of MedMar)
May 7, 2020	970,341	C$4.65 - C$6.40	C$4,701,648	Share Conversion (in connection with the acquisition of Origin House)
May 7, 2020	451,003	$3.32	$1,497,330	Purchase Consideration (in connection with the acquisition of Valley Agriceuticals, LLC)
May 7, 2020	181,041	C$4.65	C$841,841	Share Issuance (exercise of restricted stock units)
May 19, 2020	43,334	$3.75	$162,503	Share Issuance (issuance of shares)
May 19, 2020	28,571	$1.00	$28,571	Cash (exercise of options)
May 19, 2020	1,087,836	$2.96	$3,219,995	Purchase Consideration (in connection with the acquisition of Origin House)
May 21, 2020	33,005	C$5.66	C$186,808	Share Issuance (exercise of restricted stock units)
June 4, 2020	151,663	C$6.47	C$981,260	Share Issuance (exercise of restricted stock units)
June 8, 2020	5,669	$3.75	$21,259	Cash (exercise of options)
June 8, 2020	1,161,332	$4.65 – $4.85	$5,599,387	Share Conversion (redeemable shares)
June 11, 2020	280,667	$4.72	$1,324,748	Share Conversion (redeemable shares)
June 11, 2020	9,731	C$6.47	C$62,960	Share Issuance (exercise of restricted stock units)
June 11, 2020	26,563	$1.14 - $3.75	$34,256	Cash (exercise of options)
June 16, 2020	274,500	$2.51	$688,995	Share Issuance (share issuance of restricted stock units)
June 16, 2020	398,555	C$5.13 - C$6.55	C$2,308,802	Share Issuance (exercise of restricted stock units)

June 16, 2020	5,245	$6.86	$35,981	Share Issuance (share issuance of restricted stock units)
June 23, 2020	35,300	C$5.98	C$211,094	Cash (at-the-market program)
June 24, 2020	3,500	C$5.93	C$20,755	Cash (at-the-market program)
June 24, 2020	73,515	C$6.82	C$501,372	Share Issuance (exercise of restricted stock units)
June 24, 2020	84,683	C$6.82	C$577,538	Share Issuance (exercise of restricted stock units)
June 24, 2020	75,495	C$5.73	C$432,586	Share Conversion (in connection with the acquisition of Origin House)
June 25, 2020	16,000	C$5.90	C$94,400	Cash (at-the-market program)
July 6, 2020 - July 31, 2020	667,000	C$5.41 - C$7.51	C$4,237,190	Cash (at-the-market program)
July 7, 2020	200,000	$4.10	$820,000	Share Conversion (redeemable shares)
July 7, 2020	45,686	$2.25	$102,717	Cash (exercise of options)
July 7, 2020	1,887	C$5.70	C$10,756	Share Issuance (exercise of restricted stock units)
July 7, 2020	2,331	C$5.70	C$13,287	Share Issuance (exercise of restricted stock units)
July 15, 2020	30,719	C$6.19	C$190,151	Share Issuance (exercise of restricted stock units)
July 15, 2020	1,000,000	$5.12	$5,120,000	Share Conversion (redeemable shares)
July 22, 2020	5,253	$2.99	$15,706	Share Issuance (share issuance of restricted stock units)
July 22, 2020	372	$2.99	$1,112	Share Issuance (share issuance of restricted stock units)
July 23, 2020	54,761	C$6.95 - C$6.70	C$373,618	Share Issuance (exercise of restricted stock units)
July 23, 2020	100,000	$1.00	$100,000	Cash (exercise of options)
July 29, 2020	27,113	C$6.89	C$186,809	Share Issuance (exercise of restricted stock units)

July 29, 2020	200,000	$5.12	$1,024,000	Share Conversion (redeemable shares)
July 29, 2020	237,500	$1.14 - $2.25	$340,125	Cash (exercise of options)
August 4, 2020	27,400	C$7.69	C$210,706	Cash (at-the-market program)
August 5, 2020	10,618	C$8.10	C$86,006	Share Issuance (exercise of restricted stock units)
August 5, 2020	12,585	C$8.10	C$101,939	Share Issuance (exercise of restricted stock units)
August 12, 2020	69,959	C$7.56 - C$8.42	C$560,424	Share Issuance (exercise of restricted stock units)
August 12, 2020	19,128	$5.61	$107,308	Purchase Consideration (in connection with the acquisition of MedMar)
August 12, 2020	138,750	$1.00 - $1.14	$140,675	Cash (exercise of options)
August 20, 2020	252,000	$7.18 - $7.66	$1,857,360	Share Conversion (redeemable shares)
August 20, 2020	39,585	C$9.31 - C$9.57	C$373,612	Share Issuance (exercise of restricted stock units)
August 20, 2020	91,642	$1.00 - $2.25	$154,142	Cash (exercise of options)
August 21, 2020	4,000,000	$6.71	$26,840,000	Share Conversion (redeemable shares)
August 28, 2020	1,500,000	$6.98	$10,470,000	Share Conversion (redeemable shares)
August 28, 2020	10,000	$2.25	$22,500	Cash (exercise of options)
September 2, 2020	735	C$7.65	C$5,623	Cash (exercise of options)
September 2, 2020	48,605	$1.00 - $1.14	$53,290	Cash (exercise of options)
September 2, 2020	752	C$7.99	C$6,008	Share Issuance (exercise of restricted stock units)
September 2, 2020	654	C$7.99	C$5,225	Share Issuance (exercise of restricted stock units)
September 10, 2020	56,628	C$5.31	C$300,695	Cash (exercise of options)
September 10, 2020	15,000	$3.75	$56,250	Cash (exercise of options)
September 10, 2020	350,000	$6.93	$2,425,500	Share Conversion (redeemable shares)
September 24, 2020	24,591	$1.00 - $3.75	$74,617	Cash (exercise of options)
September 24, 2020	77,124	C$7.25 - C$7.30	C$560,429	Share Issuance (exercise of restricted stock units)

September 24, 2020	200,000	$5.80	$1,160,000	Share Conversion (redeemable shares)
October 5, 2020	10,000	C$7.83	C$78,300	Share Issuance (exercise of restricted stock units)
October 5, 2020	18,440	$2.25	$41,490	Cash (exercise of options)
October 12, 2020	492,170	C$9.56	C$4,705,145	Share Conversion (in connection with the acquisition of Origin House)
October 12, 2020	46,474	C$7.83 - C$8.26	C$373,616	Share Issuance (exercise of restricted stock units)
October 12, 2020	997,458	$6.90 - $7.13	$6,923,310	Share Conversion (redeemable shares)
November 3, 2020	41,156	C$5.31	C$218,538	Cash (exercise of options)
November 3, 2020	510,000	$7.14	$3,641,400	Share Conversion (redeemable shares)
November 3, 2020	20,044	C$9.32	C$186,810	Share Issuance (exercise of restricted stock units)
November 3, 2020	34,375	C$8.50	C$292,188	Cash (exercise of warrants)
November 20, 2020	54,825	$4.56	$250,002	Cash (exercise of options)
November 20, 2020	1,450,000	$7.56 - $8.77	$12,392,000	Share Conversion (redeemable shares)
November 20, 2020	18,775	C$9.95	C$186,811	Share Issuance (redeemable shares)
November 20, 2020	17,187	C$8.50	C$146,090	Cash (exercise of warrants)
November 23, 2020	18,253	C$6.09	C$111,161	Cash (exercise of warrants)
December 1, 2020	1,500,000	$10.06	$15,090,000	Share Conversion (redeemable shares)
December 4, 2020	759	$4.11	$3,119	Share Issuance (share issuance of restricted stock units)
December 4, 2020	6,530	$4.11	$26,838	Share Issuance (share issuance of restricted stock units)
December 7, 2020	107,969	$10.06	$1,086,168	Purchase Consideration (in connection with the acquisition of MedMar)

December 7, 2020	146,092	C$8.50	C$1,241,782	Cash (exercise of warrants)
December 7, 2020	28,300	$4.24	$119,992	Cash (exercise of warrants)
December 7, 2020	15,858	C$11.78	C$186,807	Share Issuance (exercise of restricted stock units)
December 14, 2020	84,428	$2.25 - $5.90	$200,924	Cash (exercise of options)
December 14, 2020	506,457	C$13.00 - C$13.13	C$6,584,203	Share Issuance (exercise of restricted stock units)
December 14, 2020	581,863	C$13.00 - C$13.13	C$7,564,323	Share Issuance (exercise of restricted stock units)
December 15, 2020	3,237	C$7.65	C$24,763	Cash (exercise of options)
December 23, 2020	2,000	$5.39	$10,780	Cash (exercise of options)

(1) As discussed above, Proportionate Voting Shares are convertible into Subordinate Voting Shares on a 1:200 basis.

Options Issued

Date Issued	Number of Units	Exercise Price per Unit ($)	Total Aggregate Proceeds Assuming the Exercise of all Options	Nature Consider
March 31, 2020	597,000 Options to purchase Subordinate Voting Shares	$ 2.99	$1,785,030 **(assuming the exercise of all options)**	Cash
May 20, 2020	3,866,848 Options to purchase Subordinate Voting Shares	$ 4.56	$17,632,827 **(assuming the exercise of all options)**	Cash
June 30, 2020	885,000 Options to purchase Subordinate Voting Shares	$ 4.11	$3,637,350 **(assuming the exercise of all options)**	Cash
July 15, 2020	21,544 Options to purchase Subordinate Voting Shares	$ 5.39	$116,122 **(assuming the exercise of all options)**	Cash
September 1, 2020	3,515 Options to purchase Subordinate Voting Shares	$ 6.00	$21,090 **(assuming the exercise of all options)**	Cash
September 30, 2020	560,000 Options to purchase Subordinate Voting Shares	$ 6.00	$3,360,000 **(assuming the exercise of all options)**	Cash
December 16, 2020	171,738 Options to purchase Subordinate Voting Shares	$ 10.19	$1,750,010 **(assuming the exercise of all options)**	Cash
December 31, 2020	517,500 Options to purchase Subordinate Voting Shares	$ 9.86	$5,102,550 **(assuming the exercise of all options)**	Cash

Conversion of Proportionate Voting Shares to Subordinate Voting Shares

Date Issued	Number of Proportionate Voting Shares	Number of Subordinate Voting Shares issued on Conversion
January 1 – December 31, 2020	144,357.20	28,871,440

MARKET FOR SECURITIES

Trading Price and Volume

Subordinate Voting Shares

The issued and outstanding Subordinate Voting Shares are listed and posted for trading on the CSE under the symbol “CL.” The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Subordinate Voting Shares from January 1, 2020 up to December 31, 2020 (source: CSE).

Period	High Trading Price (in C$)	Low Trading Price (in C$)	Volume
January 2020	$ 9.50	$ 7.45	7,137,769
February 2020	$ 8.07	$ 5.45	4,273,544
March 2020	$ 6.25	$ 2.81	9,134,620
April 2020	$ 6.71	$ 3.66	5,880,434
May 2020	$ 7.14	$ 4.55	9,054,003
June 2020	$ 6.85	$ 5.36	4,365,799
July 2020	$ 7.78	$ 5.32	5,859,232
August 2020	$ 10.17	$ 7.77	7,611,941
September 2020	$ 8.94	$ 7.15	4,595,816
October 2020	$ 10.10	$ 7.75	6,880,943
November 2020	$ 13.40	$ 9.15	13,301,272
December 2020	$ 13.79	$ 12.32	9,451,835

CONSOLIDATED CAPITALIZATION

The following table summarizes the share capital of Cresco and the Company as of March 26, 2021.

THE COMPANY	
Total Debt (in US$)	$188,071,152
Security	**Total**
Super Voting Shares(1)	500,000
Subordinate Voting Shares	220,350,171
Proportionate Voting Shares(2)	27,480,982
Cresco Redeemable Units(3)	119,360,164
Special Subordinate Voting Shares	639
Basic Shares Outstanding (on an as converted to Subordinate Voting Share basis)	**367,191,956**
Replacement Deferred Shares	78,977
Options(4)	23,409,306
Warrants(5)	5,665,049
Restricted share units	1,309,833
Fully-Diluted Outstanding	**398,155,121**

(1) Each carrying 2,000 votes. In the aggregate, the Super Voting Shares represent approximately 80.4% voting control.
(2) As discussed above under the heading “Description of the Securities”, in order to maintain foreign private issuer status, certain US resident members of Cresco will receive Proportionate Voting Shares rather than Subordinate Voting Shares on a 1:200 basis. Proportionate Voting Shares carry voting and economic rights proportionate to Subordinate Voting Shares. Each Proportionate Voting Share is convertible into 200 Subordinate Voting Shares. This table presents the Proportionate Voting Shares on an as-converted basis. Total includes 4,800,000 of contingently issuable shares related to the Valley Ag acquisition.
(3) Cresco Redeemable Units are convertible to Proportionate Voting Shares on a 200:1 basis and such Proportionate Voting Shares are convertible into Subordinate Voting Shares on a 1:200 basis.
(4) 23,409,413 options outstanding at a blended average exercise price of $4.72 per Subordinate Voting Shares. 11,758,301 options reserved for future grants.
(5) Each exercisable into one Subordinate Voting Share at a blended average price of $8.50.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the Company’s directors and executive officers, the person’s name, age, state and country of residence, position with the Company, principal occupation(s) during the last five (5) years, and, if an existing officer of Cresco prior to the Business Combination, the date on which the person became such an officer. The Company’s directors are elected annually and, unless re-elected, will retire from office at the end of the next annual general meeting of shareholders.

Directors and Officers

Name and State and Country of Residence	Age	Position(s) with the Company	Cresco Officer/Director Since	Principal Occupation(s)[1]	Number of Securities of Company Directly or Indirectly Held[2]
Charles Bachtell Chicago, IL, United States	42	Chief Executive Officer and Director	03/2015	Chief Executive Officer, Cresco	15,763,983 / 4.29%
Dennis Olis Chicago, IL, United States	58	Chief Financial Officer	07/2020	Chief Financial Officer, Cresco	—
Ty Gent Prosper, IL, United States	61	Chief Operating Officer	02/2021	Chief Operating Officer, Cresco	—
John Schetz, Chicago, IL, United States	44	General Counsel	06/2018	General Counsel, Cresco	—
Gregory Butler Chicago, IL, United States	41	Chief Commercial Officer	02/2020	Chief Commercial Officer, Cresco	—
Dominic A. Sergi[5] Glen Ellyn, IL, United States	37	Director	02/2015	Real Estate Investor	18,049,392 / 4.91%
Carol Vallone[5][6] Manchester-by-the-Sea, MA, United States	64	Director	07/2020	Chair of the Board of Trustees at McLean Hospital	—
Robert M. Sampson[3] Chicago, IL, United States	46	Director	05/2015	EVP—Crosscountry Mortgage	13,101,849 / 3.56%
John R. Walter[5] Naples, FL, United States	73	Director	03/2017	Chief Executive Officer of Ashlin Management Company	235,340 / 0.06%
Gerald Corcoran[3][6] Winnetka, IL, United States	65	Director	03/2017	CEO & Chairman of the Board of R.J. O'Brien & Associates, LLC	997,395 / 0.27%
Thomas Manning[6] Evanston, IL, United States	64	Executive Chairman and Director	10/2016	Executive Chairman, Cresco	100,000 / 0.03%

Randy Podolsky(3)(4) Lincolnshire, IL, United States	65	Director	12/2016	Real Estate – Podolsky & Associates, Ltd	814,387 / 0.22%
Michele Roberts(4) New York, NY, United States	64	Director	06/2020	Executive Director of the NBPA	—
Marc Lustig Vancouver, BC Canada	47	Head of Capital Markets	01/2020	Head of Capital Markets	639 / 0.00%

Notes:

(1) For prior occupations of each director and officer for the last 5 years, if applicable, please see biographies below.
(2) Includes Proportionate Voting Shares, Subordinate Voting Shares, Super Voting Shares, Special Subordinate Voting Shares, and Cresco Redeemable Units. Excludes all options.
(3) Denotes members of the audit committee for the Company. The Company's audit committee meets the composition requirement for "venture issuers" as set out in NI 52-110.
(4) Denotes member of the nominating and governance committee of the Company.
(5) Denotes member of the compensation committee of the Company.
(6) Denotes member of the executive committee of the Company.

Biographies

The following are brief profiles of the Company's executive officers and directors.

Charles Bachtell, *Chief Executive Officer and Director*

Charles Bachtell serves as a director and the Company's Chief Executive Officer. Prior to joining the Company, Mr. Bachtell served for eight years as the Executive Vice President and General Counsel of Guaranteed Rate. Mr. Bachtell past experience as an attorney and brings with him legal expertise in both corporate governance and regulatory compliance. Mr. Bachtell is a founding member of the Illinois Cannabis Bar Association and cannabis industry trade associations in IL, PA, and OH. He is the current Chairman of the National Cannabis Roundtable. Mr. Bachtell also serves as an adjunct Professor at Northwestern University Pritzker School of Law, where he teaches a course on the legal and regulatory issues in the emerging cannabis industry.

Dennis Olis, *Chief Financial Officer*

Dennis Olis serves as the Company's Chief Financial Officer. He has more than 20 years of operational management, financial planning and analysis, accounting, financial reporting, tax, internal audit, treasury, and mergers and acquisitions experience. Prior to joining the Company, Mr. Olis served as the as the Chief Financial Officer AllScripts, and prior to his service as Chief Financial Officer at AllScripts, he held a variety of senior finance and operations positions at Motorola Inc.

Ty Gent, *Chief Operating Officer*

Ty Gent serves as the Company's Chief Operating Officer. Mr. Gent joins Cresco with more than 35 years of consumer packaged goods ("CPG") and supply chain leadership experience. Most recently, Mr. Gent served as the Chief Supply Chain Officer at US Foods, where he developed and implemented a new supply chain strategy, optimized its large-scale transportation network, launched field-based continuous improvement processes, and upgraded key systems technologies and planning capabilities. Previously, he worked at PepsiCo for 30 years in various executive management positions. As a subject matter expert in supply chain optimization, S&OP planning, manufacturing, warehouse management, distribution, and quality and safety, Mr. Gent brings expertise that is directly transferable to Cresco's key focus of producing and distributing branded products at substantial scale.

John Schetz, *General Counsel*

John Schetz serves as the Company's General Counsel. Prior to joining the Company, Mr. Schetz served as Executive Vice President, General Counsel, and Secretary of Stericycle, Inc., where he was responsible for global legal affairs. Prior to his tenure at Stericycle, Mr. Schetz was a partner in the Corporate Department of McDermott Will & Emery LLP in Chicago. Mr. Schetz's experience as a partner in a large law firm and as chief legal officer of a multinational public company brings to the Company a broad and deep understanding of legal and business matters across multiple industries.

Gregory Butler, *Chief Commercial Officer*

Greg Butler serves as the Company's Chief Commercial Officer. Prior to joining the Company, Mr. Butler served as Operational Partner at MINIMAL, a global award-winning design firm, overseeing MNML Ventures, the creative capital accelerator of MINIMAL. Prior to his service at MINIMAL, Mr. Butler worked at MillerCoors where he led the Miller Family of brands, a $2 billion portfolio, overseeing more than $225 million in annual spend. Mr. Butler brings to the Company a strong background in driving brand growth for top-tier CPG companies and business growth and capital management strategic advising for leading private equity portfolio companies.

Dominic A. Sergi, *Director*

Dominic Sergi serves as director of the Company. Mr. Sergi is chief executive officer of Clear Height Properties, a Chicago-based investment real estate company. Mr. Sergi is responsible for setting and executing on Clear Height Properties' long-term investment criteria. He also oversees all aspects of the company's integrated platform of management, leasing and construction. Mr. Sergi devotes much of his free time raising funds for the Nicholas D. Sergi Foundation and also is active in a number of community and charitable organizations.

Carol Vallone, *Director*

Carol Vallone serves as director of the Company. Ms. Vallone serves as Chair of the Board of Trustees at McLean Hospital, a freestanding psychiatric hospital and the largest psychiatric affiliate of Harvard Medical School. She also serves on the board of trustees at MGH Institute of Health Professions, and on the finance committee at Mass General Brigham. Additionally, Ms. Vallone serves on the board of directors of the Bain Capital Double Impact portfolio company, Arosa; as an Advisory Director for the private investment firm Berkshire Partners; and as an Advisory Board Member of the healthcare-focused venture growth firm, Longitude Capital. She has also served on multiple boards at leading non-profit healthcare, public financial services, and e-commerce organizations.

Robert M. Sampson, *Director*

Robert Sampson serves as a director of the Company. Mr. Sampson has more than 20 years of operating experience in large business, including 12 years in the heavily regulated mortgage industry, having served as Chief Operating Officer at Guaranteed Rate, a retail mortgage bank. As the former Chief Operating Officer of Cresco, Mr. Sampson oversaw the construction of two 40,000 square foot cement precast structures and one 30,000 square foot hybrid greenhouse structure and was responsible for all facility operations and systems including the design and implementation of fertigation and irrigation systems, inventory control systems, compliance process procedures, audits, security, and IT. Mr. Sampson is currently Executive Vice President of Crosscountry Mortgage, a mortgage firm based in Cleveland.

John R. Walter, *Director*

John R. Walter serves as a director of the Company. Mr. Walter is Chairman of Ashlin Management Company, a private investment and management services firm. He is the retired President and Chief Operating Officer of AT&T Corporation, a position he held from 1996 to 1997, and retired Chairman and Chief Executive Officer of of R.R. Donnelley & Sons Company, a position he held from 1989 through 1996. Mr. Walter also serves as a director of ecoAmerica and The Conservancy of Southwest Florida. Mr. Walter served as a Director of Manpower Inc. from 1998 to 2019 and served as Non-Executive Chairman of the company from 1999 to 2001. He previously served on the boards of other companies, including Innerworkings, Echo Global Logistics, VASCO Data Securities, Media Bank, LLC, Groupon, Deere & Company, Abbott Laboratories, Inc., AT&T Corporation, Target Corporation and Jones Lang LaSalle. Mr. Walter is on the Board of Trustees for Steppenwolf Theater, Northwestern University and The Naples Children & Education Foundation.

Gerald Corcoran, *Director*

Gerry Corcoran serves as a director of the Company. Mr. Corcoran has served as Chief Executive Officer of R. J. O'Brien & Associates, LLC (RJO) since 2000 and Chairman of the Board since 2007. In July 2014, Mr. Corcoran was elected Chairman of the FIA (formerly Futures Industry Association), and he served in that position until March 2016. He has been a member of FIA's Board of Directors since March 2008 and served as Vice Chairman from March 2013 until July 2014. He also serves on the U.S. Commodity Futures Trading Commission Global Markets Advisory Committee as well as the Board of Directors of the National Futures Association (NFA), the self-regulatory organization for the futures industry. In 1977 Corcoran graduated from Loyola University with a Bachelor of Business Administration degree. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. Over the last 30 years, Corcoran has served on numerous local community, civic and social boards.

Thomas Manning, *Executive Chairman and Director*

Tom Manning serves as the Company's Executive Chairman. Mr. Manning is the former Chairman and Chief Executive Officer of Dun & Bradstreet, a leading provider of corporate information and analytics. Mr. Manning serves as a director of CommScope and ChinData. He is also a Senior Fellow at Harvard University's Advanced Leadership Initiative, an executive-in-residence at the Booth School of Business at the University of Chicago, and a former adjunct faculty member at the University of Chicago Law School where he taught corporate governance, private equity, innovation, and US-China relations. He was based in Hong Kong for nearly 20 years and served as CEO of Cerberus Capital Asia, Capgemini Asia, and Ernst & Young Consulting Asia, and as a senior partner at Bain & Company. During the past decade, he served on the boards of various publicly listed Chinese companies, including Bank of Communications, Gome Electrical Appliances, AsiaInfo-Linkage, iSoftStone, and Clear Media. Earlier in his career, he was extensively involved in the medical field as the founder and CEO of a biomedical device company and a founder of McKinsey's health care consulting practice. A graduate of Harvard University and Stanford University, he speaks Mandarin and is a frequent speaker and commentator on innovation, governance, and China.

Randy Podolsky, *Director*

Randy D. Podolsky serves as a director of the Company. He has served the entrepreneurial, corporate, institutional and not-for-profit clients of Podolsky Circle CORFAC International for over 40 years, and served as Managing Principal of the firm from 1986 to 2015. As a Principal of the firm, Mr. Podolsky provided personalized transaction and contract negotiation and advisory services to financial institutions, users, owners and not-for-profits for all facets of commercial real estate. Mr. Podolsky serves as a board member and chair of the real estate committee of the Waukegan Port District. Additionally, he is a volunteer member of the U.S. Coast Guard Auxiliary since 1991 and served as the elected District Commodore (DCO) of the Ninth Western Region in 2009-2010.

Michele Roberts, ***Director***

Ms. Roberts serves as a director of the Company. Since 2014, Ms. Roberts has served as the Executive Director of the National Basketball Players Association (the "NBPA"), working on behalf of NBA players to ensure their rights are protected and are fairly compensated for the value they bring to the sport and their impact on society. Prior to joining the NBPA, she was a trial lawyer with Skadden, Arps, Slate, Meagher & Flom. Her practice focused on complex civil and white-collar criminal litigation before state and federal courts and in administrative proceedings. Ms. Roberts is a Fellow of the American College of Trial Lawyers. She worked for eight years in the office of the Public Defender Service for the District of Columbia, where she was named Chief of the Trial Division and served as counsel in more than 40 jury trials. Ms. Roberts is a frequent lecturer and presenter to both the bench and bar on a variety of topics related to litigation and trial practice. She taught trial advocacy as an adjunct member of the faculty at Harvard Law School and was an instructor with the National Institute of Trial Advocacy.

Marc Lustig, ***Head of Capital Markets and Director***

Marc Lustig serves as a director of the Company and as the Company's Head of Capital markets. Prior to serving in such role, Mr. Lustig was the founder and Chief Executive Officer of Cannabis Royalties & Holdings Corp. (Origin House), a leading distributor of cannabis products including its owned brands in California and other markets. Following the acquisition of Origin House by Cresco in January 2020, Mr. Lustig has overseen capital markets activities for Cresco, including executing on the company's capital strategy. He is also responsible for managing relationships with Cresco's various capital markets stakeholders. In addition to being a director of the Company, Mr. Lustig is the Chairman of Trichome Financial Corp., Chairman of IMC Cannabis, and is a director of Pharmacielo Ltd and Aequus Pharmaceuticals. Marc holds Master of Science and Master of Business Administration degrees from McGill University.

Cease Trade and Bankruptcy

None of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

None of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director or executive officer, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Company has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company as a result of their outside business interests except that certain of the Company's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

PROMOTERS

No person or company has been within the two years immediately preceding the date of this AIF, a promoter of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the year ended December 31, 2020, a former executive of the Company commenced proceedings against the Company. On January 29, 2021, the Company commenced an action in the Supreme Court of British Columbia against various parties, including this former executive and a special purpose acquisition entity. On February 1, 2021, a binding settlement was reached and the terms were memorialized in an agreement as of March 1, 2021. The agreed-upon terms included a payment of 1.3 million SVS to the counterparty relating to certain equity awards previously held by the counterparty in exchange for a number of covenants including non-solicitation, non-hire, certain provisions surrounding voting rights and limitations on future sales of Company shares. As contemplated by the settlement, the Company discontinued the action on February 4, 2021 and a mutual release of claims resulted. At December 31, 2020, the Company recorded a provision of $13.6 million for this settlement. The payment of 1.3 million SVS was made during the first quarter of 2021.

Other than a civil dispute whereby Cresco, as plaintiff, is seeking damages for breach of contract, and the aforementioned matter, to the Company's knowledge, there are no legal proceedings or regulatory actions material to the Company to which it is a party, or has been a party to, or of which any of its property is or was the subject matter of, and no such proceedings or actions are known by the Company to be contemplated.

There have been no material penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this AIF no director, executive officer or unitholder or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting securities of the Company, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three years before the date of this AIF which has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Marcum LLP and the transfer agent and registrar for the Subordinate Voting Shares, Proportionate Voting Shares, Special Subordinate Voting Shares and Super Voting Shares is Odyssey Trust Company at its principal offices in Calgary, Alberta.

MATERIAL CONTRACTS

The Company is a party to the following material contracts:

- Support Agreement entered into by and among the Company, Cresco Corp and Cresco LLC (see the " *Description of Capital Structure – Support Agreement*" section for greater detail.);
- Tax Receivable Agreement entered into by and among Cresco Corp, Cresco LLC, the Cresco Members and the Cresco LTIP Unitholders (see the "*Description of Capital Structure – Tax Receivable Agreement* " section for greater detail.);
- A&R LLC Agreement (see the " *Description of Capital Structure – Description of Unit Capital of Cresco – A&R LLC Agreement* " section for greater detail.);
- Arrangement Agreement entered into by and among the Company and Origin House (see the " *General Development of the Business – Acquisitions and Dispositions – Origin House*" section for greater detail.);

- Underwriting Agreement entered into by and among the Company and Canaccord Genuity Corp., Beacon Securities Limited, Cormark Securities Inc., Eight Capital and GMP Securities L.P. (see the "*General Development of the Business – Financing Activities*" section for greater detail.); and
- Senior Secured Term Loan Agreement entered into by and among the Company, a third-party administrative agent, and a syndicate of lenders (see the "*General Development of the Business – Financing Activities*" section for greater detail.).

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of Cresco or of an associate or affiliate of Cresco and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of Cresco or of an associate or affiliate of Cresco and no such person is a promoter of Cresco or an associate or affiliate of Cresco. Marcum LLP is independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found under the Company's profile on SEDAR at www.sedar.com. Additional financial information is provided in the Financial Statements and MD&A, which is also available on SEDAR.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain material U.S. federal income tax considerations for U.S. Holders and Non-U.S. Holders (each as defined below) relating to the ownership and disposition of Subordinate Voting Shares. This summary is general in nature and does not discuss all aspects of U.S. federal income taxation that may be relevant to a holder of Subordinate Voting Shares in light of its particular circumstances. In addition, this summary does not address the U.S. federal alternative minimum tax, the Medicare tax on net investment income, U.S. federal estate and gift taxes, U.S. state and local taxes or foreign taxes. This summary deals only with Subordinate Voting Shares held as capital assets within the meaning of Section 1221 of the U.S. Tax Code (generally, property held for investment), and does not address tax considerations applicable to any holder of Subordinate Voting Shares that may be subject to special treatment under the United States federal income tax laws, including:

- a bank or other financial institution;
- a tax-exempt or governmental organization;
- a retirement plan or other tax-deferred account (other than with respect to U.S. Holders in the 401(k) Plan),
- a partnership, an S corporation or other entity treated as a partnership or pass-through (or an investor therein);
- an insurance company;
- a mutual fund, regulated investment company or real estate investment trust;
- a person that purchases or sells Subordinate Voting Shares as part of a wash sale for tax purposes;
- a dealer or broker in stocks and securities, or currencies;
- a trader in securities that elects mark-to-market treatment;

- a holder of Subordinate Voting Shares subject to the alternative minimum tax provisions of the U.S. Tax Code;
- a holder of Subordinate Voting Shares that received Subordinate Voting Shares through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation;
- a person that owns (or is deemed to own) 5% or more of the outstanding Subordinate Voting Shares;
- a U.S. Holder whose functional currency is not the U.S. dollar;
- a person that holds Subordinate Voting Shares as part of a hedge, straddle, constructive sale, conversion or other integrated transaction;
- "**controlled foreign corporations**" within the meaning of the U.S. Tax Code;
- "**passive foreign investment companies**" within the meaning of the U.S. Tax Code; or
- a U.S. expatriate.

This summary is based on the U.S. Tax Code, Treasury Regulations promulgated under the U.S. Tax Code, and rulings and judicial decisions, all as in effect as of the date hereof, and all of which are subject to change or differing interpretations at any time, possibly with retroactive effect. We have not sought, and do not intend to seek, any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and no assurance can be given that the IRS will agree with the views expressed herein, or that a court will not sustain any challenge by the IRS in the event of litigation.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Subordinate Voting Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding Subordinate Voting Shares should consult its own tax advisors regarding the tax consequences of acquiring, holding and disposing of Subordinate Voting Shares.

THIS DISCUSSION IS INTENDED ONLY AS A GENERAL SUMMARY OF CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO A HOLDER OF SHARES AND SHOULD BE READ IN CONJUNCTION WITH THE DISCUSSION OF CANADIAN TAX CONSIDERATIONS HEREIN. WE URGE BENEFICIAL OWNERS OF SHARES TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE OFFER OR THE MERGER IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

U.S. Holders.

For purposes of this discussion, a "**U.S. Holder**" of Subordinate Voting Shares means a holder that is for U.S. federal income tax purposes:

- An individual citizen or resident of the U.S.;
- A corporation (or other entity taxable as a corporation) created or organized in or under the laws of the U.S. or any state thereof or the District of Columbia;
- An estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust if it: (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

With respect to the first bullet point above, an individual is generally treated as a resident of the U.S. for U.S. federal income tax purposes in any calendar year if the individual either (i) is the holder of a green card, generally during any point of such year, or (ii) is present in the U.S. for at least 31 days in that calendar year, and for an aggregate of at least 183 days during the three-year period ending on the last day of the current calendar year. For purposes of the 183-day calculation (often referred to as the Substantial Presence Test), all of the days present in the U.S. during the current year, one-third of the days present in the U.S. during the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Residents are generally treated for U.S. federal income tax purposes as if they were U.S. citizens. Residents who are also residents or citizens of Canada should also review the discussion of Canadian tax considerations and are urged to consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Subordinate Voting Shares. Note that the Company expects to be treated as both a Canadian company for Canadian tax purposes and a U.S. company for U.S. federal income tax purposes. As a result, we expect the Company will not be eligible for benefits under the income tax treaty between the U.S. and Canada.

Non-U.S. Holders.

A "**Non-U.S. Holder**" is a beneficial owner of Subordinate Voting Shares (other than an entity or arrangement classified as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

Tax Classification as a U.S. Domestic Company

As a result of the Business Combination, pursuant to Section 7874(b) of the U.S. Tax Code and the Treasury Regulations promulgated thereunder, notwithstanding that the Company is organized under the provisions of the BCBCA in Canada, solely for U.S. federal income tax purposes, it is anticipated that the Company will be treated as a U.S. domestic corporation.

The Company experiences a number of significant and complicated U.S. federal income tax consequences as a result of being treated both as a Canadian company for Canadian income tax purposes and as a U.S. domestic corporation for U.S. federal income tax purposes, and this summary does not attempt to describe all such U.S. federal income tax consequences. Section 7874 of the U.S. Tax Code and the Treasury Regulations promulgated thereunder do not address all the possible tax consequences that arise from the Company being treated as a U.S. domestic corporation for U.S. federal income tax purposes. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to the Company that are not discussed in this summary. Please also note that most, but not all, states adopt Section 7874 of the U.S. Tax Code (California is an exception) and holders should discuss potential differences between federal and state treatment with their own tax advisors.

Generally, the Company is expected to be subject to U.S. federal income tax on all of its taxable income and will be required to file a U.S. federal income tax return annually with the IRS. The Company anticipates that it will also be subject to tax in Canada. It is unclear whether the Company will be entitled to foreign tax credits under the U.S. Tax Code and how the foreign tax credit rules will operate in certain circumstances, as a result of the Company being treated as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of the Company also in Canada. Accordingly, it is possible that the Company will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the Subordinate Voting Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes, notwithstanding future transfers, and may also be considered shares in a Canadian corporation for Canadian tax purposes. The remainder of this summary assumes that the Company will be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

Tax Considerations for U.S. Holders

Distributions

The Company has not and does not foresee making distributions with respect to its Subordinate Voting Shares. Distributions of cash or property with respect to Subordinate Voting Shares will constitute dividends for U.S. federal

income tax purposes to the extent paid from the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends will generally be taxable to a non-corporate U.S. Holder at the preferential rates applicable to long-term capital gains, provided that such holder meets certain holding period and other requirements. Distributions in excess thereof will generally be treated first, as a return of capital and be applied against, and reduce, a U.S. Holder's adjusted tax basis in its Subordinate Voting Shares, but not below zero, and thereafter be treated as capital gain and treated as described under "*Sale or Other Taxable Disposition*" below. Such distributions may also be subject to Canadian withholding taxes.

Dividends received by corporate U.S. Holders may be eligible for a dividends received deduction, subject to certain restrictions relating to, among others, the corporate U.S. Holder's taxable income, holding period and debt financing.

Sale or Other Taxable Disposition

Upon the sale or other taxable disposition of Subordinate Voting Shares, a U.S. Holder will generally recognize a capital gain or loss equal to the difference between (i) the amount realized by such U.S. Holder in connection with such sale or other taxable disposition, and (ii) such U.S. Holder's adjusted tax basis in such stock. Such capital gain or loss will generally be long-term capital gain or loss if the U.S. Holder's holding period respecting such stock is more than twelve months. U.S. Holders who are individuals are eligible for preferential rates of taxation respecting their long-term capital gains. Deductions for capital losses are subject to limitations.

Foreign Tax Credit Limitations

Because it is anticipated that the Company will be subject to tax both as a U.S. domestic corporation and as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to dividends paid on Subordinate Voting Shares. For U.S. federal income tax purposes, a U.S. Holder generally may elect for any taxable year to receive either a credit or a deduction for foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. The status of the Company as a U.S. domestic corporation for U.S. federal income tax purposes will cause dividends paid by the Company to be treated as U.S. source rather than foreign source for this purpose. As a result, a foreign tax credit may be unavailable to U.S. Holders for any Canadian tax paid on dividends received from the Company. Similarly, to the extent a sale or disposition of the Subordinate Voting Shares by a U.S. Holder results in Canadian tax payable by the U.S. Holder (for example, in the event the Subordinate Voting Shares constitute taxable Canadian property within the meaning of the Income Tax Act **("ITA")**), a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. In each case, however, the U.S. Holder should be able to take a deduction for the U.S. Holder's Canadian tax paid, provided that the U.S. Holder has not elected to credit other foreign taxes during the same taxable year. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisors regarding these rules.

Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or the amount of proceeds paid in foreign currency on the sale, exchange or other taxable disposition of Subordinate Voting Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Information Reporting and Backup Withholding

U.S. backup withholding (currently 24%) is imposed upon certain payments to persons that fail (or are unable) to furnish the information required pursuant to U.S. information reporting requirements. Distributions to U.S. Holders will generally be exempt from backup withholding, provided the U.S. Holder meets applicable certification requirements, including providing a U.S. taxpayer identification number on a properly completed IRS Form W-9, or otherwise establishes an exemption. The Company must report annually to the IRS and to each U.S. Holder the amount of distributions and dividends paid to that U.S. Holder and the proceeds from the sale or other disposition of Subordinate Voting Shares, unless such U.S. Holder is an exempt recipient.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will generally be allowed as a credit against such U.S. Holder's U.S. federal income tax liability, and may entitle such U.S. Holder to a refund, provided the required information and returns are timely furnished by such U.S. Holder to the IRS.

Tax Considerations for Non-U.S. Holders

Distributions

The Company has not and does not foresee making distributions with respect to its Subordinate Voting Shares. Distributions of cash or property on Subordinate Voting Shares will constitute U.S. source dividends for U.S. federal income tax purposes to the extent paid from the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its Subordinate Voting Shares, but not below zero, and thereafter be treated as capital gain and will be treated as described under *"Sale or Other Taxable Disposition"* below.

Subject to the discussions under *"Information Reporting and Backup Withholding"* above and under *"FATCA"* below, any dividend paid to a Non-U.S. Holder of Subordinate Voting Shares generally will be subject to U.S. federal withholding tax at a rate of 30%, or such lower rate as may be specified under an applicable income tax treaty, unless the dividend is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the U.S. In order to receive a reduced treaty rate, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or an appropriate successor form), properly certifying such holder's eligibility for the reduced rate. If a Non-U.S. Holder holds Subordinate Voting Shares through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to such agent, and the Non-U.S. Holder's agent will then be required to provide such (or a similar) certification to us, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required certification, but that qualifies for a reduced treaty rate, generally may apply for and obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their own tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder) generally will be exempt from the withholding tax described above and instead will be subject to U.S. federal income tax on a net income basis at regular graduated U.S. federal income tax rates applicable to U.S. Holders. In such case, the Company will not have to withhold U.S. federal tax so long as the Non-U.S. Holder timely complies with the applicable certification and disclosure requirements. In order to obtain this exemption from withholding tax, a Non-U.S. Holder must provide its financial intermediary with an IRS Form W-8ECI properly certifying its eligibility for such exemption. Any such effectively connected dividends received by a corporate Non-U.S. Holder may be subject to an additional "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items. Non-U.S. Holders should consult their own tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussions under *"Information Reporting and Backup Withholding"* above and under *"FATCA"* below, any gain realized on the sale or other disposition of Subordinate Voting Shares by a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment, or fixed base, of the Non-U.S. Holder);
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met; or
- the rules of the *Foreign Investment in Real Property Tax Act of 1980* ("**FIRPTA**") apply to treat the gain as effectively connected with a U.S. trade or business.

A Non-U.S. Holder who has a gain that is described in the first bullet point immediately above generally will be subject to U.S. federal income tax on the gain derived from the sale or other disposition pursuant to regular graduated U.S. federal income tax rates in the same manner as if it were a U.S. Holder. In addition, a corporate Non-U.S. Holder described in the first bullet point immediately above may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits (or at such lower rate as may be specified by an applicable income tax treaty), as adjusted for certain items.

A Non-U.S. Holder who meets the requirements described in the second bullet point immediately above will be subject to a flat 30% tax (or a lower tax rate specified by an applicable tax treaty) on the gain derived from the sale or other disposition, which gain may be offset by certain U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, pursuant to FIRPTA, in general, a Non-U.S. Holder is subject to U.S. federal income tax in the same manner as a U.S. Holder on any gain realized on the sale or other disposition of a "U.S. real property interest" ("**USRPI**"). For purposes of these rules, a USRPI generally includes stock in a U.S. corporation if such corporation's interests in U.S. real property constitute 50% or more, by value, of the sum of the U.S. corporation's (i) assets used in a trade or business, (ii) U.S. real property interests, and (iii) interests in real property outside of the U.S. A U.S. corporation whose interests in U.S. real property constitute 50% or more, by value, of the sum of such assets is commonly referred to as a U.S. real property holding corporation ("**USRPHC**"). If Subordinate Voting Shares are treated as regularly traded on an established securities market (within the meaning of Section 897(c)(3) of the U.S. Tax Code), FIRPTA generally will not apply to a disposition of Subordinate Voting Shares by a Non-U.S. Holder that owns directly (or is deemed to own pursuant to attribution rules) 5% or less of the Subordinate Voting Shares at any time during the relevant period, in which case such gain will be subject to U.S. federal income tax at rates generally applicable to U.S. Holders, except that the branch profits tax will not apply. The Company believes that it is not, and has not been, a USRPHC at any time during the relevant five-year period.

Information Reporting and Backup Withholding

With respect to distributions and dividends on Subordinate Voting Shares, the Company must report annually to the IRS and to each Non-U.S. Holder the amount of distributions and dividends paid to such Non-U.S. Holder and any tax withheld with respect to such distributions and dividends, regardless of whether withholding was required with respect thereto. Copies of the information returns reporting such dividends and distributions and withholding also may be made available to the tax authorities in the country in which the Non-U.S. Holder resides or is established under the provisions of an applicable income tax treaty, tax information exchange agreement or other arrangement. A Non-U.S. Holder will be subject to backup withholding for dividends and distributions paid to such Non-U.S. Holder unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the U.S. Tax Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

With respect to sales or other dispositions of Subordinate Voting Shares, information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of Subordinate Voting Shares within the U.S. or conducted through certain U.S.-related financial intermediaries, unless either (i) such Non-U.S. Holder certifies under penalty of perjury that it is not a U.S. person (as defined in the U.S. Tax Code), which certification is generally satisfied by providing a properly executed IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI (or appropriate successor form), and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or (ii) such Non-U.S. Holder otherwise establishes an exemption.

Whether with respect to distributions and dividends, or the sale or other disposition of Subordinate Voting Shares, backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

FATCA

Withholding taxes may be imposed pursuant to FATCA (Sections 1471 through 1474 of the U.S. Tax Code) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, except as discussed below, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition (including certain distributions treated as a sale or other disposition) of, Subordinate Voting Shares paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the U.S. Tax Code).

Such 30% FATCA withholding will not apply to a foreign financial institution if such institution undertakes certain diligence and reporting obligations, or otherwise qualifies for an exemption from these rules. The diligence and reporting obligations include, among others, entering into an agreement with the U.S. Department of Treasury pursuant to which the foreign financial institution must (i) undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the U.S. Tax Code), (ii) annually report certain information about such accounts, and (iii) withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

The 30% FATCA withholding will not apply to a non-financial foreign entity which either certifies that it does not have any "substantial United States owners" (as defined in the U.S. Tax Code), furnishes identifying information regarding each substantial United States owner, or otherwise qualifies for an exemption from these rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA (i) generally applies currently to payments of dividends on Subordinate Voting Shares, and (ii) will apply to payments of gross proceeds from the sale or other disposition of such stock (including certain distributions treated as a sale or other disposition) on or after January 1, 2019.

United States Tax Residency of the Company and Withholding Tax

The Company, which is and will continue to be a Canadian corporation as of the date of this AIF, is also expected to be classified for U.S. federal income tax purposes as a United States corporation under Section 7874 of the U.S. Tax Code. Under Section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an inversion if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States

corporation or United States trade or business, (ii) after the acquisition, the former owners of the acquired United States corporation or business hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of their ownership of the United States acquired corporation, trade or business, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business.

The Company expects and intends to be treated as a United States corporation for United States federal income tax purposes under Section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income indefinitely. However, for Canadian tax purposes, the Company is expected, regardless of any application of Section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the ITA) for Canadian income tax purposes.

The Company will be subject to taxation both in Canada and the United States and also may not qualify for certain U.S.-Canada income tax treaty benefits, which could have a material adverse effect on its financial condition and results of operations.

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

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

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

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

THE FOREGOING SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES THAT MAY BE RELEVANT TO PARTICULAR HOLDERS OF SUBORDINATE VOTING SHARES AND IS NOT TAX OR LEGAL ADVICE. HOLDERS OF SUBORDINATE VOTING SHARES SHOULD ALSO REVIEW THE DISCLOSURE CONCERNING CANADIAN TAX CONSIDERATIONS AND SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, NON-U.S. INCOME AND OTHER TAX LAWS) OF ACQUIRING, HOLDING AND DISPOSING OF SUBORDINATE VOTING SHARES.

GLOSSARY

The following is a glossary of certain general terms used in this AIF including in the summary hereof. Terms and abbreviations used in the financial statements appended to this AIF are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**180 Smoke Agreement**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**180 Smoke Transaction**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**A&M**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**A&R LLC Agreement**" means the Amended and Restated Limited Liability Company Agreement of Cresco LLC, entered into by Cresco LLC and each of the members of Cresco LLC on November 30, 2018.

"**ADHS**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Adjusted EBITDA**" means earnings before interest, taxes, depreciation and amortization, representing a non-IFRS measure of earnings which excludes depreciation and amortization, net interest expense, income taxes, other expense, share-based compensation, immediately expensed cultivation costs, loss from investment in associates, COVID-19 related expenses, fair value mark-up for acquired inventory and other non-core items.

"**AFS**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**AFS Maryland**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**AIF**" has the meaning ascribed thereto under the heading "*General*".

"**Amended Term Loan**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**AMMA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**AO LTIP Unit**" means a unit of Cresco LLC which is designated as an "**Appreciation Only LTIP Unit**" in the applicable vesting agreement or other documentation pursuant to which such AO LTIP Unit is granted or issued, having the rights, powers, privileges, restrictions, qualifications and limitations set forth in Exhibit A to the A&R LLC Agreement in respect of the holder thereof, as well as any applicable vesting agreement or other documentation pursuant to which such AO LTIP Unit is granted or issued.

"**API**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**ARS**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**ATM Program**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**AUMA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**AZ Dispensary License**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Bank Secrecy Act**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Barr Comments**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Basis Adjustments**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

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

"**BCC**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Bluma**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Bluma Transaction**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Business Combination**" means the business combination among Randsburg and Cresco LLC pursuant to which Cresco LLC completed a reverse take-over of Randsburg.

"**Cal Subsidiaries**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Canadian Securities Administrators**" refers to an umbrella organization of Canada's provincial and territorial securities regulators.

"**CARERS Act**" means the *Compassionate Access, Research Expansion, and Respect States Act of 2015* , as amended.

"**CBD**" means Cannabidiol.

"**CBP**" has the meaning ascribed thereto under the heading "*Risk Factors*".

"**CCA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**CDS**" has the meaning ascribed thereto under the heading "*Risk Factors*".

"**CEO**" means Chief Executive Officer.

"**Certificate**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Certificate of Operation**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**CFO**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Cole Memo**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Common Units**" means those units designated by Cresco LLC after Cresco LLC effected a recapitalization of its outstanding unit capital in connection with the Business Combination, whereby under such recapitalization all previously issued Cresco LLC Units were combined into a single class of non-voting units of Cresco LLC.

"**Company**" has the meaning ascribed thereto under the heading "*General*"

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

"**Conversion Ratio**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**COO**" has the meaning ascribed thereto under the heading "*Description of the Business*"

"**COVID-19**" has the meaning ascribed thereto under the heading "*Cautionary Statement Regarding Forward-Looking Information*".

"**CPG**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Cresco**" has the meaning ascribed thereto under the heading "*General*".

"**Cresco Corp**" means Cresco U.S. Corp., a corporation existing under the laws of the state of Illinois.

"**Cresco Redeemable Shares**" means the non-voting common shares in the capital of Cresco.

"**Cresco Voting Shares**" means the voting common shares in the capital of Cresco.

"**Cresco LLC**" means Cresco Labs, LLC, a limited liability company existing under the laws of the state of Illinois.

"**Cresco LTIP Unitholder**" means the holders of the LTIP Units.

"**Cresco Members**" means the holders of Cresco LLC Units.

"**Cresco Ohio**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Cresco Redeemable Units**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**Cresco LLC Units**" means the Class A units, Class B units, Class C units, Class D units, Class E units and Class F units in the capital of Cresco LLC existing prior to the recapitalization of Cresco LLC in connection with the completion of the Business Combination.

"**Cresco Yeltrah**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**CSA**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

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

"**Cultivate**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Cultivate Transaction**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**DEA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**DOJ**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**DOT**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**EBITDA**" means earnings before interest, taxes, depreciation, and amortization as reported in the financial records of the Company, or the financial records of any other company, or segment thereof, against whom the performance of the Company is being compared.

"**Encanto**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Farm Bill**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

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

"**FDA**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Financial Statements**" has the meaning ascribed thereto under the heading "*General*".

"**FinCEN**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**FinCEN Memo**" has the meaning ascribed thereto under the heading "*Risk Factors*".

"**FIRPTA**" has the meaning ascribed thereto under the heading "*Additional Information*".

"**FloraMedex**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Founders**" has the meaning ascribed thereto under the heading "*Risk Factors*".

"**FV LTIP Unit**" means a unit of Cresco LLC which is designated as a "**Full Value LTIP Unit**" in the applicable vesting agreement or other documentation pursuant to which such FV LTIP Unit is granted or issued, having the rights, powers, privileges, restrictions, qualifications and limitations set forth in Exhibit A to the A&R LLC Agreement in respect of the holder thereof, as well as any applicable vesting agreement or other documentation pursuant to which such FV LTIP Unit is granted or issued.

"**Gloucester**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**HEROES Act**" has the meaning ascribed thereto under the heading "*Description of the Business*"

"**HHH**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Holder**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**Holder's Group**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**IFRS**" means International Financial Reporting Standards.

"**IIP**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**ILLCA**" *Illinois Limited Liability Company Act*, as amended.

"**IRS**" means the Internal Revenue Service.

"**IT**" has the meaning ascribed thereto under the heading "*Risk Factors*".

"**ITA**" has the meaning ascribed thereto under the heading "*Foreign Tax Credit Limitations*".

"**January 2021 Offering**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**January Shelf Prospectus**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**LARA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Leahy Amendment**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**LIBOR**" means the London Inter-bank Offered Rate.

"**Lighthouse**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**LTIP Units**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**March 2021 Offering**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**March Shelf Prospectus**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Marijuana Establishment**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Massachusetts Department**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Massachusetts Regulations**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MAUCRSA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MCRSA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MD&A**" has the meaning ascribed thereto under the heading "*General*".

"**MedMar**" has the meaning ascribed thereto under the heading "*General Development of the Business* ".

"**MedMar Lakeview**" has the meaning ascribed thereto under the heading "*General Development of the Business* ".

"**MedMar Rockford**" has the meaning ascribed thereto under the heading "*General Development of the Business* ".

"**METRC**" an end-to-end tracking and tracing software for marijuana plants and products provided by Franwell Inc.

"Michigan Affiliate" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Michigan Cannabis Regulations**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Michigan Qualified Purchaser**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Michigan Registry ID**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MIPs**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MJ Freeway**" means MJ Freeway Inc. a corporation providing cloud-based, seed-to-sale, cannabis compliance software for marijuana businesses including retail, delivery, wholesale, cultivation, and manufacturing.

"**MMCC**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MMCP**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MMFLA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MMJ Program**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MMMA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MOU**" has the meaning ascribed thereto under the heading "*Risk Factors*".

"**MTA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**MUMP**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**NBPA**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**NBSG**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Nevada Licenses**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Non-U.S. Holder**" has the meaning ascribed thereto under the heading "*Additional Information*".

"**NY Licenses**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**NYSDOH**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**OCN Loan**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**OH Arrangement**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Origin House**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**OTC**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Paradise Wellness**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**PBIC**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**PDI**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Phoenix**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Phoenix Farms**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**PMP**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Pre-Combination LLC Agreement**" means the Cresco LLC limited liability company agreement dated October 8, 2013, as amended and restated as of March 28, 2015 and as further amended and restated as of March 17, 2018 and as of July 1, 2018.

"**Proportionate Voting Shares**" means the Proportionate Voting Shares in the capital of the Company.

"**PTSD**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Randsburg**" has the meaning ascribed thereto under the heading "*Corporate Structure*".

"**REFER Act**" means the H.R.4779: REFER Act of 2018.

"**Registered Organizations**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Regulatory Counsel**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**RMD**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Rohrabacher-Blumenauer Amendment**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Rules**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**SAFE Banking Act**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**SEC**" means the U.S. Securities & Exchange Commission.

"**Section 280E**" has the meaning ascribed thereto under the heading "*Risk Factors*"

"**SEED**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**seed-to-sale**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**September 2019 Financing**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Sessions Memo**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Silver State**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**SKU**" means stock-keeping unit.

"**SLO**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Special Subordinate Voting Shares**" means the special subordinate voting shares in the capital of the Company.

"**Staff Notice 51-352**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**STATES Act**" has the meaning ascribed thereto under the heading "*Description of the Business* ".

"**Subordinate Voting Shares**" means the Subordinate Voting Shares in the capital of the Company.

"**Super Voting Shares**" means the non-participating Super Voting Shares in the capital of the Company.

"**Support Agreement**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**T&T**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**Tax Receivable Agreement**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**Term Loan**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**THC**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Treasury Regulations**" refers to the United States Treasury Regulations issued by the United States Internal Revenue Service, a bureau of the United States Department of the Treasury.

"**Triggering Event**" has the meaning ascribed thereto under the heading "*Description of Capital Structure*".

"**Tryke**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Tryke Agreement**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Underlying Shares**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Units**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**U.S. Holder**" has the meaning ascribed thereto under the heading "*Additional Information*".

"**U.S. Marijuana Issuers**" as defined in the Canadian Securities Administrators Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities.*

"**U.S. Tax Code**" has the meaning ascribed thereto under the heading "*Description of the Business*".

"**USRPHC**" has the meaning ascribed thereto under the heading "*Additional Information*".

"**USRPI**" has the meaning ascribed thereto under the heading "*Additional Information*".

"**Valley Ag**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Verdant**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Warrant**" has the meaning ascribed thereto under the heading "*General Development of the Business*".

"**Wellbeings**" means Wellbeings, LLC, a limited liability company existing under the laws of Delaware.

Exhibit 99.5

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2020 AND 2019.

*This management discussion and analysis (" **MD&A**") of the financial condition and results of operations of Cresco Labs Inc. (the " **Company**" or "**Cresco**") is for the three months and years ended December 31, 2020 and 2019. It is supplemental to, and should be read in conjunction with, the Company's audited Consolidated Financial Statements and accompanying notes as of and for the years ended December 31, 2020 and 2019. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Financial information presented in this MD&A is presented in United States dollars ("**$**"), unless otherwise indicated. The three months ended data presented below is unaudited.*

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.

The Company has provided certain supplemental non-IFRS financial measures in this MD&A. Where the Company has provided such non-IFRS financial measures, we have also provided a reconciliation to the most comparable IFRS financial measure. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein. Please see the information under the header "Non-IFRS Financial Measures" for additional information on the Company's use of non-IFRS financial measures and the reasons therefore.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward Looking Information," located at the beginning of the Company's Annual Information Form for the year ended December 31, 2020, filed on SEDAR. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information. Please refer to the discussion of risks and uncertainties set out under the heading "Risk Factors," located within the Company's Annual Information Form for the year ended December 31, 2020, filed on SEDAR.

OVERVIEW OF THE COMPANY

Cresco Labs Inc. (the "**Company**" or "**Cresco**") was incorporated in the Province of British Columbia and is licensed to cultivate, manufacture and sell cannabis and cannabis products. The Company operates in and/or has ownership interests in Illinois, Pennsylvania, Ohio, California, Nevada, Arizona, Maryland, Massachusetts, New York and Michigan. Additionally, the Company operates a nicotine vape business in Canada.

Cresco is primarily engaged in the business of cultivating medical grade cannabis, manufacturing medical grade products derived from cannabis cultivation, and distributing such products to medical or adult use consumers in legalized cannabis markets. Cresco exists to provide high-quality and consistent cannabis-based products to consumers. Cresco's business focuses on regulatory compliance while working to develop condition-specific strains of cannabis and non-invasive delivery methods (alternatives to smoke inhalation) to provide controlled-dosage medicinal cannabis relief to qualified patients and consumers in legalized cannabis markets. The Company currently operates three (3) medical and adult-use cannabis cultivation and manufacturing centers and ten (10) dispensary locations in Illinois; one (1) medical cannabis cultivation and manufacturing center and three (3) dispensary locations in Pennsylvania; one (1) medical cannabis cultivation center and one (1) dispensary location in Ohio; three (3) cultivation centers, one (1) manufacturing facility and two (2) distribution facilities in California; one (1) cultivation center and one (1) cultivation and manufacturing center and dispensary location in Arizona; one (1) processing center in Maryland; one (1) medical cannabis manufacturing center and four (4) dispensary locations in New York; one (1) cultivation and manufacturing center and dispensary in Massachusetts; one (1) processing facility in Michigan; and twenty-six (26) nicotine vape stores in Canada. For additional information on wholly-owned or effectively controlled subsidiaries and affiliates of Cresco, refer to Note 2 under the heading "Basis of Consolidation" of the Company's Consolidated Financial Statements for the year ended December 31, 2020.

During 2019, the Company announced a new dispensary brand, Sunnyside*, created to accelerate industry growth and shift consumer expectations and perceptions around shopping for cannabis from intimidation and doubt to curiosity and acceptance through a new trail and marketing approach. During 2020, five (5) Sunnyside* dispensaries opened in the Illinois market, four (4) dispensaries were rebranded as Sunnyside* in New York, one (1) dispensary was rebranded as Sunnyside* in Arizona, one (1) dispensary was rebranded as Sunnyside* in Massachusetts, and three (3) dispensaries were rebranded as Sunnyside* in Pennsylvania. Cresco's portfolio of owned cannabis consumer packaged goods includes Cresco, High Supply, Mindy's Edibles, Good News, Remedi, Wonder Wellness Co. and FloraCal Farms. The Company distributes and markets these products primarily to third-party licensed retail cannabis stores across the United States as well as to Cresco-owned retail stores. During 2021, the Company closed its acquisition of four (4) dispensaries in Ohio previously operated by Verdant Creations, LLC and its affiliates (collectively "**Verdant**").

Cresco is currently located at Suite 110, 400 W. Erie St, Chicago, IL 60654 and employs approximately 2,300 people, while being named as a "Top Diversity Employer" by Diversity Jobs in 2021.

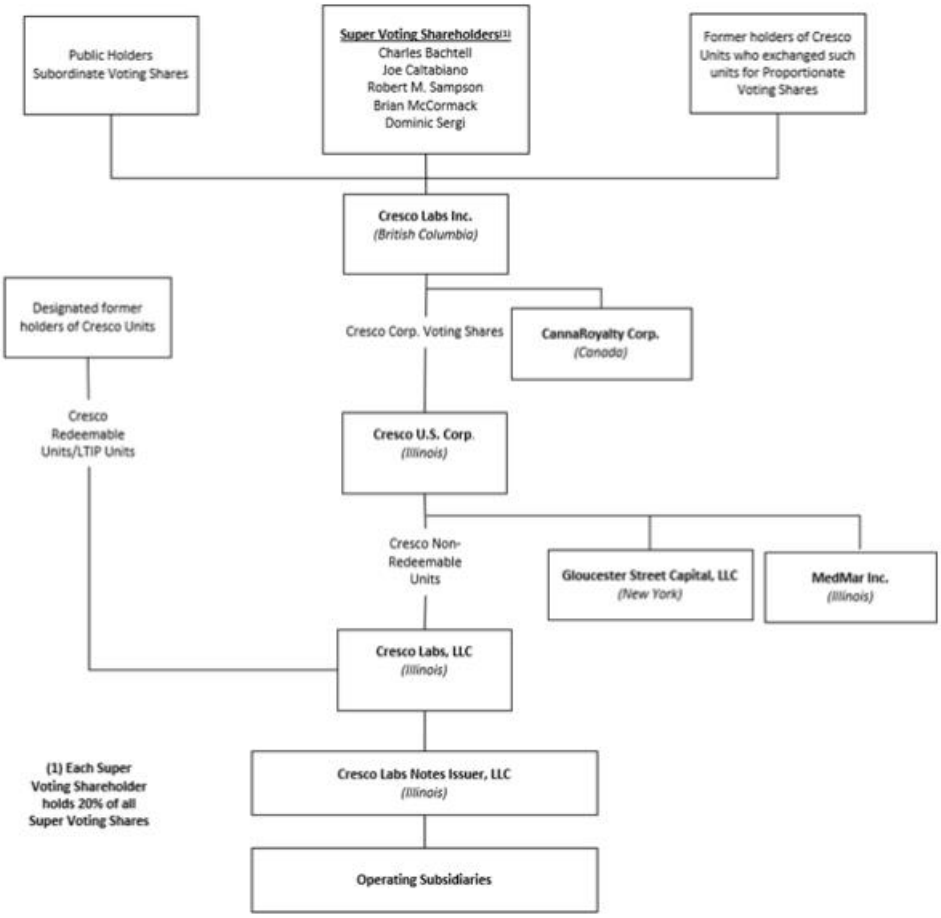
Issuing IPO, Reverse Takeover & Corporate Structure

The Company (then Randsburg Gold Corporation) was incorporated in the Province of British Columbia under the *Company Act* (British Columbia) on July 6, 1990. On December 30, 1997, the Company changed its name from Randsburg Gold Corporation to Randsburg International Gold Corp. ("**Randsburg**") and consolidated its common shares on a five (5) old for one (1) new basis. On November 30, 2018, in connection with the Reverse Takeover, the Company (i) consolidated its outstanding Randsburg common shares on an 812.63 old for one (1) new basis, and (ii) filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies to change its name from Randsburg to Cresco Labs Inc. and to amend the rights and restrictions of its existing class of common shares, redesignate such class as the class of Subordinate Voting Shares ("**SVS**") and create the Proportionate Voting Shares and the Super Voting Shares.

The Company's registered office is located at Suite 2200, 1055 West Hastings Street, Vancouver, BC V6E 2E9. Pursuant to the Reverse Takeover, among the Company (then Randsburg) and Cresco, a series of transactions were completed on November 30, 2018 resulting in a reorganization of Cresco and Randsburg in which Randsburg became the indirect parent and sole voting unitholder of Cresco. The series of transactions constituted a Reverse Takeover of Randsburg by Cresco under applicable securities laws.

Cresco was formed as a limited liability company under the laws of the state of Illinois on October 8, 2013 and is governed by the Pre-Combination LLC Agreement. The Pre-Combination LLC Agreement was further amended and restated in connection with the completion of the Reverse Takeover.

Set forth below is the organization chart of the Company.



Recent Developments

On April 26, 2019, the Company announced that it filed and received a receipt for a preliminary short form base shelf prospectus (the " **Shelf Prospectus**") with the securities commissions in each of the provinces of Canada, except Québec. The Shelf Prospectus allows the Company to offer up to C$500 million SVS, debt securities, subscription receipts, warrants, and units, or any combination thereof, from time to time during the 25-month period that the final Shelf Prospectus is effective. The Company filed this Shelf Prospectus in order to maintain financial strength and flexibility going forward; the final version of the Shelf Prospectus was filed and accepted on July 26, 2019. The specific terms of any future offering of securities, including the use of proceeds from any offering, will be established in prospectus supplements to the Shelf Prospectus, which will be filed with the applicable Canadian securities regulatory authorities.

On September 18, 2019, the Company filed a prospectus supplement (the " **Offering**"), together with the short form base shelf prospectus described above, which qualified the distribution of 7,350,000 units (the "**Offered Units**") of Cresco at a price of C$10.00 per Offered Unit (the "**Offering Price**") pursuant to an amended and restated underwriting agreement (the " **Underwriting Agreement**") dated as of September 16, 2019 between Cresco and Canaccord Genuity Corp., Beacon Securities Limited, Cormark Securities Inc., Eight Capital and GMP Securities L.P. (collectively, the "**Underwriters"**). Each Offered Unit was comprised of one SVS of Cresco (each, a " **Unit Share**") and one-half of one SVS purchase warrant of Cresco (each whole SVS purchase warrant, a " **Warrant**"). Each Warrant is exercisable into one SVS of Cresco (each, a "**Warrant Share**") at an exercise price of C$12.50 per Warrant Share at any time prior to 5:00 p.m. (Toronto time) on the date that is 36 months following the closing of the Offering. The Offered Units immediately separate into Unit Shares and Warrants upon issuance. Pursuant to the Underwriting Agreement, Cresco agreed to pay to the Underwriter a fee representing 5.0% of the aggregate gross proceeds of the Offering.

In connection with the above Offering, Cresco granted the Underwriters an option to purchase up to an additional 1,102,500 Offered Units (the "**Additional Units**") at the Offering Price per Additional Unit on the same terms and conditions as the Offering for a period of 30 days from and including the closing date (September 24, 2019) to cover over allotments, if any, and for market stabilization purposes. On October 24, 2019, the Company issued an additional 551,250 share purchase warrants (the "**Additional Warrants**") at a price of C$2.16 per Additional Warrant for gross proceeds of C$1,190,700, pursuant to the partial exercise of the Underwriter's over-allotment option.

On December 3, 2019, the Company entered into an equity distribution agreement (" **EDA**") with Canaccord Genuity Corp. pursuant to which the Company may, from time to time, sell up to C$55 million of SVS (the "**ATM Offering**"). The Company intends to use the net proceeds of the ATM Offering principally for general corporate purposes, including repaying indebtedness outstanding from time to time, funding ongoing discretionary capital programs and potential future acquisitions. The volume and timing of sales, if any, will be determined at the sole discretion of the Company's management and in accordance with the terms of the EDA.

On February 2, 2020, the Company closed on a senior secured term loan agreement (the " **Term Loan**") for an aggregate principal amount of $100 million, with the mutual option to increase the principal amount to $200 million. The Tranche A and Tranche B Commitments had a stated maturity of July 2021 and January 2022, respectively.

In conjunction with its January 8, 2020 acquisition of Origin House, the Company recorded a short-term liability with Opaskwayak Cree Nation (the "**OCN Loan**") with an aggregate balance of $22.0 million as of the acquisition date, subject to a 10% interest rate and a stated maturity of June 2020. During the year ended December 31, 2020, the OCN Loan was amended to extend the maturity date to June 30, 2021.

On December 11, 2020, the Company entered into an amendment to extend the maturity of the Term Loan and exercised the option to increase the principal amount to $200 million (the "**Amended Term Loan**"). The Amended Term Loan includes principal amounts of $11.7 million, subject to a 12.7% interest rate and a stated maturity of July 2021, and $188.3 million, subject to a 12.0% interest rate and a stated maturity of January 2023, including the conversion of $15 million of the OCN loan to the long-term portion of the Amended Term Loan, with the remaining $5.4 million settled in conjunction with the closing of the Amended Term Loan.

On January 14, 2021, the Company announced the commencement of a best efforts overnight marketed offering (the " **January 2021 Offering**") of subordinate voting shares (the " **Securities**") of the Company. On January 15, 2021, the Company closed the January 2021 Offering of 9.9 million subordinate voting shares at a price of C$16.00 per share for total gross proceeds of approximately $125 million. The Securities were offered in each of the Provinces of Canada, other than Québec, pursuant to a prospectus supplement dated January 19, 2021 to the Company's base shelf prospectus dated July 25, 2019 and in the United States on a private placement basis to "qualified institutional buyers."

On January 13, 2021, the Company filed a Form 40-F with the United States (" **U.S.**") Securities and Exchange Commission (" **SEC**").

On March 1, 2021, the Company filed and received a receipt for a preliminary short form base shelf prospectus (the " **March 2021 Shelf Prospectus**") with the securities commissions in each of the provinces of Canada, except Québec, and a corresponding shelf registration statement on Form F-10 (the "**Registration Statement**") with the SEC under the U.S./Canada Multijurisdictional Disclosure System (" **MJDS**"). The March 2021 Shelf Prospectus and Registration Statement, when made final or effective, will allow the Company to offer up to $1 billion SVS, debt securities, subscription receipts, warrants, and units, or any combination thereof, from time to time during the 25-month period that the March 2021 Shelf Prospectus is effective (subject to MJDS eligibility). The Company filed this March 2021 Shelf Prospectus in order to maintain financial strength and flexibility going forward but has not entered into any agreements or arrangements to authorize or offer any securities at this time. The specific terms of any future offering of securities, including the use of proceeds from any offering, will be established in a prospectus supplement to the March 2021 Shelf Prospectus, which supplement will be filed with the applicable Canadian securities regulatory authorities and the SEC. The Registration Statement has been filed with the SEC, but has not yet become effective. No securities may be sold, nor may offers to buy be accepted under the base shelf prospectus prior to the time the Registration Statement becomes effective.

Federal Regulatory Environment

Canadian-Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities ("**Staff Notice 51-352**") provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

In accordance with Staff Notice 51-352, Cresco will evaluate, monitor and reassess the disclosure contained herein, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated 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. As a result of Cresco's operations, it is subject to Staff Notice 51-352 and accordingly provides the following disclosure:

> Cresco currently directly derives a substantial portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal Law. As of December 31, 2020, the Company is directly involved (through licensed subsidiaries) in both the adult-use and medical cannabis industry in the states of Illinois, Pennsylvania, Ohio, Arizona, Maryland, California, Michigan, New York and Massachusetts as permitted within such states under applicable state law which states have regulated such industries.
>
> The cultivation, sale and use of cannabis is illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970 (the " **CSA**"). Under the CSA, the policies and regulations of the U.S. Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memo. The Cole Memo previously provided guidance to prioritize a limited scope of federal enforcement including the prevention of the distribution of marijuana to minors, revenue from the sale of marijuana from going to criminal enterprises, diversion of marijuana from states where it is legal under state law in some form to other states, state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity, violence and the use of firearms in the cultivation and distribution of marijuana, drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use, the growing of marijuana on public lands and marijuana possession or use on federal property. With the Cole Memo rescinded, U.S. federal prosecutors have been given discretion in determining

whether to prosecute cannabis-related violations of U.S. Federal Law. If the Department of Justice policy was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life. The Rohrabacher–Farr amendment (also known as the Rohrabacher–Blumenauer amendment) prohibits the Justice Department from spending funds to interfere with the implementation of state medical cannabis laws. It first passed the House in May 2014 becoming law in December 2014 as part of an omnibus spending bill. The passage of the amendment was the first time either chamber of Congress had voted to protect medical cannabis patients and is viewed as a historic victory for cannabis reform advocates at the federal level. The amendment does not change the legal status of cannabis, however, and must be renewed each fiscal year in order to remain in effect.

Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. Federal Law. If the U.S. Federal Government begins to enforce U.S. 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 Company's business, results of operations, financial condition and prospects would be materially adversely affected.

Despite the current state of the federal law and the CSA, the states of Arizona, California, Nevada, Massachusetts, Maine, Michigan, New Jersey, Illinois, Montana, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Maine has not yet begun recreational cannabis commercial operations as of December 31, 2020. During the November 2020 election, voters in Arizona, New Jersey, South Dakota, and Montana passed an adult-use marijuana measure to allow for the sale of recreational marijuana in the state. South Dakota and Mississippi voters passed initiatives to allow medical marijuana. On February 8, 2021, South Dakota circuit court judge Christina Klinger rejected the measure approved by voters in the November election noting that it is a violation of the state's requirement that constitutional amendments deal with one subject and would have broad changes to the state government. In early 2018, Vermont became the first state to legalize recreational cannabis by passage in a state legislature but did not allow commercial sales of recreational cannabis. On October 7, 2020, Vermont Governor Phil Scott announced that he would allow Bill S. 54 which legalizes, regulates and taxes cannabis sales to become law without his signature. This bill made Vermont the 11th state to regulate adult-use cannabis sales. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, provided that there are strict limits on the levels of THC. However, 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.

The Company's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the U.S.. Accordingly, there are a number of significant risks associated with the business of the Company. Unless and until the U.S. Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the U.S..

For these reasons, the Company's investments in the U.S. cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of risks associated with the business of the Company. See section entitled "*Financial Risk Management*" and see sections "*Risk Factors,*" "*General Development of the Business*" and "*Description of the Business*" in the Annual Information Form for the year ended December 31, 2020 dated March 26, 2021.

On September 25, 2019, the Secure and Fair Enforcement Banking Act of 2019 (" **SAFE Banking Act**") was passed by the U.S. House of Representatives in a 321 to 103 vote. The SAFE Banking Act would permanently protect state-chartered banks and credit unions that service state-legal cannabis companies from being penalized by federal regulators. On May 17, 2020, the legislative language of the SAFE Banking Act was included in a stimulus bill known as The Health and Economic Recovery Omnibus Emergency Solutions Act ("**HEROES Act**"). The HEROES Act was passed by the U.S. House of Representatives in a 208 to 199 vote. Management believes, based on currently available information, that the likelihood of SAFE Banking's passage is high, however the particular timing and legislative vehicle is unknown.

On November 20, 2019, the House Judiciary Committee approved the Marijuana Opportunity Reinvestment and Expungement Act of 2019 ("**MORE Act**") in a 24 to 10 vote. The MORE Act would decriminalize and remove Cannabis as a Schedule I substance. The MORE Act may be readdressed by the Democratic-controlled House of Representatives before the end of 2021.

The States In Which We Operate, Their Legal Framework and How It Affects Our Business

Illinois Operations

The Compassionate Use of Medical Cannabis Pilot Program Act, which allows individuals diagnosed with a debilitating medical condition access to medical marijuana, became effective January 1, 2014. There were over 41 qualifying conditions as part of the initial medical program.

The Opioid Alternative Pilot Program launched on January 31, 2019 and allows patients that receive or are qualified to receive opioid prescriptions access to medical marijuana as an alternative in situations where an opioid could generally be prescribed. Under this new program, patients with doctor approval can receive near-immediate access to cannabis products from an Illinois licensed dispensary. The Opioid Alternative Pilot Program eliminates the previously required fingerprinting and background checks that often delay patients' access to medical cannabis by up to three months.

In January 2019, JB Pritzker was sworn into office as Governor of Illinois. Cresco's CEO and co-founder, Charles Bachtell, was appointed to the Cannabis Legalization Subcommittee of the governor's transition team. Cannabis Legalization was one of four subcommittees under the Governor's Restorative Justice and Safe Communities Transition Committee. The primary goals of the Cannabis Legalization Subcommittee were to evaluate and develop implementation recommendations for the Governor's platform on legalizing cannabis.

In June 2019, the Illinois House of Representatives and Senate passed Senate Bill 2023 which added 11 additional debilitating illnesses such as chronic pain, migraines and irritable bowel syndrome to the list of qualifying medical conditions. This bill was signed into law in August 2019 by Governor JB Pritzker.

Additionally, in June 2019, Governor Pritzker signed the Cannabis Regulation and Taxation Act into law, making Illinois the 11th state to legalize recreational marijuana. Adult-use sales of marijuana started in Illinois on January 1, 2020.

Illinois' retail market for 2020 was approximately $1 billion, representing a 312% year-over-year increase.

Cresco currently owns and operates three (3) medical/adult-use cannabis cultivation and manufacturing centers in Illinois, five (5) medical/adult-use dispensary locations in Illinois, and five (5) adult-use dispensary locations in Illinois. Licenses were awarded based on merit in a highly competitive application process to applicants who demonstrated strong operational expertise and financial backing. Cresco's dispensary applications received the highest, second highest and third highest scores, respectively, of all applications reviewed by the State of Illinois.

Cresco is licensed to operate in the state of Illinois as a medical and adult-use cultivator and medical and adult-use product manufacturer. Cresco Labs Phoenix Farms, LLC ("Phoenix"), PDI Medical III, LLC ("PDI"), FloraMedex, LLC ("FloraMedex"), MedMar Lakeview, LLC ("MedMar Lakeview"), and MedMar Rockford, LLC ("MedMar Rockford") are licensed to operate retail dispensaries in the state of Illinois. These dispensaries were rebranded as Sunnyside* dispensaries in early 2020. Under applicable laws, the licenses permit Cresco and its subsidiaries to collectively cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the Department of Agriculture and the Department of Financial and Professional Regulation under the provisions of the Illinois Revised Statutes 410 ILCS 130. All licenses are, as of the date hereof, active with the State of Illinois. There are two categories of licenses in Illinois: (i) cultivation/processing and (ii) dispensary. The licenses are independently issued for each approved activity.

All cultivation/processing establishments must register with the Illinois Department of Agriculture (" **IDOA**") and all dispensaries must register with the Illinois Department of Financial and Professional Regulation ("**IDFPR**"). If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. Registration certificates are valid for a period of one (1) year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the IDOA or IDFPR and include a renewal form. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Illinois cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Illinois cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The retail dispensary licenses held by Phoenix, PDI, FloraMedex, MedMar Lakeview, and MedMar Rockford permit the Company to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients and adult-use customers. As of December 31, 2020, the Company has opened ten (10) Sunnyside* dispensary locations in Illinois. Two (2) of the ten (10) are located within the City of Chicago.

The three (3) medical cultivation licenses held by Cresco permit it to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. In September 2019, the three (3) cultivation facilities were approved for growing adult-use cannabis by the Illinois Department of Agriculture, for a total cultivation capacity of 0.6 million square feet, the maximum allowed by law.

On September 27, 2019, the Company announced that it has signed a binding agreement to sell its Joliet and Kankakee, Illinois properties to Innovative Industrial Properties, Inc. ("**IIP**") for approximately $46.3 million, which amount includes funding for additional tenant improvements at the Kankakee property. Concurrent with the closing of the sale, Cresco Labs will enter into a long-term, triple-net lease agreement with IIP and will continue to operate each property as a licensed cannabis cultivation and processing facility. The two properties represent approximately 100,000 square feet of industrial space in aggregate.

On December 12, 2019, the Company announced that it had completed the sale of to sell its Lincoln, Illinois cultivation facility to GreenAcreage Real Estate Corp. ("GreenAcreage"), for $50 million. Concurrent with the closing of the sale, Cresco has agreed to enter into a long-term, triple-net lease agreement with GreenAcreage and will continue to operate the property as a licensed medical & recreational cannabis cultivation and processing facility. Cresco's Lincoln property is approximately 215,000 square feet, making it the largest such facility in Illinois.

Pennsylvania Operations

The Pennsylvania medical marijuana program was signed into law on April 17, 2016 under Act 16 and provided access to state residents with one of 21 qualifying conditions. The state, which consists of over 12 million U.S. citizens and qualifies as the fifth largest population in the U.S., operates as a high-barrier market with very limited market participation. The state originally awarded only 12 licenses to cultivate/process and 27 licenses to operate retail dispensaries (which entitled holders up to three medical dispensary locations). Out of the hundreds of applicants in each license category, Cresco Yeltrah, LLC ("Yeltrah") was awarded one (1) medical cannabis cultivation and processing center in Pennsylvania, and three (3) dispensary locations in Pennsylvania. Cresco was awarded the second highest overall score during the application process.

Retail sales commenced in February 2018 to a limited number of retail locations across the state. On February 15, 2018, Yeltrah was the first cultivator/processor to release product into the Pennsylvania market (approximately six (6) weeks ahead of any other producer), and its dispensary was the first to sell product to patients in the state.

On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which will include 13 additional cultivation/processing licenses and 23 additional dispensary licenses. The application period ran from April 2018 through May 17, 2018. Yeltrah submitted additional dispensary applications and in December 2018 an additional dispensary license was obtained to open three (3) additional dispensary locations, for a total of six (6) in the state of Pennsylvania. Of the six (6) approved dispensary locations, three (3) are not currently operational.

Under applicable laws, the licenses permit Yeltrah to cultivate, manufacture, process, package, sell, and purchase medical marijuana pursuant to the terms of the licenses, which are issued by the Pennsylvania Department of Health under the provisions of Medical Marijuana Act (35 P.S. §10231.101 — 10231.2110) and Chapters 1141, 1151 and 1161 of the Pennsylvania regulations. All licenses are, as of the date hereof, active with the Commonwealth of Pennsylvania. There are two categories of licenses in Pennsylvania: (i) cultivation/processing and (ii) dispensary. The licenses are independently issued for each approved activity for use at Yeltrah facilities in Pennsylvania.

All cultivation/processing establishments and all dispensaries must register with the Pennsylvania Department of Health. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Specifically, licenses that Yeltrah currently holds have each undergone one or two renewals. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Pennsylvania cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Pennsylvania cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The retail dispensary licenses permit Yeltrah to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients.

The medical cultivation licenses permit Yeltrah to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries. In May 2020, the Company announced the completion of its cultivation and manufacturing facility expansion which provides an additional 66,000 square feet of indoor and greenhouse cultivation area, bringing the total cultivation space in the facility to 88,000 square feet.

On September 25, 2019, Pennsylvania Governor Tom Wolf held a press conference to announce a majority of Pennsylvania citizens were in favor of adult-use cannabis. He called on the General Assembly to consider the legalization of adult-use cannabis and provided additional actions to seek a path forward. On October 13, 2020, the Governor reaffirmed his support for adult-use cannabis and discussed the economic growth potential and restorative justice benefits of legalizing adult-use cannabis. On January 28, 2021, Governor Wolf further reiterated his support for adult-use cannabis and called for the legalization in his 2021 agenda.

Ohio Operations

House Bill 523, effective on September 8, 2016, legalized medical marijuana in Ohio. The Ohio Medical Marijuana Control Program (" **MMCP**") allows people with certain medical conditions, upon the recommendation of an Ohio-licensed physician certified by the State Medical Board, to purchase and use medical marijuana. House Bill 523 required that the framework for the MMCP become effective as of September 2018. This timeframe allowed for a deliberate process to ensure the safety of the public and to promote access to a safe product.

The three following state government agencies are responsible for the operation of MMCP: (1) the Ohio Department of Commerce is responsible for overseeing medical marijuana cultivators, processors and testing laboratories; (2) the State of Ohio Board of Pharmacy is responsible for overseeing medical marijuana retail dispensaries, the registration of medical marijuana patients and caregivers, the approval of new forms of medical marijuana and coordinating the Medical Marijuana Advisory Committee; and, (3) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana and may add to the list of qualifying conditions for which medical marijuana can be recommended.

Several forms of medical marijuana are legal in Ohio, these include: inhalation of marijuana through a vaporizer (not direct smoking), oils, tinctures, plant material, edibles, patches and any other forms approved by the State of Ohio Board of Pharmacy.

On June 4, 2018, the State of Ohio Board of Pharmacy awarded 56 medical marijuana provisional dispensary licenses. The licenses were awarded after an extensive review of 376 submitted dispensary applications.

Provisional licensees are authorized to begin the process of establishing a dispensary in accordance with the representations in their applications and the rules adopted by the State of Ohio Board of Pharmacy. Per state of Ohio regulations, all provisional license holders have a maximum of six months to demonstrate compliance with the dispensary operational requirements to obtain a certificate of operation. Compliance will be determined through an inspection by a Board of Medical Marijuana Compliance Agent. Once a dispensary is awarded a certificate of operation, it can begin selling medical marijuana to Ohio patients and caregivers in accordance with Ohio laws and rules.

By rule, the State of Ohio Board of Pharmacy is limited to issuing up to 60 dispensary licenses across the state but will have the authority to increase the number of licenses. To date, no announcement has been made if the number of licenses will be increased. Per the program rules, the Board will consider, on at least a biennial basis, whether enough medical marijuana dispensaries exist, considering the state population, the number of patients seeking to use medical marijuana, and the geographic distribution of dispensary sites.

Cresco Ohio was awarded one (1) dispensary license which is located in Wintersville, Ohio. The dispensary license permits Cresco Ohio to purchase marijuana and marijuana products from cultivation/processing facilities and allows the sale of marijuana and marijuana products to registered patients.

Cresco Ohio applied for and, on November 30, 2017, received one (1) cultivation license. Cresco Ohio's cultivation facility is a hybrid greenhouse structure located in Yellow Springs, Ohio. The medical cultivation license authorizes Cresco Ohio to grow, harvest, package and transport medical marijuana products.

On December 12, 2018, Cresco Ohio was granted the first dispensary Certificate of Operation in the state, which was over a month in advance of any other dispensary operator. Retail sales commenced on January 16, 2019 with the first cannabis sale taking place at the Wintersville dispensary. This was the second state medical marijuana program in which the Company was first to market.

The Company has certain agreements with Verdant that will give the Company the option to purchase four (4) additional Ohio dispensaries currently operated by Verdant. Completion of the transaction is subject to approval by the Ohio Board of Pharmacy and, upon closing, Cresco will have a total of five (5) dispensaries in Ohio, the maximum allowed by the state. Cresco agreed to provide certain consulting services and financing to Verdant for the development and operation of the dispensaries in consideration of Verdant's grant to Cresco of an option to acquire the dispensaries when permissible under Ohio regulations. On February 16, 2021, the Company announced the closing of its acquisition of Verdant dispensaries in Cincinnati, Chillicothe, Newark and Marion, Ohio (collectively "Verdant"). These acquisitions give the Company four additional dispensaries, bringing the Company's dispensary presence in Ohio to five – the maximum allowed by the state.

On June 8, 2020, Cresco Ohio was granted a provisional processing license by the State of Ohio. This license allows Cresco Ohio to extract oils and manufacture products from cannabis which will now provide the Company the ability to sell its entire brand portfolio in Ohio.

Ohio cultivation and processor licenses are renewable annually by the Ohio Department of Commerce. Renewal applications are due at least thirty days prior to the expiration date of the Certificate of Operation. The Department of Commerce shall grant a renewal if the renewal application was timely filed, the annual fee was timely paid, there are no reasons warranting denial of the renewal and the cultivator/processor passes inspection. Ohio dispensary licenses expire biennially on the date identified on the certificate. Renewal information, including a renewal fee, must be submitted at least 45 days prior to the date the existing certificate expires. If the dispensary is operated in compliance with Ohio dispensary regulations, and the renewal fee is paid, the state board of pharmacy shall renew the Certificate of Operation within 45 days after the renewal application is received. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Ohio cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Ohio cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On January 28, 2020, the Company announced that it had completed the sale of its Yellow Springs, OH property to IIP. The previously announced sale was for consideration equal to approximately $10.5 million, which includes funding for additional tenant improvements. Concurrent with the closing of the sale, Cresco Labs entered into a long-term, triple-net lease agreement with IIP and will continue to operate the property as a licensed cannabis cultivation and processing facility. The property represents approximately 50,000 square feet of industrial space in aggregate. This sale marks Cresco's fourth completed sale-and-leaseback transaction, the third with IIP.

California Operations

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 (" **CUA**"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation.

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

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies 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 adults 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (" **MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the state of California. MAUCRSA went into effect on January 1, 2018. The four agencies that regulate marijuana at the state level are the Bureau of Cannabis Control ("**BCC**"), the California Department of Food and Agriculture ("**CDFA**"), the California Department of Public Health (" **CDPH**"), and the California Department of Tax and Fee Administration ("**CDTFA**").

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requirement limits license holders to operate only in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine if they will have a marijuana licensing program and determine the number of licenses they will issue to marijuana operators.

On June 7, 2018, Cresco acquired a 60% ownership interest in SLO, a marijuana cultivation facility in operation in the cities of Carpinteria (Santa Barbara County) and Mendota (Fresno County), California. On September 27, 2018, Cresco acquired a further 20% ownership interest to bring the total ownership to 80%.

SLO is licensed to cultivate, process, manufacture, and distribute medical and adult-use cannabis in the state of California pursuant to the terms of the California state licenses issued by the CDFA, CDPH, CDTFA, and BCC under the provision of MAUCRSA and California Assembly Bill No. 133. In California, licenses are independently issued by the respective agency.

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

SLO applied for and was granted licenses permitting it to cultivate, manufacture and distribute medical (and in some instances, adult-use) cannabis and cannabis-related products:

Mendota (Fresno County)

- SLO has been issued one (1) provisional license for Type 7 (Manufacturing 2 – Volatile), Adult-Use & Medical ("**A&M**").
- SLO has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- SLO submitted annual applications for the two (2) listed license types to the state regulator and is awaiting approval for these annual applications.

Carpinteria (Santa Barbara County)

- SLO has been issued:
    - Twenty-three (23) Cultivation: Small Mixed-Light Tier 1 licenses.
    - One (1) Nursery license: allowing for the planting and cultivation of medical cannabis from seeds, clones and immature plants.
    - One (1) Processor license: allowing for the harvesting, drying, curing, grading or tanning of cannabis as well as the packaging and labelling of certain non-manufactured cannabis.

- SLO submitted annual applications for the three (3) listed license types to the state regulator and is awaiting approval of annual applications.

Origin House

On January 8, 2020, Cresco acquired Origin House, pursuant to which Cresco acquired all issued and outstanding shares of Origin House. Under the terms of the Origin House Agreement and subsequent amendments, holders of common shares of Origin House received 0.7031 SVS of Cresco Labs for each Origin House share (the "**Transaction**"). The Company acquired 100% of all equity interests of Origin House for 66.5 million Cresco shares and 5.7 million replacement equity awards, valued at $428.2 million.

The Transaction represents a total consideration of $428.2 million on a fully-diluted basis, and as of this date, is among the largest of public company acquisitions in the history of the U.S. cannabis industry. The combined entity is one of the largest vertically-integrated multi-state cannabis operators in the United States; a leading North American cannabis company, by footprint; and one of the largest cannabis brand distributors.

Origin House has become a leading distributor and provider of brand support services in California, the world's largest regulated cannabis market. Origin House's proven strategy has been to build relationships with established dispensaries, build partnerships with established market-leading brands, develop promising cannabis product companies and then leverage its full suite of support services to transform those products into strong California consumer brands. Since the closing of this acquisition, Cresco has access to several additional licenses for cultivation, manufacturing and distribution of cannabis within the state of California.

West Sacramento (Yolo County)

- Origin House has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- Origin House submitted an annual application for the one (1) listed license type to the state regulator and is awaiting approval for the annual application.

La Habra (Orange County)

- Origin House has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- Origin House submitted an annual application for the one (1) listed license type to the state regulator and is awaiting approval for the annual application.

Unincorporated Sonoma (Sonoma County)

- Origin House has been issued one (1) provisional license for Cultivation, Medical Medium Indoor.
- Origin House has been issued one (1) provisional license for Processor, Medical.
- Origin House has been issued one (1) provisional license for Type 11 (Distribution), A&M.
- Origin House has been issued one (1) provisional license for Cultivation: Medical Small Indoor.
- Origin House submitted annual applications for the four (4) listed license types to the state regulator and is awaiting approval for these annual applications.

In addition to the six (6) active licenses listed above, Origin House continues to pursue new state license opportunities and recently applied for a Type 11 (Distribution) license for the Unincorporated Sonoma (Sonoma County) location.

Arizona Operations

In 2010, Arizona passed Ballot Proposition 203, which amended Title 36 to the Arizona Revised Statutes. This amendment added Chapter 28.1, titled the *Arizona Medical Marijuana Act*. (the "**AMMA**"). The AMMA is codified in Arizona Revised Statutes §36-2801 et. seq. The AMMA also appointed the Arizona Department of Health Services (the "**ADHS**") as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. These ADHS regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the "**Rules**"). In order to qualify to use medical marijuana under the AMMA, a patient is required to have a "debilitating medical condition".

The ADHS has established the Arizona Department of Health Services Medical Marijuana Program (" **MMJ Program**"), which includes a vertically-integrated license, meaning if allocated a Medical Marijuana Dispensary Registration Certificate ("**Dispensary License**"), entities are authorized to dispense and cultivate medical cannabis. Each Dispensary License allows the holding entity to operate one (1) on-site cultivation facility, and one (1) off-site cultivation facility which can be located anywhere within the state of Arizona. An entity holding a Dispensary License is required to file an application to renew with the ADHS on an annual basis, which must also include audited annual financial statements. While a Dispensary License may not be sold, transferred or otherwise conveyed, Dispensary License holders typically contract with third parties to provide various services related to the ongoing operation, maintenance and governance of its dispensary and/or cultivation facility so long as such contracts do not violate the requirements of the AMMA or the MMJ Program.

On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale.

Once an applicant has been issued a Dispensary Registration Certificate (a " **Certificate**"), they are allowed to establish one (1) physical retail dispensary location, one (1) cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one (1) additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an approval to operate from ADHS for the applicable site.

On October 24, 2018, Cresco obtained a 100% ownership interest in Arizona Facilities Supply, LLC which includes a vertically-integrated cultivation, processing and dispensary operation in Arizona.

The licenses in Arizona 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, Cresco would expect to receive the applicable renewed license in the ordinary course of business. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Arizona Cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Arizona Cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In November 2020, voters in Arizona passed an adult-use marijuana measure to allow for the sale of recreational marijuana in the state. During 2021, the Company received approval from the Arizona Department of Health Services to serve adult-use customers at its Sunnyside* dispensary in Phoenix, Arizona. Adult-use sales launched February of 2021.

Nevada Operations

Medical marijuana use was legalized in Nevada by a ballot initiative in 2000. In November 2016, voters in Nevada passed an adult-use marijuana measure to allow for the sale of recreational marijuana in the state. The first dispensaries to sell adult-use marijuana began sales in July 2017. The Nevada Department of Taxation ("**DOT**") is the regulatory agency overseeing the medical and adult-use cannabis programs. Similar to California, cities and counties in Nevada are allowed to determine the number of local marijuana licenses they will issue.

All marijuana establishments must register with DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one (1) year and are subject to annual renewals after required fees are paid and the business remains in good standing. The renewal periods serve as an update for DOT on the licensee's status toward active licensure. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from DOT may an entity engage in cannabis business operation.

On August 12, 2019, the Company settled its outstanding loan receivable with Lighthouse, which has cannabis operations in Nevada, through receipt of Lighthouse membership units approximating 1.2% ownership of the parent company. The remaining escrow balance was issued as a new secured convertible promissory note convertible, at the Company's discretion, into additional membership units approximating 1% ownership of the parent company.

New York Operations

The state of New York's medical cannabis program was introduced in July 2014 when Governor Andrew Cuomo signed the Compassionate Care Act, which legalized medical cannabis oils for patients with certain qualifying conditions. Under this program, five (5) registered organizations **("ROs")** were licensed to dispense cannabis oil to patients, with the first sale to a patient completed in January 2016. In December 2016, the New York State Department of Health **("NYSDOH")** added chronic pain as a qualifying condition and in the month-and-a-half following the addition of chronic pain, the number of registered patients increased by 18%. In August 2017, the NYSDOH granted licenses to five (5) additional registered organizations.

In July 2018, the NYSDOH added opioid replacement as a qualifying condition, meaning any condition for which an opioid could be prescribed is now a qualifying condition for medical cannabis. In August 2018, Governor Cuomo, prompted by a NYSDOH study which concluded the "positive effects" of cannabis legalization "outweigh the potential negative impacts," appointed a group to draft a bill for regulating legal adult-use cannabis sales in New York. During Governor Cuomo's January 2019 State of the State Address, he announced the proposal of the governmental agency, The Office of Cannabis Management. This agency would regulate and oversee the state's medical marijuana program, adult-use program and hemp program. The executive director of this agency would have the authority to grant ROs currently registered and in good standing with the NYSDOH, the ability to be licensed to cultivate, process or sell adult-use cannabis and cannabis products.

Each RO license allows for the cultivation, processing, and dispensing of medical cannabis products. Each RO is permitted to open four (4) dispensaries in NYSDOH-designated regions throughout the state, and one (1) cultivation/processing facility. Permitted products include oil-based formulations (i.e., vaporizer cartridges, tinctures and capsules), and ground-flower sold in tamper-proof vessels. Each RO is required to cultivate and process all medical cannabis products they dispense; however, wholesale transactions are permitted with approval from the state and home delivery is now permitted.

All cultivation/processing and dispensing establishments must register with the NYSDOH pursuant to Public Health Law §3365(9). Registrations issued by NYSDOH are valid for a two-year period. As embodied in New York Codes, Rules and Regulations §1004.7, an application to renew such registrations must be filed with the NYSDOH between four and six months prior to the expiration date, must include information prepared in the manner and detail as the commissioner may require, and should be accompanied by application fees and registration fees. Applications completed in accordance with §1004.7 would be expected to receive the applicable renewed license in a timely

manner. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that New York cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of New York cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On October 8, 2019, the Company closed the acquisition of GSC, the parent entity of Valley Ag, for consideration that consisted of cash, deferred consideration, equity and contingent consideration based upon the achievement or occurrence of certain milestones or events, all totaling $129.6 million. Valley Ag is one of the ten holders of a vertically-integrated license from NYSDOH allowing for the cultivation and processing of medical cannabis as well as the establishment of four (4) medical cannabis dispensaries in the state of New York.

Through the aforementioned agreements and regulatory approval, Cresco now has a license for a cultivation and manufacturing facility within the state of New York, as well as four (4) dispensary locations strategically located across the state. These four (4) locations are branded as Sunnyside* dispensaries. Valley Ag has successfully renewed their initial licenses and all licenses are, as of the date hereof, active with the State of New York.

On January 6, 2021, Governor Cuomo announced a proposal to legalize and create a comprehensive system to oversee and regulate adult-use cannabis in New York as part of the 2021 State of the State. Under the Governor's proposal, a new Office of Cannabis Management would be created to oversee the new adult-use program, as well as the State's existing medical and cannabinoid hemp programs. Additionally, an equitable structure for the adult-use market will be created by offering licensing opportunities and assistance to entrepreneurs in communities of color who have been disproportionately impacted by the war on drugs. Once fully implemented, legalization is expected to generate more than $300 million in tax revenue for the State of New York.

On February 16, 2021, Governor Cuomo announced 30-day amendments to the Governor's proposal to establish a comprehensive adult-use cannabis program in New York. Specifically, these amendments will detail how the $100 million in social equity funding will be allocated, enable the use of delivery services and refine which criminal charges will be enforced as it relates to the improper sale of cannabis to further reduce the impact on communities hit hardest by the war on drugs.

Massachusetts Operations

The Massachusetts medical cannabis market was established through "An Act for the Humanitarian Medical Use of Marijuana" in November 2012 when voters passed Ballot Question 3 "Massachusetts Medical Marijuana Initiative" with 63% of the vote. The first Massachusetts dispensary opened in June 2015 and by November 2016, Massachusetts voters legalized adult-use cannabis by passing ballot Question 4 – Legalize Marijuana with 54% of the vote. In July 2017, Governor Baker signed legislation that would lay the groundwork for the state's adult-use market. The Cannabis Control Commission (the state's regulatory body which creates regulations for both the medical and adult-use market) aimed to officially launch adult-use sales on July 1, 2018, but stumbling blocks such as a lack of licensed testing labs and disagreements between officials and businesses slowed the rollout, as sales for adult-use cannabis officially began in November 2018.

The Cannabis Control Commission oversees the medical and adult-use cannabis programs. Each medical licensee must be vertically-integrated and may have up to two (2) locations. Licensed medical dispensaries are given priority in adult-use licensing. Adult-use cultivators will be grouped into 11 tiers of production (ranging from up to 5,000 square feet to no larger than 100,000 square feet) and regulators will move a licensee down to a lower tier if that licensee has not shown an ability to sell at least 70% of what it produced. Medical dispensaries that wish to add the ability to sell cannabis products to nonpatients will be required to reserve 35% of their inventory or the six-month average of their medical cannabis sales for medical cannabis patients. In order to achieve an adult-use license, a prospective licensee must first sign a "Host Community Agreement" with the town in which it wishes to locate. Roughly two-thirds of municipalities in the state have a ban or moratorium in place that prohibits cannabis businesses from operating within their jurisdiction. In both the medical and adult-use markets, extracted oils, edibles and flower products are permitted, as well as wholesaling.

On October 1, 2019, Cresco Labs acquired Cresco HHH, LLC ("HHH") via certain agreements giving it operational control before cash consideration was settled. In August 2019, HHH entered into a host community agreement with the municipality of Fall River to allow for the siting of an adult-use cannabis dispensary. On February 7, 2020, the Company announced the legal close of the acquisition and cash funding of $27.5 million. The closing coincided with state approval allowing recreational cannabis sales at the Company's Fall River dispensary.

Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the Massachusetts Cannabis Commission and include a renewal form. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Massachusetts cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Massachusetts cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On July 1, 2020, the Company announced that it had completed the sale of its Falls River, MA property to IIP. The sale was for consideration equal to approximately $29 million, which includes $21 million in funding for additional tenant improvements. Concurrent with the closing of the sale, the Company entered into a long-term, triple-net lease agreement with IIP and will continue to operate the property as a licensed cannabis cultivation, processing and dispensing facility upon completion of redevelopment. The property represents approximately 50,000 square feet of industrial space in aggregate.

Michigan Operations

In November 2008, Michigan residents approved the Michigan Medical Marijuana Act (the **"MMMA"**) to provide a legal framework for a safe and effective medical marijuana program. In September 2016, the Michigan Senate passed the Medical Marihuana Facilities Licensing Act (the **"MMFLA"**) and the Marihuana Tracking Act (the **"MTA**" and together with the MMMA and the MMFLA, the **"Michigan Cannabis Regulations"**) to provide a comprehensive licensing and tracking scheme, respectively, for the medical marijuana program. Additionally, the Michigan Department of Licensing and Regulatory Affairs and its licensing board **("LARA"**) has supplemented the Michigan Cannabis Regulations with "Emergency Rules" to further clarify the regulatory landscape surrounding the medical marijuana program. LARA is the main regulatory authority for the licensing of marijuana businesses.

Under the MMFLA, LARA administrates five (5) types of "state operating licenses" for medical marijuana businesses: (i) a "grower" license, (ii) a "processor" license, (iii) a "secure transporter" license, (iv) a "provisioning center" license and (e) a "safety compliance facility" license. There are no stated limits on the number of licenses that can be made available on a state level; however, LARA has discretion over the approval of applications and municipalities can pass additional restrictions.

On November 6, 2018, Michigan voters approved Proposal 1, to make marijuana legal under state and local law for adults 21 years of age or older and to control the commercial production and distribution of marijuana under a system that licenses, regulates and taxes the businesses involved. The act will be known as the Michigan Regulation and Taxation of Marihuana Act. In accordance with Proposal 1, LARA began accepting applications for retail (recreational) dispensaries on November 1, 2019.

On March 25, 2019, the Company announced Cresco Labs Michigan, LLC ("Cresco Michigan") had completed the most comprehensive portion of Michigan's application process, being pre-qualified for a cultivation and processing license by the Department of Licensing and Regulatory Affairs Medical Marihuana Licensing Board. The pre-qualification represents the authorization of the entity to move forward with the licensing process for its intended facilities.

On November 13, 2019, the state's Marijuana Regulatory Agency announced any existing medically licensed businesses would be allowed to sell recreational-use cannabis beginning December 1, 2019. On March 5, 2020, the Cresco Michigan was issued a medical processing license to begin manufacturing and processing flower into edible medical marijuana products and/or medical marijuana-infused products. Michigan has approximately 250,000 medical marijuana patients, which represents the fourth (4th) largest medical marijuana patient base in the United States.

On March 16, 2020, Cresco Michigan received pre-qualification to operate in the adult-use market and received an adult-use processor license on June 22, 2020. All Michigan marijuana licenses are renewed annually through the Marijuana Regulatory Agency after the required fees are paid and the business remains in good standing. In addition, a sworn statement is required that states that the business is in good standing and will uphold a continuing reporting duty. The renewal fees are to be determined by the amount of gross weight of marijuana product transferred during the past year. While Cresco's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Michigan cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Michigan cannabis and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

On April 22, 2020, Cresco Michigan and related parties of the Company executed an amended and restated operating agreement which increased Cresco's related parties' ownership from 50% to 85% in exchange for a capital commitment of $25 million. According to IFRS 10, *Consolidated Financial Statements*, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Provisions contained in the operating agreement entitle related parties of the Company to a majority of profit and gives the Company control of Cresco Michigan and rights and exposure to variable returns. The Company has the right to direct all the relevant activities of and has the full decision-making power over Cresco Michigan.

On April 23, 2020, the Company announced that it had completed the sale of its Marshall, MI property to IIP. The previously announced sale was for consideration equal to approximately $16 million, which included $11 million in funding for tenant improvements. Concurrent with the closing of the sale, Cresco Labs entered into a long-term, triple-net lease agreement with IIP and will continue to operate the property as a licensed cannabis cultivation and processing facility upon completion of redevelopment. The property represents approximately 100,000 square feet of industrial space in aggregate. This sale marks Cresco's fifth (5th) completed sale-and-leaseback transaction, the fourth (4th) with IIP.

Components of Our Results of Operations

Revenue

We derive the majority of our revenue from wholesale of cannabis products to dispensary locations which, for the year ended December 31, 2020, represents approximately 58% of our revenue. Revenue from company-owned retail dispensary locations, for the year ended December 31, 2020 represents the remaining 42%. Retail revenue includes medical and adult-use cannabis sales in the United States, along with nicotine vape sales in Canada.

Gross Profit

Gross profit is calculated as revenue less cost of sales – production costs, which includes cultivation costs of biological assets; realized changes in fair value of inventory sold; and unrealized gain on changes in fair value of biological assets. Cost of sales – production costs includes the direct costs attributable to the production of the products sold and is comprised of the following:

- Direct labor costs: These expenses include all salaries, benefits, and taxes for all employees at the facility.

- Direct supplies: The total direct material cost for maintenance of the plants, the supplies and nutrients, and the production expenses and equipment used to process marijuana.
- Facility expenses: The facility expense for the cultivation operations is the cost for the facility, utilities, property taxes, maintenance, and costs associated with monitoring the security systems.
- Other operating expenses: These expenses include all costs associated with the facility itself including: insurance, community outreach programs, professional services, uniforms, employee training programs, tracking and inventory management systems, product testing, distribution, business development, information technology, license renewal fees and certain excise taxes.

Cultivation costs of biological assets are comprised of cannabis plant costs and are immediately expensed in cost of sales – production costs in the period in which they are incurred.

In addition to market fluctuations, cannabis costs are affected by various state regulations that limit the sourcing and procurement of cannabis products. The changes in regulatory environments may create fluctuations in gross profit over comparative periods.

*Selling, General and Administrative Expenses ("**SG&A**")*

SG&A expenses consist mainly of salary and benefits costs of executive and back office employees, consulting and professional fees, advertising and marketing, office and retail operation costs, share-based compensation, certain excise taxes, technology, insurance, travel and entertainment, rent expense and business expansion costs.

Selling costs generally correlate to revenue. As a percentage of sales, we expect SG&A costs to decrease as our business continues to grow. The decrease is expected to be driven primarily by efficiencies associated with scaling the business.

For the three months and years ended December 31, 2020 and 2019, SG&A was comprised of the following:

	Three months ended December 31,		Year ended December 31,	
($ in thousands)	2020	2019	2020	2019
Salaries and related	$22,323	$11,418	$81,067	$28,519
Consulting and professional fees	3,892	$ 4,415	24,576	18,091
Advertising and marketing	8,100	$ 5,279	19,030	12,630
Office	4,831	$ 3,308	17,696	4,884
Share based compensation	5,744	$ 4,205	16,659	14,046
Provision expense (Note 19)	13,600	$ —	13,600	—
Excise taxes	4,641	$ 1,565	13,167	4,341
Technology	2,177	$ 975	7,604	1,989
Insurance	1,231	$ 526	4,358	1,911
Travel and entertainment	529	$ 1,797	3,074	4,154
Rent expense	342	$ 284	1,478	286
Business expansion costs	20	$ 683	1,586	1,524
Other	707	$ (2,289)	2,843	1,743
Total Selling, general and administrative expenses	**$ 68,136**	**$ 32,166**	**$206,738**	**$ 94,118**

Income Taxes

The Company, which is a Canadian corporation, is classified for U.S. federal income tax purposes as a United States corporation under Section 7874 of the Internal Revenue Code ("**IRC**"). The Company is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

Non-IFRS Financial Measures

Operational gross profit, EBITDA and Adjusted EBITDA, net of impact of biological assets, are non-IFRS measures and do not have standardized definitions under IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS and may not be comparable to similar measures presented by other issuers. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the IFRS financial measures presented herein. Accordingly, the Company has included below reconciliations of the supplemental non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS.

SELECTED FINANCIAL INFORMATION

The Company reports results of operations of its affiliates from the date that control commences, either through the purchase of the business, through a management agreement or other arrangements which grant such control. The following selected financial information includes only the results of operations after the Company established control of its affiliates. Accordingly, the information included below may not be representative of the results of operations if such affiliates had included their results of operations for the entire reporting period.

Three Months Ended December 31, 2020 Compared to Three Months Ended December 31, 2019

The following tables set forth selected consolidated financial information for the periods indicated that was derived from our audited Consolidated Financial Statements and the respective accompanying notes prepared in accordance with IFRS.

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

	Three months ended December 31,			
($ in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Revenue	$162,317	$41,382	$120,935	292%
Cost of sales - production costs	(89,346)	(27,676)	(61,670)	223%
Realized changes in fair value of inventory sold	(75,983)	(34,657)	(41,326)	119%
Unrealized gain on changes in fair value of biological assets	98,712	28,601	70,111	245%
Gross profit	95,700	7,650	88,050	nm
Total expenses	73,720	33,527	40,193	120%
Total other expense, net	(31,097)	(15,051)	(16,046)	107%
Income tax expense	(14,256)	(4,288)	(9,968)	232%
Net income (loss)[1]	(23,373)	(45,216)	21,843	(48)%

1 Net income (loss) includes amounts attributable to non-controlling interests.

The following table provides a reconciliation of the Company's Gross profit to Operational gross profit (non-IFRS):

	Three months ended December 31,			
($ in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Gross profit	95,700	7,650	88,050	nm
Cultivation costs expensed under IAS 41[2]	4,549	2,807	1,742	62%
Net impact of fair value of biological assets	(22,729)	6,056	(28,785)	nm
Expansion, relaunch and rebranding costs[3]	9,669	3,380	6,289	186%
Novel coronavirus ("**COVID-19**") related expenses	785	—	785	100%
Adjustments for acquisition and other non-core costs	545	—	545	100%
Fair value mark-up for acquired inventory	—	1,273	(1,273)	(100)%
Operational gross profit (Non-IFRS)	$ 88,519	$21,166	$ 67,353	318%
Operational gross profit % (Non-IFRS)	54.5%	51.1%		

1 Production (cultivation, manufacturing and processing) costs related to products sold during the period.

2 Costs would be capitalized under IAS 2, *Inventories*, and do not relate to costs of inventory sold in the period.

3 Costs related to non-recurring third-party product costs, start-up costs, discontinued inventory, and samples/discounts to expand footprint and relaunch in certain markets.

The following table provides a reconciliation of the Company's Net loss to Adjusted EBITDA (non-IFRS):

($ in thousands)	Three months ended December 31, 2020	2019	$ Change	% Change
Net loss[1]	$(23,373)	$(45,216)	$21,843	(48)%
Depreciation and amortization	11,194	3,925	7,269	185%
Interest expense, net	10,361	4,275	6,086	142%
Income tax expense	14,256	4,288	9,968	232%
Earnings before interest, taxes, depreciation, and amortization (EBITDA) (Non-IFRS)	**$ 12,438**	**$ (32,728)**	**$ 45,166**	**(138)%**
Expansion, relaunch and rebranding costs[2]	9,669	3,380	6,289	186%
COVID-19 related expenses	1,040	—	1,040	100%
Other expense, net	19,809	10,606	9,203	87%
Loss from investment in associates	927	170	757	nm
Fair value mark-up for acquired inventory	—	1,273	(1,273)	(100)%
Cultivation costs expensed under IAS 41[3]	4,549	2,807	1,742	62%
Adjustments for acquisition and other non-core costs	18,233	7,179	11,054	154%
Management incentive compensation (share-based)	6,019	4,122	1,897	46%
Adjusted EBITDA (Non-IFRS)	**$ 72,684**	**$ (3,191)**	**$ 75,875**	**nm**
Net impact of fair value of biological assets	(22,729)	6,056	(28,785)	nm
Adjusted EBITDA (Non-IFRS), net of impact of biological assets	**$ 49,955**	**$ 2,865**	**$ 47,090**	**nm**

1 Net income (loss) includes amounts attributable to non-controlling interests.
2 Costs related to non-recurring third-party product costs, start-up costs, discontinued inventory, and samples/discounts to expand footprint and relaunch in certain markets.
3 Costs would be capitalized under IAS 2 and do not relate to costs of inventory sold in the period.

Revenue

Revenue for the three months ended December 31, 2020 was $162.3 million, an increase of $120.9 million, or 292%, compared to Revenue of $41.4 million for the three months ended December 31, 2019. The increase in revenue was driven by the acquisitions of Origin House, expanded operations from the Valley Ag and HHH acquisitions that closed in 2019, as well as continued growth in the states where the Company operates. Organic growth was primarily attributable to increased cultivation capacity and increase in dispensary sales in states with recently adopted adult-use laws, such as Illinois, as well as the benefit of additional dispensary locations.

Cost of Sales – Production Costs, Gross Profit, and Operational Gross Profit (non-IFRS)

Cost of sales – production costs for the three months ended December 31, 2020 was $89.3 million, an increase of $61.7 million compared to Cost of sales – production costs of $27.7 million for the three months ended December 31, 2019. The increase was primarily attributable to the Origin House, Valley Ag and HHH acquisitions, increased cultivation capacity in Illinois and Pennsylvania, and other organic growth.

Gross profit increased primarily due to the increase in revenue as well as unrealized gains on biological assets from the prior-year quarter. Operational gross profit is a non-IFRS measure that reflects revenue less costs related to products sold in the period, by excluding the net impact of the fair value of biological assets; cultivation costs immediately expensed under IAS 41; the fair value mark-up for acquired inventory; COVID-19 related expenses; and other non-core items. Operational gross profit for the fourth quarter of 2020 was $88.5 million, compared to an Operational gross profit of $21.2 million for the prior year. The increase of $67.4 million from the prior year was primarily driven by the acquisitions of Origin House, Valley Ag and HHH; greater scale in the Company's established Illinois and California markets; and other organic growth. Operational gross profit percentage of approximately 54.5% was higher when compared with the prior year as the benefit of operational efficiencies in the Company's more established markets exceeded the impact of emerging and recently acquired business, where the Company is focused on footprint expansion and launching of Cresco-branded products.

Total Expenses

Total expenses for the three months ended December 31, 2020 were $73.7 million, an increase of $40.2 million compared to Total expenses of $33.5 million for the three months ended December 31, 2019. The increase in total expenses was attributable to the acquisition of Origin House, Valley Ag, and HHH, depreciation and amortization associated with facilities and licensing in new markets and intangible assets, as well as significant investments in our team and operational infrastructure to drive strategic initiatives that better position the Company for future growth. Total expenses as a percentage of revenue have declined as the Company has gained efficiencies with the growth of the business.

Total Other Expense

Total other expense for the three months ended December 31, 2020 was $31.1 million, an increase of $16.0 million compared to Total other expense of $15.1 million for the three months ended December 31, 2019. The increase in total other expense was primarily due to higher interest expense, which resulted from the loan agreements the Company entered into and assumed during 2020 as well as higher interest expense for leases, including several sale-leaseback transactions enacted in late 2019 and 2020, partially offset by a gain on debt modification. The Company also realized mark-to-market losses on certain long-term derivative liabilities due to changes in the Company's share price and other market factors. See Notes 14, 17 and 20 in the audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for more information.

Provision for Income Taxes

Income tax expense for the three months ended December 31, 2020 was $14.3 million compared to $4.3 million for the three months ended December 31, 2019. The change was due to higher gross profit and increased amounts of permanently nondeductible expenses under Section 280E related to the expansion of the Company's business operations through organic growth and acquisitions.

Net Income (Loss) and Adjusted EBITDA (non-IFRS)

Net loss for the three months ended December 31, 2020 was $23.4 million, compared to Net loss of $45.2 million for the three months ended December 31, 2019. Higher gross profit in the current period, driven by increased revenue and operational efficiencies, was partially offset by higher operating expenses, interest expense, and current period income tax expense.

Adjusted EBITDA, a non-IFRS measure which excludes depreciation and amortization, net interest expense, income taxes, other expense, share-based compensation, immediately expensed cultivation costs, loss from investment in associates, COVID-19 related expenses, fair value mark-up for acquired inventory and other non-core items, was $72.7 million and a $3.2 million loss for the three months ended December 31, 2020 and 2019, respectively. Excluding the impact of biological assets, Adjusted EBITDA was $50.0 million and $2.9 million for the three months ended December 31, 2020 and 2019, respectively. The increase in adjusted EBITDA is due to higher operational gross profit partially offset by higher operating expense.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

The following tables set forth selected consolidated financial information for the periods indicated that was derived from our audited Consolidated Financial Statements and the respective accompanying notes prepared in accordance with IFRS.

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

	Year ended December 31,			
($ in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Revenue	$476,251	$128,534	$347,717	271%
Cost of sales - production costs	(270,529)	(82,904)	(187,625)	226%
Realized changes in fair value of inventory sold	(214,901)	(91,080)	(123,821)	136%
Unrealized gain on changes in fair value of biological assets	293,119	109,531	183,588	168%
Gross profit	283,940	64,081	219,859	343%
Total expenses	228,099	98,337	129,762	132%
Total other expense, net	(48,683)	(16,585)	(32,098)	194%
Income tax expense	(43,720)	(14,461)	(29,259)	202%
Net loss[1]	(36,562)	(65,302)	28,740	(44)%
Net loss attributable to Cresco Labs Inc.	(81,925)	(43,201)	(38,724)	90%

1 Net loss includes amounts attributable to non-controlling interests.

The following table provides a reconciliation of the Company's Gross profit to Operational gross profit (non-IFRS):

	Year ended December 31,			
($ in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Gross profit	283,940	64,081	219,859	343%
Cultivation costs expensed under IAS 41[2]	10,616	8,837	1,779	20%
Net impact of fair value of biological assets	(78,218)	(18,451)	(59,767)	324%
Expansion, relaunch and rebranding costs[3]	20,859	6,259	14,600	233%
COVID-19 related expenses	3,518	—	3,518	100%
Adjustments for acquisition and other non-core costs	545	—	545	100%
Fair value mark-up for acquired inventory	4,063	1,273	2,790	219%
Operational gross profit (Non-IFRS)	$245,323	$61,999	$183,324	296%
Operational gross profit % (Non-IFRS)	51.5%	48.2%		

1 Production (cultivation, manufacturing and processing) costs related to products sold during the period.
2 Costs would be capitalized under IAS 2 and do not relate to costs of inventory sold in the period.
3 Costs related to non-recurring third-party product costs, start-up costs, discontinued inventory, and samples/discounts to expand footprint and relaunch in certain markets.

The following table provides a reconciliation of the Company's Net loss to Adjusted EBITDA (non-IFRS):

	Year ended December 31,			
($ in thousands)	**2020**	**2019**	**$ Change**	**% Change**
Net loss[1]	$ (36,562)	$(65,302)	$ 28,740	(44)%
Depreciation and amortization	40,019	11,911	28,108	236%
Interest expense, net	39,493	7,875	31,618	nm
Income tax expense	43,720	14,461	29,259	202%
Earnings before interest, taxes, depreciation, and amortization (EBITDA) (Non-IFRS)	**$ 86,670**	**$(31,055)**	**$117,725**	**(379)%**
Expansion, relaunch and rebranding costs[2]	20,859	6,259	14,600	233%
COVID-19 related expenses	4,644	—	4,644	100%
Other expense, net	8,009	8,647	(638)	(7)%
Loss from investment in associates	1,181	63	1,118	nm
Fair value mark-up for acquired inventory	4,063	1,273	2,790	219%
Cultivation costs expensed under IAS 41[3]	10,616	8,837	1,779	20%
Adjustments for acquisition and other non-core costs	39,705	17,549	22,156	126%
Management incentive compensation (share-based)	18,494	14,867	3,627	24%
Adjusted EBITDA (Non-IFRS)	**$194,241**	**$ 26,440**	**$167,801**	**nm**
Net impact of fair value of biological assets	(78,218)	(18,451)	(59,767)	324%
Adjusted EBITDA (Non-IFRS), net of impact of biological assets	**116,023**	**$ 7,989**	**$108,034**	**nm**

1 Net loss includes amounts attributable to non-controlling interests.
2 Costs related to non-recurring third-party product costs, start-up costs, discontinued inventory, and samples/discounts to expand footprint and relaunch in certain markets.
3 Costs would be capitalized under IAS 2 and do not relate to costs of inventory sold in the period.

Revenue

Revenue for the year ended December 31, 2020 was $476.3 million, an increase of $347.7 million, or 271%, compared to Revenue of $128.5 million for the year ended December 31, 2019. The increase in revenue was driven by the acquisitions of Origin House, Valley Ag and HHH as well as continued growth in the states where the Company operates. Organic growth was primarily attributable to increased cultivation capacity and states with recently adopted adult-use laws, as well as continued retail expansion.

Cost of Sales – Production Costs, Gross Profit, and Operational Gross Profit (non-IFRS)

Cost of sales – production costs for the year ended December 31, 2020 was $270.5 million, an increase of $187.6 million compared to Cost of sales – production costs of $82.9 million for the year ended December 31, 2019. The increase was primarily attributable to the Origin House, Valley Ag and HHH acquisitions, increased cultivation capacity in Illinois and Pennsylvania, and other organic growth.

Gross profit increased primarily due to the increase in revenue from the prior year as well as unrealized gains on biological assets. Operational gross profit for 2020, a non-IFRS measure which excludes the net impact of the fair value of biological assets; the impact of cultivation costs immediately expensed under IAS 41; the fair value mark-up for acquired inventory; COVID-19 related expenses; and other non-core items was $245.3 million, compared to an operational gross profit of $62.0 million for the prior year. Operational gross profit reflects revenue less costs related to products sold in the period. The increase of $183.3 million from the prior year was primarily driven by the addition of Origin House, Valley Ag and HHH; greater scale in the Company's established Illinois and California

markets; and other organic growth. Operational gross profit percentage of approximately 51.5% was higher when compared with the prior year, as the benefit of operational efficiencies in the Company's more established markets exceeded the impact of emerging and recently acquired business, where the Company is focused on footprint expansion and launching of Cresco-branded products. The Company expects margin expansion to continue as these operations scale and it receives the full benefit of its capacity expansions.

Total Expenses

Total expenses for the year ended December 31, 2020 were $228.1 million, an increase of $129.8 million compared to Total expenses of $98.3 million for the year ended December 31, 2019. The increase in total expenses was attributable to the acquisitions of Origin House, Valley Ag and HHH, and other non-core costs, as well as significant investments in our team, operational infrastructure, and marketing to drive strategic initiatives that better position the Company for future growth. Total expenses as a percentage of revenue have declined as the Company has gained efficiencies with the growth of the business.

Total Other Expense

Total other expense for the year ended December 31, 2020 was $48.7 million, an increase of $32.1 million compared to Total other expense of $16.6 million for the year ended December 31, 2019. The increase in total other expense was primarily due to a higher loss on derivative instruments, higher interest expense resulting from the loan agreements the Company entered into and assumed during 2020 and higher interest expense associated with newly entered lease agreements in 2020 which includes sale and leaseback of previously owned buildings and facilities, partially offset by a gain on debt modification. See Notes 14, 17, and 20 in the audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 for more information.

Provision for Income Taxes

Income tax expense for the year ended December 31, 2020 was $43.7 million compared to $14.5 million for the year ended December 31, 2019. The change was due to higher gross profit and increased amounts of permanently nondeductible expenses under Section 280E related to the expansion of the Company's business operations through organic growth and acquisitions.

Net Loss and Adjusted EBITDA (non-IFRS)

Net loss for the year ended December 31, 2020 was $36.6 million, compared to Net loss of $65.3 million for the year ended December 31, 2019. Higher gross profit in the current year, generated by increased revenue, operational efficiencies, and unrealized gains on fair value of biological assets, was partially offset by higher operating expenses and current period income tax expense.

Adjusted EBITDA, a non-IFRS measure which excludes depreciation and amortization, net interest expense, income taxes, other expense, share-based compensation, immediately expensed cultivation costs, loss from investment in associates, COVID-19 related expenses, fair value mark-up for acquired inventory and other non-core items, was $194.2 million and $26.4 million for the years ended December 31, 2020 and 2019, respectively. Excluding the impact of biological assets, Adjusted EBITDA was $116.0 million and $8.0 million for the years ended December 31, 2020 and 2019, respectively. The increase in adjusted EBITDA is due to higher operational gross profit partially offset by higher operating expense.

LIQUIDITY AND CAPITAL RESOURCES

Overview

As of December 31, 2020, the Company held $136.3 million in Cash and cash equivalents, $4.4 million in Restricted cash and $167.1 million of working capital compared to December 31, 2019, where the Company held $49.1 million in Cash and cash equivalents, $5.1 million in Restricted cash and $9.2 million of working capital. The increase of $194.8 million in working capital was primarily due to an increase in inventory, cash and cash equivalents, short-term loans receivable, biological assets and accounts receivable, and a decrease in short-term deferred consideration, contingent consideration and other payables. This was partially offset by increased income tax payable, short-term borrowings and the current portion of lease liabilities, between periods. During the three months ended December 31, 2020, the Company refinanced outstanding loans through the amendment of its existing term loan facility and increased the outstanding principal to $200 million.

The Company expects cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet capital requirements and operational needs for the next 12 months.

Cash Flows

Operating Activities

Net cash used in operating activities was $10.8 million for the year ended December 31, 2020, a decrease of cash used of $14.4 million compared to of $25.2 million for the year ended December 31, 2019. The decrease in net cash used in operating activities was primarily due to an increase in profitability and gross profit through improved efficiencies and greater scale in the Company's established markets, particularly in the second half of the year, when the Company generated cash from operating activities.

Investing Activities

Net cash used in investing activities was $44.1 million for the year ended December 31, 2020, a decrease of cash used of $63.5 million compared to $107.6 million for the year ended December 31, 2019. The decrease in net cash used in investing activities was primarily due to proceeds received from sale and leaseback transactions in the current year and a reduction in loans made to pending acquisitions, and a decrease in capital expenditures.

Financing Activities

Net cash provided by financing activities was $142.7 million for the year ended December 31, 2020, an increase of cash provided of $93.8 million compared to $48.9 million for the year ended December 31, 2019. The increase in net cash provided by financing activities was primarily due to net proceeds from the issuance of long-term debt during the period partially offset by lower proceeds from equity raises and increased distributions to non-controlling interest holders.

CONTRACTUAL OBLIGATIONS

As of December 31, 2020, maturities of lease liabilities were as follows:

($ in thousands)	
2021	$ 33,207
2022	33,560
2023	34,265
2024	35,528
2025	36,324
Thereafter	354,986
Total lease payments	$ 527,870
Less: imputed interest	(310,142)
Less: tenant improvement allowance	(47,666)
Present value of lease liabilities	170,062
Less: short-term lease liabilities	(24,742)
Present value of long-term lease liabilities	$ 145,320

In addition to the future minimum lease payments disclosed above, the Company is responsible for real estate taxes and common operating expenses incurred by the building or facility in which it leases space. Additionally, Cresco will continue to invest in its facilities through construction and other capital expenditures as it expands its footprint in existing and new markets.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no material undisclosed off-balance sheet arrangements or proposed transactions that have, or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that are material to investors.

RELATED PARTY TRANSACTIONS

The Company's key management personnel, consisting of the executive management team and management directors, have the authority and responsibility for planning, directing, and controlling the activities of the Company. The material transactions with related parties and changes in related party balances for the year ended December 31, 2020 are discussed below.

	Three months ended December 31,		Year ended December 31,	
($ in thousands)	**2020**	**2019**	**2020**	**2019**
Management compensation	$1,499	$ 969	$ 6,234	$3,139
Share-based compensation expense	$4,356	1,829	$10,992	5,972
Total	**$5,855**	**$2,798**	**$17,226**	**$9,111**

As of December 31, 2020 and 2019, the Company had receivables of $0.2 million and $0.7 million, respectively, with key management personnel.

As of December 31, 2020 and 2019, the Company had payables of $2.3 million and $0.1 million, respectively, with key management personnel.

Key management personnel hold 109.4 million redeemable units of Cresco Labs, LLC, which is equal to $125.6 million of Non-controlling interests as of December 31, 2020. During the year ended December 31, 2020 and 2019, 83.3% and 71.9%, respectively, of required tax distribution payments to holders of Cresco Labs, LLC were made to key management personnel.

As of December 31, 2020, the Company had borrowings with related parties of $18.3 million related to the Company's Term Loan. During the year ended December 31, 2020 and 2019, the Company recorded interest expense related to borrowings with related parties of $1.8 million and nil, respectively. As of December 31, 2020 and 2019, the Company had interest payable related to borrowings with related parties of $0.1 million and $nil, respectively.

The Company has lease liabilities for real estate lease agreements in which the lessors have minority interest in SLO and MedMar Inc. The lease liabilities were incurred in January 2019 and May 2020 and will expire in 2027 through 2036.

The Company has lease liabilities for real estate lease agreements in which the lessor is a member of key management personnel. The lease liabilities were incurred by entering operating leases and sale and leaseback transactions with lease terms that will expire in 2030 during the year ended December 31, 2020. For the three months ended December 31, 2020, the sale and leaseback transactions resulted in a loss of net funding of $0.2 and a net gain of $8.6 million for the year ended December 31, 2020. During the three months and year ended December 31, 2020, the Company received tenant improvement allowances of $nil and $0.8 million related to these lease agreements and expects to receive further reimbursements of $2.2 million as of December 31, 2020.

Below is a summary of the expense resulting from the related party lease liabilities for the periods ended December 31, 2020 and 2019.

	Three months ended December 31, 2020		Three months ended December 31, 2019	
($ in thousands)	Depreciation expense	Interest expense	Depreciation expense	Interest expense
Finance lease liability; lessor has minority interest in SLO	$ 71	$ 318	$ 86	$ 388
Finance lease liability; lessor has minority interest in MedMar	$ 66	$ 87	39	42
Finance lease liability; lessor is a member of key management personnel	$ 222	$ 202	—	—

	Year ended December 31, 2020		Year ended December 31, 2019	
($ in thousands)	Depreciation expense	Interest expense	Depreciation expense	Interest expense
Finance lease liability; lessor has minority interest in SLO	$ 295	$ 1,494	$ 382	$ 1,650
Finance lease liability; lessor has minority interest in MedMar	209	281	155	177
Finance lease liability; lessor is a member of key management personnel	551	564	—	—

Additionally, below is a summary of the right-of-use ("**ROU**") assets and lease liabilities attributable to related party lease arrangements. The ROU asset and lease liability for SLO's lease assumes all lease extension options are exercised.

	2020		2019	
($ in thousands)	ROU asset	Lease liability	ROU asset	Lease liability
Finance lease liability; lessor has minority interest in SLO	$5,219	$8,551	$9,930	$11,727
Finance lease liability; lessor has minority interest in MedMar	2,322	2,552	1,292	1,380
Finance lease liability; lessor is a member of key management personnel	8,371	6,925	—	—

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments are held at amortized cost (adjusted for impairments or expected credit losses, as applicable) or **FVTPL**. The carrying values of financial instruments held at amortized cost approximate their fair values as of December 31, 2020 and 2019 due to their nature and relatively short maturity date. Financial assets and liabilities with embedded derivative features are carried at FVTPL.

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.

There have been no transfers between fair value levels valuing these assets during the year.

The following tables summarize the Company's financial instruments as of December 31, 2020 and 2019:

	2020				
($ in thousands)	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Cash and cash equivalents	$136,339	$ —	$ —	$ —	$136,339
Restricted cash[1]	4,435	—	—	—	4,435
Accounts receivable, net	29,266	—	—	—	29,266
Loans receivable, short-term	921	—	2,237	(720)	2,438
Loans receivable, long-term	1,204	—	—	20,020	21,224
Investments	3,192	—	1,049	119	4,360
Security deposits[2]	3,558	—	—	—	3,558
Financial Liabilities:					
Accounts payable and other accrued expenses	$ 86,326	$ —	$ —	$ —	$ 86,326
Short-term borrowings	15,046	—	—	—	15,046
Current portion of lease liabilities	24,742	—	—	—	24,742
Deferred consideration, contingent consideration and other payables	—	22	—	19,093	19,115
Derivative liabilities, long-term	—	—	30,129	—	30,129
Lease liabilities	145,320	—	—	—	145,320
Deferred consideration and contingent consideration	—	—	—	7,247	7,247
Long-term notes payable and loans payable	169,475	—	—	—	169,475

1 Restricted cash balances include various escrow accounts related to building improvements.
2 Investment balances in the amortized cost column are equity method investments.

($ in thousands)	2019 Amortized Cost	Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and cash equivalents	$49,102	$ —	$ —	$ —	$49,102
Restricted cash[1]	5,050	—	—	—	5,050
Accounts receivable, net	16,455	—	—	—	16,455
Loans receivable, short-term	644	—	—	—	644
Loans receivable, long-term	390	—	18,243	—	18,633
Investments	—	—	1,210	68	1,278
Security deposits	1,084	—	—	—	1,084
Financial Liabilities:					
Accounts payable and other accrued expenses	$62,834	$ —	$ —	$ —	$62,834
Current portion of lease liabilities	12,019	—	—	—	12,019
Deferred consideration, contingent consideration and other payables	49,451	339	—	10,150	59,940
Derivative liabilities, short-term	—	—	178	—	178
Derivative liabilities, long-term	—	—	15,243	—	15,243
Lease liabilities	82,856	—	—	—	82,856
Deferred consideration and contingent consideration	—	—	—	21,901	21,901
Long-term notes payable and loans payable	550	—	—	—	550

1 Restricted cash balances include various escrow accounts related to investments, acquisitions and facility licensing requirements.

Financial Risk Management

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

i. Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or a third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2020 and 2019 is the carrying amount of cash, accounts receivable, and loans receivable. The Company does not have significant credit risk with respect to its customers or loan counterparties, based on cannabis industry growth in its key markets and the low interest rate environment. Although all deposited cash is placed with U.S. financial institutions in good standing with regulatory authorities, changes in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry have passed the House of Representatives but have not yet been voted on within the Senate. Given that current 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 cannabis industry.

COVID-19 was declared a pandemic by the World Health Organization on March 12, 2020. During the fourth quarter of 2020, the first vaccine utilized to prevent coronavirus infection was approved by the Food and Drug Administration. As the vaccine is not yet widely available, there remains significant economic uncertainty and consequently it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

ii. Asset Forfeiture Risk

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

iii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company primarily manages liquidity risk through the management of its capital structure by ensuring that it will have sufficient liquidity to settle obligations and liabilities when due. As of December 31, 2020, the Company had working capital (defined as current assets less current liabilities) of $167.1 million, which reflects the amendment of the Term Loan as discussed in Note 14 of the Company's audited Consolidated Financial Statements for further information.

iv. Market Risk

a. Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. As of December 31, 2020 and 2019, the Company's financial assets and liabilities are denominated primarily in U.S. dollars. However, from time to time some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company recorded a $2.4 million foreign exchange loss and a $0.4 million foreign exchange gain during the years ended December 31, 2020 and 2019, respectively. See Note 17 of the Company's audited Consolidated Financial Statements for further information.

As of December 31, 2020 and 2019, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

b. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. An increase or decrease in the Company's incremental borrowing rate by 10% would result in an associated increase or decrease in Deferred consideration, contingent consideration and other payables and Interest expense, net of $0.2 million. The Company's effective interest rates for its Term Loan range from 17.6% to 18.1% and the stated interest rate varies from 12.0% to 12.7% based on the term elected by the lender. See Note 14 of the Company's audited Consolidated Financial Statements for further information.

c. Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to price risk related to derivative liabilities and contingent consideration that are valued based on the Company's own stock price. An increase or decrease in stock price by 10% would result in an associated increase or decrease in the fair value of derivative liabilities and contingent consideration and Other (expense) income, net of $6.7 million or $6.5 million, respectively.

d. Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to section 280E, which bars businesses from deducting all expenses except their cost of sales when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations. See Note 24 of the Company's audited Consolidated Financial Statements for the Company's disclosure of uncertain tax positions.

e. Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and can have a material adverse effect on the Company's business, results of operation, and financial condition. The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect that unforeseen regulatory changes could have on the goals and operations of the business as a whole.

Exhibit 99.6

CRESCO LABS INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

(Expressed in United States Dollars)

Cresco Labs Inc.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Cresco Labs Inc.:

Management of Cresco Labs Inc. and its subsidiaries (combined the "Company") is responsible for the preparation and presentation of the accompanying Consolidated Financial Statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and ensuring that all information in the annual report is consistent with the Consolidated Financial Statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the Consolidated Financial Statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of Consolidated Financial Statements.

The Board of Directors (the "Board") is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

Marcum LLP, an independent firm, is appointed by the shareholders to audit the Consolidated Financial Statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

March 26, 2021

/s/ Charles Bachtell
Chief Executive Officer

/s/ Dennis Olis
Chief Financial Officer

Cresco Labs Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cresco Labs Inc.

Our Opinion

We have audited the consolidated financial statements of Cresco Labs Inc. and its subsidiaries (collectively the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Basis For Our Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities For The Audit Of The Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities Of Management And Those Charged With Governance For The Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities For The Audit Of The Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Neil Prasad.

(Signed) "Marcum LLP"
Marcum LLP
Certified Public Accountants
Chicago, IL, USA
March 26, 2021

Cresco Labs Inc.
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019
(In thousands of United States Dollars)

		December 31, 2020	December 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents		$ 136,339	$ 49,102
Restricted cash		4,435	5,050
Accounts receivable, net	*Note 3*	29,266	16,455
Biological assets	*Note 4*	46,049	31,791
Inventory, net	*Note 5*	136,605	49,555
Loans receivable, short-term	*Note 20*	2,438	644
Other current assets		6,622	6,741
Total current assets		361,754	159,338
Non-current assets:			
Property and equipment, net	*Note 6*	195,231	155,839
Right-of-use assets	*Note 7*	92,169	46,696
Intangible assets, net	*Note 9*	195,518	94,206
Loans receivable, long-term	*Note 20*	21,224	18,633
Investments	*Note 8*	4,360	1,278
Goodwill	*Note 9*	451,861	137,719
Deferred tax asset	*Note 24*	7,299	1,761
Other non-current assets		3,708	1,084
Total non-current assets		971,370	457,216
TOTAL ASSETS		**$1,333,124**	**$ 616,554**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Current liabilities:			
Accounts payable and other accrued expenses	*Note 10*	$ 86,326	$ 62,834
Short-term borrowings	*Note 14*	15,046	—
Income tax payable		49,411	15,198
Current portion of lease liabilities	*Note 7*	24,742	12,019
Deferred consideration, contingent consideration and other payables	*Note 13*	19,115	59,940
Derivative liabilities, short-term	*Note 20*	—	178
Total current liabilities		194,640	150,169
Long-term liabilities:			
Long-term notes payable and loans payable	*Note 14*	169,475	550
Derivative liabilities, long-term	*Note 20*	30,129	15,243
Lease liabilities	*Note 7*	145,320	82,856
Deferred tax liability	*Note 24*	52,998	23,212
Deferred consideration and contingent consideration	*Note 13*	7,247	21,901
Other long-term liabilities	*Note 14*	8,557	—
Total long-term liabilities		413,726	143,762
TOTAL LIABILITIES		**608,366**	**293,931**
SHAREHOLDERS' EQUITY:			
Share capital		826,341	275,851
Contributed surplus		34,923	25,863
Accumulated other comprehensive loss		(621)	—
Accumulated deficit		(286,197)	(114,632)
Equity of Cresco Labs Inc.		574,446	187,082
Non-controlling interests	*Note 11*	150,312	135,541
TOTAL SHAREHOLDERS' EQUITY		**724,758**	**322,623**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$1,333,124**	**$ 616,554**

Nature of Operations *(Note 1)*
Commitments and Contingencies *(Note 19)*
Subsequent Events *(Note 25)*

See accompanying notes to Consolidated Financial Statements .

Cresco Labs Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2020 and 2019
(In thousands of United States Dollars, except per share data)

		Year ended December 31,	
		2020	2019
Revenue, net	*Note 15*	$ 476,251	$128,534
Costs of sales - production costs	*Note 5*	(270,529)	(82,904)
Gross profit before fair value adjustments		205,722	45,630
Realized changes in fair value of inventory sold	*Note 5*	(214,901)	(91,080)
Unrealized gain on changes in fair value of biological assets	*Note 4*	293,119	109,531
Gross profit		283,940	64,081
Expenses:			
Selling, general and administrative	*Note 16*	206,738	94,118
Depreciation and amortization	*Note 6, 7, 9*	21,361	4,219
Total expenses		228,099	98,337
Income (loss) before other (expense) income and income taxes		55,841	(34,256)
Other (expense) income:			
Interest expense, net	*Note 23*	(39,493)	(7,875)
Other (expense) income, net	*Note 17*	(8,009)	(8,647)
Loss from investment in associates	*Note 8*	(1,181)	(63)
Total other (expense) income, net		(48,683)	(16,585)
Income (loss) before income taxes		7,158	(50,841)
Income tax expense	*Note 24*	(43,720)	(14,461)
Net loss		$ (36,562)	$ (65,302)
Net income (loss) attributable to non-controlling interests, net of tax	*Note 11*	45,363	(22,101)
Net loss attributable to Cresco Labs Inc.		**$ (81,925)**	**$ (43,201)**
Net loss per share - attributable to Cresco Labs Inc. shareholders			
Loss per share - basic	*Note 22*	$ (0.39)	$ (0.37)
Loss per share - diluted	*Note 22*	$ (0.39)	$ (0.37)

See accompanying notes to Consolidated Financial Statements.

Cresco Labs Inc.
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2020 and 2019
(In thousands of United States Dollars)

	Year ended December 31,	
	2020	2019
Net loss	**$ (36,562)**	**$ (65,302)**
Other comprehensive loss for the period		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences, net of tax	(621)	
Total comprehensive loss for the period	**$ (37,183)**	**$ (65,302)**
Comprehensive income (loss) attributable to non-controlling interests, net of tax	45,684	(22,101)
Total comprehensive loss attributable to Cresco Labs Inc.	**$ (82,547)**	**$ (43,201)**

See accompanying notes to Consolidated Financial Statements.

Cresco Labs Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2020 and 2019
(In thousands of United States Dollars)

		$ Amount						
	Notes	Share capital	Shares to be issued or canceled	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Non-controlling interests	Total
Balance as of January 1, 2019		$ 142,118	$ 20,064	$ 11,594	$ (52,745)	$ —	$ 161,950	$282,981
Cumulative effect of adoption of new accounting pronouncement IFRS 16 *Leases*		—	—	—	(1,466)	—	(1,526)	(2,992)
Exercise of options		1,775	—	(594)	—	—	—	1,181
Exercise of warrants	*Note 20(e)*	1,674	—	(429)	—	—	—	1,245
Equity-based compensation expense		—	—	15,393	—	—	—	15,393
Change in ownership interest	*Note 11(e)*	—	—	—	(438)	—	(396)	(834)
Income tax reserve	*Note 24*	—	—	(101)	393	—	—	292
Issuance of shares related to MedMar		19,497	(19,497)	—	—	—	—	—
Distributions to limited liability company unit holders	*Note 11(d)*	—	—	—	(2,942)	—	(688)	(3,630)
Equity issued related to Valley Ag acquisition	*Note 11(b)(vi)(a)*	48,881	—	—	—	—	—	48,881
Shares issued through equity raise, net of costs	*Note 11(b)(vi)(b)*	45,975	—	—	—	—	—	45,975
Cresco LLC shares redeemed	*Note 11(e)*	15,931	—	—	(14,233)	—	(1,698)	—
Cancellation of shares		—	(567)	—	—	—	—	(567)
Net loss		—	—	—	(43,201)	—	(22,101)	(65,302)
Ending Balance as of December 31, 2019		**$ 275,851**	**$ —**	**$ 25,863**	**$ (114,632)**	**$ —**	**$ 135,541**	**$322,623**
Balance as of January 1, 2020		$ 275,851	$ —	$ 25,863	$ (114,632)	$ —	$ 135,541	$322,623
Exercise of options and warrants		7,657	21	(4,262)	—	—	—	3,416
Equity-based compensation		11,407	275	(2,831)	—	—	—	8,851
Income tax reserve	*Note 24*	—	—	761	(128)	—	—	633
Employee taxes on certain share-based payment arrangements		10,043	—	(7,218)	—	—	—	2,825
Equity issued related to acquisitions	*Note)(ii-v), 11(b12*	412,663	(923)	24,428	—	—	—	436,168
Equity issuances, net of costs	*Note 11(b)(i-ii)*	3,554	2,500	—	—	—	—	6,054
Cresco LLC shares redeemed and other adjustments	*Note 11(e)*	103,149	—	—	(89,350)	—	(13,799)	—
Distributions to limited liability company unit holders	*Note 11(d)*	—	—	(1,818)	(162)	—	(16,793)	(18,773)
Net impact pursuant to tax receivable agreement	*Note 24*	144	—	—	—	—	—	144
Foreign currency translation		—	—	—	—	(621)	—	(621)
Net loss		—	—	—	(81,925)	—	45,363	(36,562)
Ending Balance as of December 31, 2020		**$ 824,468**	**$ 1,873**	**$ 34,923**	**$ (286,197)**	**$ (621)**	**$ 150,312**	**$724,758**

See accompanying notes to Consolidated Financial Statements.

Cresco Labs Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(in thousands of United States Dollars)

	Year ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (36,562)	$ (65,302)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	40,019	11,910
Bad debt expense and provision expense for expected credit loss	1,747	436
Share-based compensation expense	18,494	14,867
Loss on investments	2,430	878
(Gain) loss on changes in fair value of deferred and contingent consideration	(2,029)	3,720
Loss on derivative instruments and warrants	13,155	3,190
(Gain) loss on loans receivable	(921)	279
Accrued interest expense, net of income	4,261	—
Realized changes in fair value of inventory sold	214,901	82,659
Loss on inventory write-offs and provision	9,900	8,421
Unrealized (gain), net of losses, on changes in fair value of biological assets	(293,119)	(109,531)
Change in deferred taxes	(4,447)	1,176
Accretion of discount and deferred financing costs on debt arrangements	6,142	—
Foreign currency loss (gain)	2,394	(444)
Acquisition termination charges settled in equity	1,279	—
Gain on debt modification	(5,409)	—
Loss, net of (gains), on other adjustments to net loss	366	670
Provision expense to be settled in equity	13,600	—
Changes in operating assets and liabilities:		
Accounts receivable	(5,250)	(12,782)
Inventory	(297,197)	(109,601)
Biological assets	280,864	96,849
Other current assets	(843)	(4,645)
Deposits and other assets	(1,267)	(102)
Accounts payable and other accrued expenses	(6,529)	36,516
Other current liabilities	(1,119)	3,033
Income tax payable	34,309	12,614
NET CASH USED IN OPERATING ACTIVITIES	(10,831)	(25,189)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(78,272)	(91,673)
Purchases of intangibles	(2,105)	(4,453)
Proceeds from sale and leaseback transactions and lease tenant incentives	57,699	38,532
Payment of acquisition consideration, net of cash acquired	(14,768)	(28,608)
Distribution to associates	—	(1,500)
Loans receivable for entities to be acquired	(6,667)	(19,894)
NET CASH USED IN INVESTING ACTIVITIES	(44,113)	(107,596)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from September 2019 financing	—	55,476
Proceeds from exercise of stock options, warrants and share issuances	6,200	3,177
Proceeds from at-the-market offering	3,521	—
Proceeds from the issuance of long-term debt	186,000	—
Payment of debt, financing issuance costs and non-extending lender fees	(7,605)	(3,196)
Repayment of debt	(10,340)	—
Payment of acquisition-related contingent consideration	(1,719)	—
Acquisition of non-controlling interests	(203)	(834)
Distributions to non-controlling interest redeemable unit holders	(16,793)	(688)
Distributions to other members	(162)	(2,942)
Payments for taxes related to net share settlements of restricted stock units	(8,672)	—
Principal payments of leases	(7,553)	(2,084)
NET CASH PROVIDED BY FINANCING ACTIVITIES	142,674	48,909
Effect of foreign currency exchange rate changes on cash	(1,108)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	86,622	(83,876)
Cash and cash equivalents and restricted cash, beginning of period	54,152	138,028
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 140,774	$ 54,152

Cresco Labs Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(in thousands of United States Dollars)

	Year ended December 31,	
	2020	2019
CASH PAID DURING THE PERIOD FOR:		
Income tax, net	$ 13,491	$ 247
Interest	29,183	5,350
NON-CASH TRANSACTIONS:		
Equity issued for acquisitions and escrows	$ 435,705	$ 48,881
Non-controlling interests redeemed for equity	13,799	1,698
Increase to net lease liability	53,444	92,484
Derivative liability incurred for business combinations	—	5,437
Conversion of loan to investment in associate	—	6,783
Liability incurred to purchase property and equipment	8,262	15,798
Cashless exercise of stock options	2,784	113

See accompanying notes to Consolidated Financial Statements.

NOTE 1. NATURE OF OPERATIONS

Cresco Labs Inc. ("Cresco" or the "Company"), formerly known as Randsburg International Gold Corp. was incorporated in the Province of British Columbia under the Company Act (British Columbia) on July 6, 1990. The Company is one of the largest vertically-integrated multi-state cannabis operators in the United States licensed to cultivate, manufacture and sell retail and medical cannabis products primarily through Sunnyside*, Cresco's national dispensary brand, and third-party retail stores. Employing a consumer-packaged goods approach to cannabis, Cresco's house of brands is designed to meet the needs of all consumer segments and includes some of the most recognized and trusted national brands including Cresco, High Supply, Mindy's Edibles, Good News, Remedi, Wonder Wellness Co. and FloraCal Farms. The Company operates in and/or has ownership interests in Illinois, Pennsylvania, Ohio, California, Maryland, Nevada, Arizona, New York, Massachusetts, Michigan and Canada, pursuant to the Illinois Compassionate Use of Medical Cannabis Pilot Program Act and the Illinois Cannabis Regulation and Tax Act, the Pennsylvania Compassionate Use of Medical Cannabis Act, the Ohio Medical Marijuana Control Program, the California Medicinal and Adult-Use Cannabis Regulation and Safety Act, the Maryland Medical Marijuana Act, the Nevada Revised Statutes section 453A, the Arizona Medical Marijuana Act, the New York Compassionate Care Act, the Massachusetts Cannabis Control Commission, the Michigan Medical Marihuana Act and the Canada Tobacco and Vaping Products Act, respectively.

On December 30, 1997, the Company changed its name from Randsburg Gold Corporation to Randsburg International Gold Corp. ("Randsburg") and consolidated its common shares on a five (5) old for one (1) new basis.

On November 30, 2018, in connection with a reverse takeover (the "Transaction"), the Company (i) consolidated its outstanding Randsburg common shares on an 812.63 old for one (1) new basis, and (ii) filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies to change its name from Randsburg to Cresco Labs Inc. and to amend the rights and restrictions of its existing classes of common shares, redesignate such classes as the class of Subordinate Voting Shares ("SVS") and create the classes of Proportionate Voting Shares ("PVS"), and Super Voting Shares ("MVS").

Pursuant to the Transaction, among the Company (then Randsburg) and Cresco Labs, LLC ("Cresco Labs"), a series of transactions were completed on November 30, 2018 resulting in a reorganization of Cresco Labs and Randsburg in which Randsburg became the indirect parent and sole voting unitholder of Cresco. The transaction constituted a reverse takeover of Randsburg by Cresco Labs under applicable securities laws. Cresco Labs was formed as a limited liability company under the laws of the state of Illinois on October 8, 2013 and is governed by the Pre-Combination LLC Agreement. The Pre-Combination LLC Agreement was further amended and restated in connection with the completion of the Transaction.

On December 3, 2018, the Company began trading on the Canadian Securities Exchange under the ticker symbol "CL." On March 6, 2019, Cresco shares were approved to be quoted on the Over-the-Counter Market and is traded under the ticker symbol "CRLBF." On August 13, 2019, the Company began trading its Euro-denominated shares on the Frankfurt Stock Exchange and is trading under the symbol "6CQ."

The Company's head office is located at Suite 110, 400 W Erie St, Chicago, IL 60654. The registered office is located at Suite 2200, 1055 West Hastings Street, Vancouver, BC V6E 2E9.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The accompanying consolidated financial statements of the Company have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the years ended December 31, 2020 and 2019.

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on March 26, 2021.

(b) Basis of Measurement

The accompanying consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for biological assets which are measured at fair value less cost to sell; certain investments in associates, which are accounted for under the equity method; loans receivable measured at fair value through profit or loss ("FVTPL"); and certain investments, derivative instruments, and contingent consideration, which are recorded at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets and the contractual obligation for liabilities.

Management has applied judgment in concluding that there remain no material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern, which includes judgment of the effects of subsequent events (see Note 25); and the Company's ability to realize its assets and settle its obligations in the normal course of operations for at least twelve months from the date of the financial statements.

(c) Functional and Presentation Currency

The Company's functional currency and that of the majority of its subsidiaries, as determined by management, is the United States ("U.S.") dollar. The Company's presentation currency is the U.S. dollar. As such, the accompanying consolidated financial statements are presented in U.S. dollars. All references to "C$" refer to Canadian dollars. Foreign currency denominated assets and liabilities are re-measured into the functional currency using period-end exchange rates. Gains and losses from foreign currency transactions are included in Other (expense) income, net in the Consolidated Statements of Operations.

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date; revenues and expenses are translated at the monthly average rate of exchange during the period. Gains or losses on translation of foreign subsidiaries and net investments in foreign operations are included in other comprehensive loss.

(d) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated upon consolidation. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The following are Cresco's wholly owned or effectively controlled subsidiaries and entities over which the Company has control as of December 31, 2020.

Entity	Location	Purpose	Percentage Held
Cresco Labs Inc.	British Columbia, Canada	Parent Company	
Cresco U.S. Corp.	Illinois	Manager of Cresco Labs, LLC	100%
Cresco Labs, LLC	Illinois	Operating Entity	49.98%
Cresco Labs Notes Issuer, LLC	Illinois	Holding Company	100%
Gloucester Street Capital, LLC	New York	Holding Company	100%
Valley Agriceuticals, LLC	New York	Operating Entity	100%
MedMar Inc.	Illinois	Holding Company	100%
MedMar Lakeview, LLC (Sunnyside - Lakeview and Sunnyside - River North)	Illinois	Dispensary	87.6%
MedMar Rockford, LLC (Sunnyside - Rockford and Sunnyside - South Beloit)	Illinois	Dispensary	75%
CannaRoyalty Corp. (Origin House)	Ontario, Canada	Holding Company	100%
Cali-AntiFragile Corp.	California	Holding Company	100%
Alta Supply Inc. (Continuum)	California	Distribution	100%
Kaya Management Inc.	California	Production	100%
RPE Inc. (Continuum)	California	Distribution	100%
FloraCal	California	Cultivation	100%
Cub City, LLC	California	Distribution	100%
CRHC Holdings Corp.	Ontario, Canada	Holding Company	100%
2360149 Ontario Inc. (180 Smoke)	Ontario, Canada	Nicotine Vape Company	100%
Cresco Labs Michigan, LLC (a)	Michigan	Cultivation and Production Facility	85%

(a) Cresco Labs Michigan, LLC is 85% owned by related parties within management of the Company.

Entity	Location	Purpose	Percentage Held
Cresco Labs Notes Issuer, LLC	Illinois	Holding Company	
Cresco Labs Ohio, LLC	Ohio	Cultivation, Production and Dispensary Facility	98.77%
Wellbeings, LLC	Delaware	CBD Wellness Product Development	100%
Cresco Labs SLO, LLC	California	Holding Company	100%
SLO Cultivation Inc.	California	Cultivation and Production Facility	80%
Cresco Labs Joliet, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Kankakee, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs Logan, LLC	Illinois	Cultivation and Production Facility	100%
Cresco Labs PA, LLC	Pennsylvania; Registered: Illinois	Holding Company	100%
Cresco Yeltrah, LLC	Pennsylvania	Cultivation, Production and Dispensary Facility	100%
Cresco Labs Arizona, LLC	Arizona	Holding Company	100%
Arizona Facilities Supply, LLC	Arizona/Maryland	Cultivation, Production and Dispensary Facility	100%
Cresco Labs Tinad, LLC	Illinois	Holding Company	100%
PDI Medical III, LLC (Sunnyside - Buffalo Grove and Sunnyside - Naperville)	Illinois	Dispensary	100%
Cresco Labs Phoenix Farms, LLC	Illinois	Holding Company	100%
Phoenix Farms of Illinois, LLC (Sunnyside - Champaign and Sunnyside - Danville)	Illinois	Dispensary	100%
JDC Elmwood, LLC	Illinois	Holding Company	100%
FloraMedex, LLC (Sunnyside - Elmwood Park and Sunnyside - Schaumburg)	Illinois	Dispensary	100%
Cresco Edibles, LLC	Illinois	Holding Company	100%
TSC Cresco, LLC	Illinois	Licensing	75%
Cresco HHH, LLC	Massachusetts	Cultivation, Production and Dispensary Facility	100%

Cresco U.S. Corp., which is wholly owned by the Company, is the sole manager of Cresco Labs, LLC; Cresco Labs, LLC is the sole owner and manager of Cresco Labs Notes Issuer, LLC. Therefore, the Company controls Cresco Labs Notes Issuer, LLC and has consolidated its results into the consolidated financial statements.

Non-controlling interests ("NCI") represent ownership interests in consolidated subsidiaries by parties that are not shareholders of the Company. They are shown as a component of total equity in the Consolidated Statements of Financial Position, and the share of income (loss) attributable to NCI is shown as a component of net loss in the Consolidated Statements of Operations and in the Consolidated Statement of Comprehensive Loss. Changes in the parent company's ownership that do not result in a loss of control are accounted for as equity transactions.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash and cash on hand. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(f) Restricted Cash

Restricted cash represents amounts held in escrow related to investments, acquisitions, facility requirements and building improvements. The Company held $4.4 million and $5.1 million of restricted cash as of December 31, 2020 and 2019, respectively.

(g) Accounts Receivable

Accounts receivables are classified as financial assets initially recognized at fair value and subsequently measured at amortized cost, less any provisions for impairment. When a receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the Consolidated Statements of Operations.

(h) Biological Assets

The Company's biological assets consist of cannabis plants and are valued at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally produced Work-in-process and Finished Goods inventory after harvest. The net unrealized gains or losses arising from changes in fair value less costs to sell during the year are included in the Consolidated Statements of Operations.

All production costs related to biological assets are expensed as incurred and are included as Cost of sales – production costs. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line in the Consolidated Statements of Operations.

The Company capitalizes cost incurred after harvest to bring the products to their present location and condition in accordance with International Accounting Standards ("IAS") 2 *Inventories*.

(i) Inventory

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory. Post-harvest costs include costs such as materials, labor and depreciation expense on equipment involved in manufacturing, packaging, labeling, inspection and testing. Cost of sales - production costs also includes certain excise taxes and community benefit fees. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Products for resale and supplies and consumables are valued at lower of cost and net realizable value.

The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value.

(j) Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Land is recorded at cost. Depreciation is calculated using the straight-line method over the useful life of the asset. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the accompanying Consolidated Statements of Operations in the year the asset is derecognized.

Category	Methodology	Estimated Useful Life
Leasehold Improvements	Amortized over the lesser of the life of the lease or estimated useful life of the improvement	1 - 15 years
Machinery and Equipment	Over the estimated useful life of the asset	5 - 15 years
Furniture and Fixtures	Over the estimated useful life of the asset	3 - 8 years
Vehicles	Over the estimated useful life of the asset	5 years
Website and Software	Over the estimated useful life of the asset	3 - 7 years
Computer Equipment	Over the estimated useful life of the asset	3 - 7 years
Buildings and Building Improvements	Over the estimated useful life of the asset	5 - 39 years

Repairs and maintenance that do not improve efficiency or extend economic life are charged to expense as incurred.

(k) Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date or date of consolidation/control. Amortization of definite-lived intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Category	Estimated Useful Life
Market-Related Intangibles	12 - 18 months
Customer Relationships	7 - 19 years
Non-Compete Agreements	4 - 5 years
Internally Developed Software	10 years
Trade Names	10 years
Permit Application Fees	1 - 2 years

The estimated useful lives and residual values are reviewed at each year end, and any changes in estimates are accounted for prospectively. Intangible assets that have an indefinite useful life are not subject to amortization. The Company's indefinite-lived intangible assets consist of licenses, which, for valuation purposes, represent the future benefits associated with the Company's cultivation, processing, and dispensary licenses. Absent such license intangibles, the Company cannot continue as a going concern and as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

Definite-lived intangible assets are tested for impairment when there is an indication of impairment. Indefinite-lived intangible assets are tested for impairment annually or more frequently as warranted if events or changes in circumstances indicate impairment (refer to Note 9 for additional details on impairment testing). During the year ended December 31, 2020, the Company recorded an impairment charge of $1.2 million on a market-related intangible asset due to changing market conditions. The Company fully recovered the value of this intangible asset and recorded an impairment reversal of $1.2 million. For the years ended December 31, 2020 and 2019, the Company did not recognize any impairment losses.

(l) Investments in Associates

The Company determines how to account for investments based on the level of control it has over the investment. If it is determined that the Company has control, then the investment should be consolidated. Investments in which the Company has significant influence, but no control, are considered investments in associates. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Interests in associates accounted for using the equity method are initially recognized at cost. The carrying value is then adjusted for the Company's share of comprehensive loss, additional contributions to the investee and additional distributions from the investee. The carrying value of associates is assessed for impairment at each balance sheet date. The Company's investments in equity-accounted investees are classified within Investments in the Consolidated Statements of Financial Position.

Investments in which the Company does not have significant influence or control are first recognized at cost. At each reporting period, changes from the initial cost and fair value are recognized through profit and loss and balances are classified within Investments in the Consolidated Statements of Financial Position. Refer to Note 8 for additional information on the Company's Investments in Associates.

(m) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination.

Goodwill is tested for impairment annually or more frequently as warranted if events or changes in circumstances indicate impairment. For the purpose of impairment testing, goodwill and indefinite-lived intangible assets have been allocated to CGUs or groups of CGUs representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite-lived intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount (the higher of the asset's fair value less costs of disposal and value-in-use); an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the Consolidated Statements of Operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. The Company's most recent goodwill impairment test during the year ended December 31, 2020 did not result in the recognition of any impairment losses. The Company did not record any goodwill impairment for the years ended December 31, 2020 and 2019.

(n) Income Taxes

Tax expense recognized in profit or loss is comprised of the sum of current and deferred taxes not recognized in other comprehensive income (loss) or directly in equity.

(i) Current Tax

Current tax assets and/or liabilities are comprised of claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred Tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

(o) Financial Instruments

The Company recognizes all financial instruments in accordance with IFRS 9 *Financial Instruments*. All financial assets and financial liabilities, in respect of financial instruments, are recognized on the Company's Consolidated Statements of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are incremental and are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's consolidated financial statements.

(i) Financial Instruments Measured at Fair Value Through Profit or Loss

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of sale in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are also classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include certain short-term investments, derivatives and contingent consideration.

Loans receivable primarily consist of loans to entities in which the Company has a potential future investment. These loans are measured at either FVTPL if they have derivative qualities or at amortized cost, less expected credit losses.

Refer to Note 20 for additional information on the inputs utilized in the determination of fair values, including fair value hierarchy considerations.

(ii) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets in this category include cash and cash equivalents, trade receivables, other receivables, and loans receivable.

(iii) Impairment of Financial Assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company recognizes expected credit losses ("ECL") for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty such as defaulting or delinquency in interest or principal payments; likely to enter bankruptcy or other financial reorganization; or experiencing a measurable decrease in the estimated future cash flows according to observable data such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

For financial assets carried at amortized cost, the Company recognizes loss allowances for ECLs on its financial assets measured at amortized cost. ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures loss allowance at an amount equal to twelve months of expected losses for performing loans receivable if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on loans receivable that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the loans receivable to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e., change in credit assessment).

Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization. Refer to Note 3 for additional information on the impact of allowance for doubtful accounts and refer to Note 20 for additional information on the impact of ECLs.

(iv) Financial Liabilities Measured at Amortized Cost

Financial liabilities measured at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, canceled or expired. Financial liabilities in this category include accounts payable and accrued liabilities and deferred consideration and other payables.

Summary of the Company's Classification and Measurements of Financial Assets and Liabilities

	IFRS 9	
Account	**Classification**	**Measurement**
Cash and cash equivalents	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Loans receivable	Amortized cost or FVTPL	Amortized cost or fair value
Investments	FVTPL	Fair value
Accounts payable and accrued expenses and Other long-term liabilities	Amortized cost	Amortized cost
Deferred consideration, contingent consideration and other payables	FVTPL	Fair value
Derivative liabilities	FVTPL	Fair value
Short-term borrowings	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Long-term notes payable and loans payable	Amortized cost	Amortized cost

(p) Leases

The Company adopted IFRS 16 *Leases* on January 1, 2019, using a modified retrospective approach with the cumulative effect of initially applying the standard recognized at the date of initial application, without revising prior periods.

IFRS 16 permits entities to elect practical expedients to simplify the ongoing application of IFRS 16. On an ongoing basis, the Company elected to adopt the following practical expedient:

(i) The Company has elected not to recognize right-of-use ("ROU") assets and lease liabilities where the total lease term is less than or equal to twelve months. The payments for such leases are recognized as rent expense within Selling, general and administrative expenses in the Consolidated Statements of Operations on a straight-line basis over the lease term.

The Company has entered into leases primarily for its corporate office, cultivation and processing facilities and dispensaries. At inception of a contract, the Company determines whether the contract includes a lease. A contract contains a lease if it includes enforceable rights and obligations under which the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration. The Company recognizes an ROU asset and a lease liability at the commencement date – the date when the asset is available for use by the lessee.

The Company assesses at lease commencement whether it is reasonably certain to exercise extension or termination options. The Company reassesses its lease portfolio to determine whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The extension options which are considered reasonably certain to be exercised are mainly those for which operational decisions have been made which make the leased assets vital to the continued relevant business activities.

Liabilities arising from a lease are initially measured at the present value of the lease payments not yet paid which are then discounted using the Company's incremental borrowing rate. Lease liabilities include the value of the following payments:

(i) Fixed payments, including in-substance fixed payments, less any lease incentives receivable;

(ii) The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

(iii) Penalties for early termination of the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is decreased by cash paid less interest expense incurred. The lease liability is remeasured when there is a change in future lease payments, or if the Company changes its assessment of whether it will exercise an extension, purchase, or termination option.

ROU assets are measured at cost and are comprised of the following:

(i) The amount of the initial measurement of lease liability;

(ii) Lease payments made at or before the commencement date less any lease incentives received;

(iii) Any initial direct costs; and

(iv) An estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset, if applicable.

The ROU asset is depreciated on a straight-line basis from the commencement date to the end of the lease term. The depreciation expense on ROU assets replaces rent expense. The value of the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain revaluations of the lease liability.

Upon adoption on January 1, 2019, the Company recognized ROU assets of $32.5 million and lease liabilities of $37.7 million, accumulated deficit of $1.5 million, a reduction of deferred rent of $2.2 million and a reduction of non-controlling interest of $1.5 million. The cumulative effect adjustment to accumulated deficit and NCI was a result of measuring the ROU asset for certain leases as if IFRS 16 had been applied since their respective commencement dates.

The following reconciliation to the opening balance for lease liabilities under IFRS 16 as of January 1, 2019 is based on leases at December 31, 2018:

($ in thousands)	
Lease obligations in accordance with IAS 17 at December 31, 2018	$60,451
Leases not commenced at January 1, 2019	(929)
Exemption for short-term leases	(133)
Lease extension options	34,841
Other	1,149
Obligations from lease arrangements (undiscounted)	$95,379
Effect of discounting	(57,672)
Lease liability recognized as of January 1, 2019	$37,707

Refer to Note 7 for additional information on leases.

(q) Revenue Recognition

The Company's primary source of revenue is from wholesale of cannabis products to dispensary locations and direct retail sales to eligible customers at the Company-owned dispensaries.

IFRS 15 *Revenue from Contracts with Customers* includes a five-step model for contracts with customers as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

The Company recognizes revenue upon satisfaction of the performance obligation, when control of the promised goods is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods, upon delivery and acceptance by wholesale customers and upon sale to retail customers. Revenue is presented net of sales tax and other related taxes.

The company satisfies the following criteria prior to deeming control to have transferred to customers in bill-and-hold arrangements:

1. The reason for the bill-and-hold arrangement is substantive (for example, the customer has requested the arrangement);
2. Products is identified separately as belonging to the customer;
3. Products currently are ready for physical transfer to the customer; and
4. Products cannot be used or directed to another customer.

Contract Costs

In accordance with IFRS 15, incremental costs to obtain a contract are capitalized and amortized over the contract term if the cost are expected to be recoverable. The Company does not capitalize incremental costs to obtain a contract where the contract duration is expected to be one year or less. As of December 31, 2020 and 2019, the Company did not have any costs capitalized.

(r) Classification of Expenses

The expenses in the accompanying Consolidated Statements of Operations are presented by function. The Company recognizes excise tax as Cost of sales—production costs or Selling, general and administrative expense based on whether the tax is generated on production of cannabis or as part of selling costs, respectively. See Note 16 for details of expenses by nature.

(s) Share-Based Compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share-based payments granted to non-employees, the compensation expense is measured at the fair value on the measurement date which is the date on which goods and services are received. When the fair value cannot be estimated, it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

For awards where the holder has the election of settling their award in either cash or equity, the fair value of share-based compensation is remeasured at the end of each reporting period until the corresponding awards are settled.

(t) Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential shares, which are comprised of redeemable LLC shares, warrants, options and restricted stock units ("RSUs") issued. Items with an anti-dilutive impact are excluded from the calculation. The number of shares included with respect to options, warrants, redeemable shares and RSUs is computed using the treasury stock method.

(u) Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's consolidated financial statements under IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised for the current as well as future periods that are affected.

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

(i) ECL on Loan Receivables and Trade Receivables

The Company calculates ECLs for trade receivables based on the historical default rates over the expected life of the trade receivable and adjusts for forward-looking estimates, which are determined through the exercise of judgement. The Company calculates ECLs for loan receivables by considering cash shortfalls on a discounted basis it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring, which is determined through the exercise of judgement. The Company's ECL models rely on forward looking information and economic inputs, such as default rates, industry growth rate, licensing rules, etc. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement. The allowance the Company records, if any, is the sum of these probability weighted outcomes.

(ii) Biological Assets and Inventory

The valuation of biological assets at the point of harvest is the cost basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. In calculating the value of the biological assets and inventory, the estimates management make include: estimating the stage of growth of the cannabis up to the point of harvest, the likelihood cannabis plants will grow to full maturity, harvesting costs, selling costs, average or expected selling prices and expected yields for the cannabis plants. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 4 for additional information.

(iii) Estimated Useful Lives, Depreciation of Property and Equipment, and Amortization of Intangible Assets

Depreciation of property and equipment and amortization of intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgement.

(iv) Property and Equipment Impairment

The Company evaluates the carrying value of long-lived assets at the end of each reporting period whenever there is any indication that a long-lived asset is impaired. Such indicators include evidence of physical damage, indicators that the economic performance of the asset is worse than expected, or that the decline in asset value is more than the passage of time or normal use, or significant changes occur with an adverse effect on the Company's business. If any such indication exists, the Company estimates the recoverable amount of the asset. An asset is impaired when its carrying amount exceeds its recoverable amount. The Company measures impairment based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset. The fair value is determined primarily by using the projected future cash flows discounted at a rate commensurate with the risk involved as well as market valuations. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are reduced for an estimate of the cost to dispose or abandon.

(v) Goodwill and Indefinite-Lived Intangible Asset Impairment

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of these assets has been impaired. In order to determine if the value of these assets might be impaired, the CGU to which the assets have been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts, market data and discount rates. Changes in the conditions for these judgements and estimates can significantly affect the assessed value of goodwill and indefinite-lived intangibles. The Company has determined that the goodwill associated with all acquisitions belongs to each respective state as this is the lowest level at which management monitors goodwill and indefinite-lived intangibles. See Note 9 for additional details.

(vi) Business Combinations and Asset Acquisitions

Determination of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business. The classification can have a significant impact on the accounting on and subsequent to the acquisition date.

a. Business Combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for by applying the acquisition method. The total consideration transferred in a business combination is the sum of the fair values of assets transferred, liabilities assumed and equity interests issued by the acquirer in exchange for control of the acquiree. The acquisition date is the date on which the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS 3 *Business Combinations* provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss.

In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when contingent payments are expected to be made and at what amounts, which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration over the fair value of previously held equity interest prior to obtaining control, and the non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill.

b. Asset Acquisitions

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Goodwill is not recorded as a result of an asset acquisition.

(vii) Control Over the Investee, Principles of Consolidation

The Company examines three elements to determine whether control exists. When all of these three elements of control are present, then an investor is considered to have control over an investee and consolidation is required. When one or more of the elements is not present, an investor will not consolidate, but instead will be required to determine the nature of its relationship with the investee. The three elements of control that serve as the basis of consolidation include: identify the investee, understand the purpose and design of the investee, and identify the relevant activities of the investee and how decisions about these relevant activities are made. The Company exercises its judgement when determining control over an investee when it has all of the following attributes: power over the investee, such as the ability to direct relevant activities of the investee; exposure or rights to variable returns from its involvement with the investee, such as returns that are not fixed and have the potential to vary with performance of the investee; and the ability to use its power over the investee to affect the amount of the investor's returns, such as identifying the link between power and returns.

Cresco Labs Inc. through Cresco U.S. Corp has control over Cresco Labs, LLC. Despite holding a minority interest, the Company has the full decision-making power over Cresco Labs. According to IFRS 10 *Consolidated Financial Statements,* an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has the right to direct all the relevant activities of Cresco Labs and to affect its returns under the amended and restated LLC Agreement. The Company is also exposed to variable returns through its own shareholding in Cresco Labs. The Company also exercises judgement in applying the provisions of IFRS 10 to determine when to consolidate its acquired entities, which may occur before the related transactions have been fully funded. See Note 13 for additional information.

(viii) Share-Based Compensation

In calculating share-based compensation expense, key estimates such as the rate of forfeiture of awards granted, the expected life of options, the volatility of the Company's stock price and the risk-free interest rate are used.

(ix) Income Tax

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Further, to the extent that there are any uncertain tax positions where it is "probable" that a taxing authority would not accept such tax position, the Company reflects the measurement of that uncertainty in its current and deferred taxes in the financial statement.

(x) Sale and Leaseback Accounting

A sale and leaseback transaction involves the transfer of an asset to another entity and the leaseback of the same asset. The Company applies IFRS 15 and IFRS 16 when accounting for sale and leaseback transactions. Significant estimates and judgements applied include determination of the fair value of the underlying asset, transfer of control, and determination of the implicit interest rate. The Company recognizes gains or losses related to the transfer of rights of the asset to the buyer-lessor and measures the ROU asset arising from the leaseback at the retained portion of the previous carrying amount.

(xi) Fair Value Measurements

Fair value is defined as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on a specified date. The Company calculates the estimated fair value of financial instruments using quoted market prices whenever available and utilizes standard pricing models in situations where quoted market prices are not available. Refer to Note 20 for additional information on the inputs utilized in the determination of fair values, including fair value hierarchy considerations.

(v) Reclasses and Adjustments

Certain prior period amounts have been reclassified for comparability with the current year presentation.

(w) Recently Issued Accounting Standards

The Company does not believe any recently issued, but not yet effective IFRS standards that have been issued by the IASB will have a material impact on the Company's financial statements.

NOTE 3. ACCOUNTS RECEIVABLE

As of December 31, 2020 and 2019, Accounts receivable, net consisted of the following:

($ in thousands)	**2020**	**2019**
Accounts receivable, gross	$29,962	$16,726
Allowance for doubtful accounts	(696)	(271)
Total Accounts receivable, net	**$29,266**	**$16,455**

See Note 20 for the analysis of accounts receivable aging and disclosure of bad debt expense.

NOTE 4. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of Biological assets for the periods ended December 31, 2020 and 2019, consisted of the following:

($ in thousands)	
Biological assets at January 1, 2019	**$ 17,673**
Biological Assets Acquired *(Note 13)*	1,436
Transferred to inventory upon harvest	(96,849)
Changes in fair value of biological assets	109,531
Biological assets at December 31, 2019	**$ 31,791**
Biological assets acquired *(Note 13)*	2,002
Transferred to inventory upon harvest	(280,863)
Changes in fair value of biological assets	293,119
Biological assets at December 31, 2020	**$ 46,049**

Biological assets are measured at fair value less costs to sell until harvest. All production costs related to biological assets are expensed as incurred. The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The fair value was determined using an expected cash flow model which assumes the biological assets at the balance sheet date will grow to maturity, be harvested and converted into finished goods inventory and sold in the adult-use and medical cannabis market.

This model utilizes the following significant assumptions:

Inputs and assumptions	Calculation method	Effect changes of unobservable inputs has on fair value
Selling price per gram, less cost to sell	Based on observable market data or calculated wholesale prices with reasonable margins.	An increase in selling price per gram would increase the fair value of biological assets.
Attrition rate	Based on weighted average number of plants lost during each stage of production.	An increase in attrition rate would result in a decrease to the fair value of biological assets.
Average yield per plant	Based on the average number of grams of dried cannabis inventory expected to be harvested from each cannabis plant.	An increase to the average yield per plant would result in an increase to the fair value of biological assets.
Cumulative stage of completion in the production process	Based on an average number of days in production over a total average grow cycle of between 12 and 16 weeks.	An increase to the average stage of completion of the plants would result in an increase to the fair value of biological assets.

The Company's estimates are, by their nature, subject to change and differences from the above assumptions will be reflected in Unrealized gain or loss on changes in fair value of biological assets in future periods.

The Company estimates the harvest yields for cannabis at various stages of growth. As of December 31, 2020 and 2019, it was expected that the Company's biological assets would yield approximately 21.4 million and 13.1 million grams, respectively.

The Company has quantified the sensitivity of the inputs in relation to biological assets as of December 31, 2020 and 2019 and expects the following effect on fair value as shown in the table below:

($ in thousands, except inputs)			Effect on fair value December 31,	
Significant inputs & assumptions	**Range of inputs (as of December 31, 2020)**	**Sensitivity**	**2020**	**2019**
Selling price per gram, less cost to sell	$1.25 to $6.23	Increase 5%	$2,292	$6,360
		Decrease 5%	(2,292)	(6,360)
Attrition rate	7% to 15%	Increase 5%	(2,425)	(1,602)
		Decrease 5%	1,729	1,298
Average yield per plant	43 grams to 136 grams	Increase 5%	2,292	1,590
		Decrease 5%	(2,292)	(1,590)
Cumulative stage of completion	35% - 55% complete	Increase 5%	5,330	3,177
		Decrease 5%	(5,326)	(3,177)

NOTE 5. INVENTORY

As of December 31, 2020 and 2019, inventory was comprised primarily of cannabis and cannabis-related products. The Company wrote off $5.9 million of inventory, net of reversals during the year ended December 31, 2020 primarily related to work-in-process inventory with a lower than expected exit price in its Arizona operations and obsolescence primarily related to damaged work-in-process inventory in its Ohio operation. The Company reversed $0.4 million of previously written off inventory during the year ended December 31, 2020 to reflect an increase in expected net realizable value of inventory held in its Arizona operations. The Company wrote off $8.4 million of inventory during the year ended December 31, 2019, due to obsolescence primarily related to damaged work-in-process inventory in its Ohio operation. These write-offs are included in the fair value of inventory sold presented on the Consolidated Statements of Operations.

The Company recorded $4.0 million and $nil of inventory reserves in Costs of sales – production costs for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Company had inventory reserves of $4.2 million and $0.2 million, respectively.

Inventory as of December 31, 2020 and 2019, consisted of the following:

($ in thousands)	**2020**	**2019**
Raw materials	$ 67,176	$16,521
Raw materials—non-cannabis	15,496	5,820
Work-in-process	24,906	14,100
Finished goods	29,027	13,114
Total Inventory	**$136,605**	**$49,555**

During the years ended December 31, 2020 and 2019, the Company recognized $485.4 million and $174.0 million, respectively, of inventory expensed in the Consolidated Statements of Operations, which includes $270.5 million and $82.9 million, respectively, of Cost of sales – production costs and $214.9 million and $91.1 million, respectively, of non-cash expense relating to Realized changes in fair value of inventory sold.

NOTE6. PROPERTY AND EQUIPMENT

As of December 31, 2020 and 2019, Property and equipment consisted of the following:

($ in thousands)	Land and Buildings	Machinery and Equipment	Furniture and Fixtures	Lesaehold Improvements	Website, Computer Equipment and Software	Vehicles	Contruction In Progress	Total
Cost								
Balance as of January 1, 2019	**$ 11,125**	**$ 4,449**	**$ 2,088**	**$ 17,828**	**$ 1,096**	**$ 386**	**$ 4,378**	**$ 41,350**
Additions	3,683	9,473	7,635	36,793	1,446	295	46,103	105,428
Transfers	5,397	694	—	4,837	—	—	(10,928)	—
Purchase related to sale-leaseback transactions	37,062	—	—	—	—	—	—	37,062
Sales related to sale-leaseback transactions	(37,062)	—	—	—	—	—	—	(37,062)
Business acquisitions	7,802	1,034	735	3,507	173	34	2,495	15,780
As of December 31, 2019	**$ 28,007**	**$ 15,650**	**$10,458**	**$ 62,965**	**$ 2,715**	**$ 715**	**$ 42,048**	**$162,558**
Additions	1,055	5,908	4,804	10,415	2,409	878	45,225	70,694
Transfers	1,728	1,290	2,191	56,401	125	21	(61,756)	—
Disposals	—	(110)	(33)	(214)	(24)	—	—	(381)
Sales related to sale-leaseback transactions	(22,083)	—	—	—	—	—	(11,403)	(33,486)
Additions from acquisition	—	455	473	11,615	585	331	5,166	18,625
Effect of foreign exchange and other adjustments	—	6	(273)	130	(43)	—	(50)	(230)
As of December 31, 2020	**$ 8,707**	**$ 23,199**	**$17,620**	**$ 141,312**	**$ 5,767**	**$ 1,945**	**$ 19,230**	**$217,780**
Accumulated depreciation								
Balance as of January 1, 2019	$ (50)	$ (335)	$ (234)	$ (633)	$ (327)	$ (50)	$ —	$ (1,629)
Depreciation	(382)	(913)	(760)	(2,509)	(416)	(110)	—	(5,090)
As of December 31, 2019	$ (432)	$ (1,248)	$ (994)	$ (3,142)	$ (743)	$ (160)	$ —	$ (6,719)
Depreciation	(315)	(1,985)	(2,203)	(10,189)	(1,262)	(333)	—	(16,287)
Sales related to sale-leaseback transactions	—	—	—	457	—	—	—	457
As of December 31, 2020	**$ (747)**	**$ (3,233)**	**$ (3,197)**	**$ (12,874)**	**$ (2,005)**	**$ (493)**	**$ —**	**$ (22,549)**
Net book value								
As of December 31, 2019	**$ 27,575**	**$ 14,402**	**$ 9,464**	**$ 59,823**	**$ 1,972**	**$ 555**	**$ 42,048**	**$155,839**
As of December 31, 2020	**$ 7,960**	**$ 19,966**	**$14,423**	**$ 128,438**	**$ 3,762**	**$ 1,452**	**$ 19,230**	**$195,231**

As of December 31, 2020 and 2019, costs related to construction at the Company's facilities and dispensaries were capitalized in construction in progress and not depreciated. Depreciation will commence when construction is completed and the facilities and dispensaries are available for their intended use.

Depreciation of $16.3 million and $5.1 million was incurred during the years ended December 31, 2020 and 2019, respectively, of which $4.1 million and $1.2 million, respectively, is included in Selling, general and administrative expenses, with the remainder in Cost of sales – production costs and ending inventory.

As of December 31, 2020 and 2019, ending inventory includes $0.7 million and $0.4 million of capitalized depreciation, respectively. For the years ended December 31, 2020 and 2019, $11.9 million and $3.7 million, respectively, of depreciation was recorded to Cost of sales – production costs, which includes $0.5 million and $0.1 million, respectively, related to depreciation capitalized to inventory in prior years.

NOTE 7. LEASES

The Company is the lessee in the majority of its leasing arrangements and has entered into leases primarily for its corporate office, cultivation and processing facilities, and dispensaries. Depending upon the type of lease, the original lease terms generally range from less than one year to 20 years. Certain leases include renewal options ranging from less than one year to 35 years. The Company is reasonably certain to exercise renewal options ranging from less than one year to 10 years on certain leases.

As of December 31, 2020 and 2019, the Company's leases include the following ROU assets:

($ in thousands)	2020	2019
Real estate	$92,159	$46,696
Vehicles	10	—
Total ROU assets	**$92,169**	**$46,696**

Included in the ROU assets balance is $18.0 million of additions resulting from the acquisition of CannaRoyalty Corp. ("Origin House") and $36.6 million of additions related to new leases, partially offset by $0.1 million of terminations for the year ended December 31, 2020.

Total lease-related interest expense of $20.4 million and $7.1 million was recorded for the years ended December 31, 2020 and 2019, respectively.

Total leasing depreciation of $8.7 million and $4.1 million was recorded for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, $4.7 million and $1.6 million, respectively, of leasing depreciation is included in Selling, general and administrative expense with the remainder in Cost of sales – production costs and ending inventory.

As of December 31, 2020 and 2019, ending inventory includes $0.2 million and $0.1 million of capitalized depreciation, respectively. For the years ended December 31, 2020 and 2019, $3.9 million and $2.6 million, respectively, of depreciation was recorded to Cost of sales – production costs, which includes $0.1 million and $0.3 million, respectively, related to depreciation capitalized to inventory in prior years.

For short-term leases with durations of twelve months or less, the Company recorded $1.1 million and $0.3 million in rent expense for the years ended December 31, 2020 and 2019, respectively, within Selling, general and administrative expenses. The Company recognizes this expense on a straight-line basis over the lease term.

The Company is the lessor in three real estate operating leasing arrangements and one equipment finance leasing arrangement. For the year ended December 31, 2020, the Company recorded rental income in Other (expense) income, net, of $0.7 million in relation to the operating leases. The operating leases have a 10-year lease term with a maturity date of December 2029 and the financing lease has a maturity date of February 2021. At December 31, 2020, deferred rent receivable for operating and financing leases were immaterial. As of December 31, 2020 the Company had no outstanding sublease receivables.

During the year ended December 31, 2020, the Company entered into and amended certain sale and leaseback agreements whereby the Company sold properties with a total net book value of $33.0 million. The Company recorded an immaterial loss on asset sale in Selling, general and administrative expense and $0.5 million of closing and other transaction settlement costs in Other (income) expense, net, in the Consolidated Statement of Operations. The new and amended 2020 sale and leaseback transactions resulted in net funding of $29.9 million, a net increase to ROU assets of $25.2 million, a net increase to lease liabilities of $24.5 million and expected additional tenant improvement allowance reimbursements of $52.9 million, with the remaining impact related to settlement of security deposits, prepaid expenses and the settlement of the $0.6 million Hope Heal Health Loan ("HHH Loan").

During the year ended December 31, 2019, the Company entered into certain sale and leaseback agreements whereby the Company sold properties with a total net book value of $37.1 million. The Company recorded a gain on lease termination of $6.4 million and loss on asset disposal of $7.1 million that resulted in a $0.7 million loss included in Other (expense) income, net in the Consolidated Statement of Operations. The sale and leaseback transactions resulted in net proceeds of $36.4 million, a net increase to ROU assets of $0.1 million and a net increase to lease liabilities of $36.6 million, with the remaining impact related to settlement of security deposits and prepaid expenses. The properties, in which CHP Fresco, a related party, previously had an indirect ownership interest, are used in Illinois cultivation operations.

The Company has received tenant improvement allowance reimbursements of $27.3 million across all leasing arrangements for the year ended December 31, 2020 and expects to receive an additional $47.7 million for these arrangements.

As of December 31, 2020, maturities of lease liabilities were as follows:

($ in thousands)	
2021	$ 33,207
2022	33,560
2023	34,265
2024	35,528
2025	36,324
Thereafter	354,986
Total lease payments	$ 527,870
Less: imputed interest	(310,142)
Less: tenant improvement allowance	(47,666)
Present value of lease liabilities	170,062
Less: current lease liabilities	(24,742)
Present value of long-term lease liabilities	**$ 145,320**

As of December 31, 2020, contractual receipts due to the Company for lease contracts in which the Company is the lessor were as follows:

($ in thousands)	
2021	$ 642
2022	591
2023	609
2024	642
2025	646
Thereafter	2,783
Total lease payments	**$5,913**

The lessor arrangements will become intercompany transactions upon the Company's acquisition of Verdant Creations, LLC. Refer to Note 25 for additional information regarding the acquisition of Verdant Creations, LLC.

NOTE 8. INVESTMENTS

The following is a detailed discussion of the Company's types of investments held:

(a) Investments at Fair Value

The Company has investments in three entities: 420 Capital Management, LLC ("420 Capital"), a cannabis investment company; Lighthouse Strategies, LLC ("Lighthouse"), a diversified cannabis investment company; and Fleurish Cannabis, Inc. ("Fleurish"), an entity that focuses on cannabis production licenses. The 420 Capital, Lighthouse and Fleurish investments are accounted for at fair value. On August 12, 2019, the Company settled its outstanding loan receivable with Lighthouse of $3.3 million through receipt of Lighthouse membership units approximating 1% ownership of the parent company, with a fair value of $1.9 million as of December 31, 2020. See Note 20 for additional details. Upon the acquisition of Origin House on January 8, 2020, the Company obtained a 1.3% ownership stake in Fleurish with a fair value of $0.1 million as of the acquisition date. See Note 13 for additional details.

The following is a summary of the investments at fair value held as of December 31, 2020 and 2019:

($ in thousands)	2020	2019
420 Capital	$ 68	$ 68
Lighthouse	1,049	1,209
Fleurish	51	—
MassRoots, Inc.	—	1
Total Investments	**$1,168**	**$1,278**

The Company recorded a mark-to-market loss of $0.2 million and $2.8 million for the years ended December 31, 2020 and 2019, respectively.

(b) Investment in Associates

As part of the Origin House acquisition on January 8, 2020, the Company acquired an investment in Trichome Financial Corp. ("Trichome"), a lending entity that focuses its investments on cannabis and cannabis-related companies. At the acquisition date, the Trichome investment was valued at $4.3 million. The Company's ownership stake in Trichome upon acquisition and as of December 31, 2020 is approximately 23%.

The following is a summary of the investment in associates accounted for as an equity method investment and held as of December 31, 2020 and 2019:

($ in thousands)	2020	2019
Trichome	$ 3,192	$ —
Total Investment	$3,192	$—

The Company recorded a loss on investment of $1.2 million and $0.6 million for the years ended December 31, 2020 and 2019, respectively, and distributions of $nil and $1.6 million for the years ended December 31, 2020 and 2019, respectively.

In the prior year, the Company held an approximately 13% ownership interest in CHP Fresco, a real estate holding entity that owns indirect investments in entities that own properties used in the Company's Illinois production facilities. Based on various qualitative factors surrounding the investment, such as representation in management of the entity and its relationship as lessee with the investee entities, the Company conferred significant influence. As of December 31, 2019, CHP Fresco became an inactive entity

in which the Company expected no future activity. The Company received a distribution of $1.5 million related to the dissolution of the CHP Fresco entity and its assets, resulting in a $1.3 million realized gain recorded in Other (expense) income, net in the Consolidated Statements of Operations for the year ended December 31, 2019.

NOTE 9. INTANGIBLE ASSETS AND GOODWILL

As of December 31, 2020 and 2019, Intangible assets and Goodwill consisted of the following:

($ in thousands)	Customer Relation-ships	Trade Names	Permit Application Costs	Licenses	Other Intangibles (a)	Goodwill	Total
Cost							
Balance at January 1, 2019	$ 5,429	$ —	$ 2,389	$18,047	$ 1,833	$ 51,146	$ 78,844
Additions	—	—	4,453	—	—	13	4,466
Additions from acquisitions	1,500	—	—	65,400	300	86,560	153,760
Balance at December 31, 2019	$ 6,929	$ —	$ 6,842	$83,447	$ 2,133	$137,719	$237,070
Additions	—	—	1,886	—	2,722	—	4,608
Additions from acquisitions	52,200	41,800	—	5,900	2,865	320,552	423,317
Foreign exchange	—	—	—	—	—	4	4
Measurement period adjustments	11,400	(2,100)	—	—	(111)	(6,414)	2,775
Balance at December 31, 2020	**$ 70,529**	**$39,700**	**$ 8,728**	**$89,347**	**$ 7,609**	**$451,861**	**$667,774**
Accumulated amortization							
Balance at January 1, 2019	$ (130)	$ —	$ (1,866)	$ —	$ (238)	$ —	$ (2,234)
Amortization	(728)	—	(1,399)	—	(784)	—	(2,911)
Balance at December 31, 2019	$ (858)	$ —	$ (3,265)	$ —	$ (1,022)	$ —	$ (5,145)
Amortization	(4,271)	(3,970)	(3,853)	—	(3,156)	—	(15,250)
Balance at December 31, 2020	**$ (5,129)**	**$ (3,970)**	**$ (7,118)**	**$ —**	**$ (4,178)**	**$ —**	**$ (20,395)**
Net book value							
December 31, 2019	**$ 6,071**	**$ —**	**$ 3,577**	**$83,447**	**$ 1,111**	**$137,719**	**$231,925**
December 31, 2020	**$ 65,400**	**$35,730**	**$ 1,610**	**$89,347**	**$ 3,431**	**$451,861**	**$647,379**

(a) Other Intangibles includes market-related intangibles, non-compete agreements and internally developed software.

During the year ended December 31, 2020, the Company recorded a measurement period adjustment related to the acquisition of Origin House, retrospectively applied to the acquisition date. See Note 13 for further details.

Amortization of $15.3 million and $2.9 million was recorded for the years ended December 31, 2020 and 2019, respectively, of which $12.6 million and $1.4 million, respectively, is included in Selling, general and administrative expenses, with the remainder in Cost of sales – production costs and ending inventory.

As of December 31, 2020 and 2019, ending inventory includes $0.3 million and $0.3 million of capitalized amortization, respectively. For the years ended December 31, 2020 and 2019, $2.8 million and $1.4 million, respectively, of amortization expense was recorded to Cost of sales – production costs, which includes $0.3 million and $0.1 million, respectively, related to amortization capitalized to inventory in prior years.

License intangible assets of $5.9 million were acquired from business combinations and are classified as indefinite-lived intangible assets as the Company cannot continue as a going concern without such licenses. See Note 13 for additional details.

The Company recognized as part of the net assets acquired from the Origin House acquisition $2.4 million of market-related intangible assets for an exclusive distribution agreement with King's Garden, Inc. ("King's Garden"), in California, amortized over the life of the agreement.

During the year ended December 31, 2020, the Company recorded an impairment charge of $1.2 million on the market-related intangible due to changing market conditions. The Company fully recovered the value of this intangible asset and recorded an impairment reversal of $1.2 million.

On November 18, 2020, King's Garden exercised its supplier renewal option for an additional one-year period after the initial term. Upon renewal, the Company recognized $2.5 million of market-related intangible assets, which is the value of consideration paid of 0.2 million Cresco shares to be issued to King's Garden. These shares can be issued by the Company any time during the one-year renewal period. See Note 11 for additional details.

For the purpose of impairment testing, goodwill and indefinite-lived intangible assets have been allocated to CGUs representing the lowest level that the assets are monitored for internal reporting purposes. CGUs are determined based on the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or group of assets. Management has determined the Company's CGUs that hold such goodwill and indefinite-lived intangible assets to be California, Illinois, Maryland, Arizona, New York and Massachusetts.

Annual impairment testing involves determining the recoverable amount of the CGU groups to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on the higher of the CGUs fair value less costs to sell or value in use, which are Level 3 measurements within the fair value hierarchy.

The calculation of the recoverable amount based on discounting the future cash flows (value in use) was based on the following key assumptions:

- Cash flows were projected based on the Company's long-term business plan for the periods 2021 through 2025.
- Cash flows beyond 2025 were projected to grow at a perpetual growth rate, which was estimated to be 3%.
- The business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities. While the forecast does assume some organic growth, largely related to synergies gained through further incorporation of recent acquisitions into the Company's infrastructure, the primary engine of growth is strategic in nature and is consistent with the projects and expectations as articulated in the Company's strategic plan.
- Discount rates applied in determining the recoverable amount of the CGU groups range between 13% and 14.5% based on the pre-tax weighted average cost of capital of each CGU group and other competitors in the industry. The values assigned to the key assumptions represent Management's assessment of future trends in the industries in which the CGU groups operate and are based on both external and internal sources and historical trend data.

The Company believes a reasonable increase or decrease in the discount rates or perpetual growth rates used in the analysis would not cause the recoverable amount to decrease below the carrying value.

NOTE 10. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

As of December 31, 2020 and 2019, Accounts payable and other accrued expenses were comprised of the following:

($ in thousands)	2020	2019
Accounts payable	$26,170	$32,463
Accrued expenses	34,843	24,133
Payroll liabilities	14,858	5,195
Excise taxes payable	8,675	540
Contract liability	1,182	—
Tax penalty	578	455
Property taxes payable	20	48
Total Accounts payable and other accrued expenses	**$ 86,326**	**$ 62,834**

NOTE 11. SHARE CAPITAL

(a) Authorized

The authorized share capital of the Company, which has no par value, is comprised of the following:

i. ***Unlimited Number of Subordinate Voting Shares***

Holders of SVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of SVS will be entitled to one vote in respect of each SVS held. As long as any SVS remain outstanding, the Company will not, without the consent of the holders of the SVS by separate special resolution, prejudice or interfere with any right attached to the SVS. Holders of SVS will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.

ii. ***Unlimited Number of Proportionate Voting Shares***

Holders of PVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of PVS will be entitled to one vote in respect of each SVS into which such PVS could ultimately be converted to 200 votes per PVS. As long as any PVS remain outstanding, the Company will not, without the consent of the holders of the PVS and MVS by separate special resolution, prejudice or interfere with any right or special right attached to the PVS. The holder of PVS have the right to receive dividends, out of any cash or other assets legally available therefore, pari passu as to dividends and any declaration or payment of any dividend on the SVS.

During the years ended December 31, 2020 and 2019, 0.1 million and 0.2 million PVS, respectively, were exchanged for 28.9 million and 37.1 million SVS, respectively, at a rate of 1 PVS for 200 SVS.

iii. ***500,000 Super Voting Shares***

Holders of MVS shall be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company shall have the right to vote. At each such meeting, holders of MVS shall be entitled to 2,000 votes in respect of each MVS held.

iv. ***Unlimited Number of Special Subordinate Voting Shares ("SSVS")***

Holders of SSVS will be entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of SSVS will be entitled to a 0.00001 vote in respect of each SSVS held. As long as any SSVS remain outstanding, the Company will not, without the consent of the holders of the SSVS by separate special resolution, prejudice or interfere with any right attached to the SSVS. Holders of SSVS will be entitled to receive dividends in cash or property of the Company, if and when declared by the Board.

v. **Redeemable Units**

As part of the Transaction, unit holders of Cresco Labs, LLC exchanged their units for a new class of redeemable units in Cresco Labs, LLC. Each Redeemable unit is only exchangeable for the equivalent of one SVS in Cresco Labs Inc. (without any obligation to redeem in cash). These unit holders hold an interest only in Cresco Labs, LLC; they participate in the earnings of only Cresco Labs, LLC and not the earnings of the combined entity.

(b) Issued and Outstanding

As of December 31, 2020 and 2019, issued and outstanding shares and units consisted of the following:

(in thousands)	Notes	Redeemable Units	Subordinate Voting Shares (SVS)	Super Voting Shares (MVS)	Proportionate Voting Shares (PVS)*	Special Subordinate Voting Shares (SSVS)*	Shares to be Issued or Canceled
Beginning balance, January 1, 2019		143,844	26,711	500	82,803	—	3,020
Stock options exercised		—	575	—	342	—	—
Warrants exercised	*Note 11(c)*	—	170	—	—	—	—
Issuance of MedMar shares	*Note 11(b)(vi)*	—	—	—	3,020	—	(3,020)
Issuance of Valley Ag shares	*Note 11(b)(vi)*	—	—	—	8,660	—	—
PVS converted to SVS and adjustments	*Note 11(a)*	—	37,122	—	(36,888)	—	—
Cresco LLC redemption	*Note 11(e)*	(1,672)	1,672	—	—	—	—
Share issuance from equity raise	*Note 11(b)(vi)*	—	7,350	—	—	—	—
Ending balance, December 31, 2019		**142,172**	**73,600**	**500**	**57,937**	**—**	**—**
Beginning balance, January 1, 2020		142,172	73,600	500	57,937	—	—
Options and warrants exercised	*Note 11(c), 12*	—	1,688	—	12	—	23
RSUs issued	*Note 12*	—	2,034	—	—	—	28
Issuance of shares related to acquisitions	*Note 11(b)(ii-v)*	—	70,084	—	233	—	(155)
Issuance of shares related to distribution agreements	*Note 11(b)(ii)*	—	—	—	—	—	249
Cresco LLC redemption	*Note 11(e)*	(15,834)	15,681	—	—	—	—
PVS converted to SVS	*Note 11(a)*	—	28,871	—	(28,871)	—	—
Issuances related to employee taxes on certain share-based payment arrangements	*Note 12*	—	1,336	—	—	—	—
Share issuances	*Note 11(b)(i)*	—	792	—	—	1	—
Ending balance, December 31, 2020		**126,338**	**194,086**	**500**	**29,311**	**1**	**145**

* PVS presented on an "as-converted" basis to SVS (1-to-200)
** SSVS presented on an "as-converted" basis to SVS (1-to-0.00001)

(i) Share Issuances

In December 2019, the Company entered an agreement ("ATM Offering") with Canaccord Genuity Corp to sell up to C$55 million SVS at an at-the-market price. During the year ended December 31, 2020, the Company issued 0.7 million shares at a weighted average price of $4.70 per share. During the year ended December 31, 2020, gross proceeds were $3.5 million, offset by equity issuance costs of $0.2 million.

During the year ended December 31, 2020, the Company issued 44 thousand SVS, valued at $0.2 million. The Company recognized gains on the sale and foreign currency exchange of $0.5 million in equity during the year ended December 31, 2020 related to share issuances for shares withheld for employee taxes on certain share-based payment arrangements as a result of the change in share price between employee exercise and sale of shares.

The Company issued 1 thousand SSVS (as-converted), valued at $3 thousand during the year ended December 31, 2020.

(ii) Issuance of Shares—Origin House

In January 2020, in conjunction with the acquisition of Origin House, the Company issued 66.5 million SVS, valued at $396.6 million.

During the year ended December 31, 2020, the Company issued 1.6 thousand SVS, valued at $7.2 million, to satisfy certain obligations related to deferred consideration related to legacy acquisitions by Origin House.

In May 2020, the Company issued 0.3 million SVS, valued at $1.0 million, in accordance with the post combination remuneration agreement associated with Origin House's previous acquisition of FloraCal.

In May 2020, the Company also issued 0.8 million SVS, valued at $2.2 million, to settle the deferred consideration associated with Origin House's previous acquisition of Cub City, LLC ("Cub City"). See Note 13 for additional details.

In November 2020, the Company recognized 0.2 million Cresco shares to be issued to King's Garden with a value of $2.5 million for renewal of the exclusive distribution agreement. These shares can be issued any time during the renewal term. See Note 9 for additional details.

During the year ended December 31, 2020, the Company canceled 0.2 million shares, valued at -$0.9, in connection with the settlement of the previously disclosed provision related to the Origin House acquisition. See Note 19 for further details.

(iii) Issuance of Shares – MedMar Lakeview

In April 2020, the Company issued 0.1 million SVS, valued at $0.4 million, to satisfy certain obligations related to contingent consideration.

In August 2020, the Company issued 19 thousand SVS, valued at $0.1 million, to satisfy certain obligations related to contingent consideration.

In December 2020, the Company issued 0.1 million SVS, valued at $1.1 million, to satisfy certain obligations related to contingent consideration. See Note 13 for further details.

(iv) Issuance of Shares – Gloucester Street Capital, LLC (Valley Agriceuticals LLC or "Valley Ag")

During the year ended December 31, 2020, the Company issued a total of 0.3 million PVS (as-converted), valued at $1.2 million, to satisfy certain obligations related to interest on deferred consideration.

In May 2020, the Company issued 0.5 million SVS, valued at $1.5 million, to satisfy a portion of the Company's make-whole liability. See Note 13 and Note 20 for further details.

(v) Issuance of Shares – Tryke

In April 2020, the Company issued 0.3 million SVS, valued at $1.3 million, in accordance with the termination agreement which canceled the previously announced purchase agreement to acquire certain assets of and an interest in Tryke Companies, LLC, and certain subsidiaries and affiliates.

(vi) 2019 Issuances and Activity

a. Issuance of Shares – Valley Ag

In October 2019, the acquisition of Valley Ag was closed and 8.7 million PVS (as converted) of Cresco Labs Inc., valued at $48.9 million, were issued in conjunction with the consideration of the acquisition.

b. September 2019 Financing

In September 2019, the Company completed an underwritten unit offering to issue 7.4 million "Offered Units" at a price of $7.55 per unit. The Offered Units comprised of one share and one-half warrant for a total of $55.5 million. The Company received cash proceeds of $52.3 million, net of commission and other fees, with a corresponding increase to equity of $49.2 million, less equity issuance costs of $3.2 million. Refer to Note 20 for information regarding warrants recorded as part of this offering.

On October 24, 2019, the Company issued an additional 0.6 million share purchase warrants at a price of $1.64 per additional warrant for gross proceeds of $0.9 million, pursuant to the partial exercise of the Underwriter's over-allotment option related to the September 2019 financing discussed above. See Note 20 for further details.

c. Issuance of Shares – MedMar

In April 2019, the acquisition of MedMar Inc. was approved by regulators and 3.0 million shares of Cresco Labs Inc. were issued in conjunction with the consideration of the acquisition.

(c) Stock Purchase Warrants

Each whole warrant entitles the holder to purchase one SVS or PVS of the Company. A summary of the status of the warrants outstanding is as follows:

	Number of warrants*	Weighted-average exercise price
Balance as of January 1, 2019	397,079	$ 5.35
Issued	6,226,250	7.78
Exercised	(169,545)	6.16
Balance as of December 31, 2019	**6,453,784**	**$ 7.73**
Exercised	(270,635)	6.05
Balance as of December 31, 2020	**6,183,149**	**$ 7.80**

* PVS presented on an "as-converted" basis to SVS (1-to-200)

During the year ended December 31, 2020, the Company recorded $2.5 million of warrant exercises into share capital. The 6.2 million outstanding warrants are from issuances to underwriters associated with the September 2019 financing and sellers from the Valley Ag acquisition, classified as long-term derivative liabilities. See Note 20 for information about valuation of liability-classified warrants.

During the year ended December 31, 2020, 0.2 million equity-classified warrants were exercised prior to their expiration for $1.4 million, resulting in a realized foreign currency exchange gain of $13 thousand and an increase to share capital of $2.0 million.

During the year ended December 31, 2019, 35 thousand broker warrants were exercised for $0.2 million, resulting in a realized foreign currency exchange gain of $35 thousand and an increase to share capital of $0.4 million.

No equity-classified warrants were issued during the years ended December 31, 2020 and 2019. No equity-classified warrants remain outstanding as of December 31, 2020 as all previously outstanding equity-classified warrants were exercised prior to expiration.

(d) Distribution to Non-controlling Interest Holders

During the year ended December 31, 2020, in accordance with the underlying operating agreements, the Company declared and paid required tax distribution amounts to 2019 unit holders of Cresco Labs, LLC and other minority holders of $9.5 million.

During the year ended December 31, 2020, in accordance with the underlying operating agreements, the company declared required cash distributions to the minority interest holders of MedMar Rockford, LLC and MedMar Lakeview, LLC. The total declared distribution was $1.8 million, which will reduce non-controlling interest upon payment.

During the year ended December 31, 2020, the Company declared and made additional tax-related distributions to 2020 unit holders of Cresco Labs, LLC and other minority interest holders of $7.2 million. These distributions reduced non-controlling interest upon payment.

During the year ended December 31, 2019, in accordance with the underlying operating agreements, the Company declared and paid a distribution of profits to 2018 unit holders of Cresco Labs, LLC and other minority holders of $3.6 million.

(e) Changes in Ownership and Non-controlling Interests

During the year ended December 31, 2020, redemptions of 15.7 million redeemable units occurred which were converted into an equivalent number of SVS. This redemption resulted in a decrease of 6.1% in non-controlling interest in Cresco Labs, LLC.

In April 2020, the holders of the non-controlling interest put option previously recorded as a derivative liability related to the acquisition of PDI exercised the right to put their shares to the Company at a predetermined price. This transaction resulted in a change of NCI for PDI from 2% as of March 31, 2020 to 0% as of June 30, 2020. See Note 20 for additional details regarding the put option.

In February 2019, the Company acquired an additional 1% of Phoenix Farms of Illinois, LLC decreasing non-controlling interest from 11% to 10%. The consideration paid was $0.2 million. This resulted in a $0.2 million increase in accumulated deficit and a $34 thousand decrease in non-controlling interest.

In May 2019, the Company acquired the remaining 10% of non-controlling interest from Phoenix Farms of Illinois, LLC. The consideration paid was $0.6 million.

During the year ended December 31, 2019, redemptions of 1.7 million redeemable units occurred which were converted into an equivalent number of SVS. This redemption resulted in a decrease of 0.7% in non-controlling interest in Cresco Labs, LLC.

As of and for the year ended December 31, 2020, non-controlling interest included the following amounts before intercompany eliminations:

($ in thousands)	TSC Cresco, LLC	MedMar Inc. (Lakeview)	MedMar Inc. (Rockford)	Cresco Labs Ohio, LLC	SLO Cultivation Inc.	Other entities including Cresco Labs, LLC[1]	Eliminations	Total
Non-current assets	$ 4,064	$ 32,680	$ 20,634	$ 11,392	$ 23,848	$ 878,752	$ —	$ 971,37
Current assets	31,489	26,199	37,996	41,258	79,822	298,846	(153,856)	361,75
Non-current liabilities	—	(11,942)	(2,279)	(7,113)	(10,643)	(381,749)	—	(413,72
Current liabilities	(24,209)	(31,706)	(26,686)	(47,512)	(120,195)	(107,753)	163,421	(194,64
Net assets	$ 11,344	$ 15,231	$ 29,665	$ (1,975)	$ (27,168)	$ 688,096	$ 9,565	$ 724,75
Net assets attributable to NCI	$ 3,197	$ 3,264	$ 4,468	$ 70	$ (5,383)	$ 144,695[3]	$ —	$ 150,31
Revenue	$ 16,874	$ 31,320	$ 38,417	$ 14,646	$ 19,772	$ 386,257	$ (31,035)	$ 476,25
Gross profit	9,882	16,404	20,136	3,332	(4,901)	243,674	(4,587)	283,94
Total comprehensive income (loss)	$ 8,440	$ 3,559	$ 10,738	$ (7,996)	$ (12,214)	$ (39,089)	$ —	$ (36,56
Comprehensive income (loss) allocated to NCI	$ 2,110	$ 441	$ 2,684	$ (80)	$ (2,443)	$ 42,651	$ —	$ 45,36
NCI percentage at December 31, 2020	25.0%[1]	12.4%[2]	25.0%[2]	1.0%[1]	20.0%[1]	50.02%		

1 The NCI percentage reflects the NCI that exists at Cresco Labs, LLC. There is a further 50.02% NCI related to NCI for Cresco Labs Inc.
2 The NCI percentage reflects the NCI that exists at Cresco Labs Inc.
3 Includes the effect of LLC unit redemptions and other adjustments

As of and for the year ended December 31, 2019, non-controlling interest included the following amounts before intercompany eliminations:

($ in thousands)	TSC Cresco, LLC	MedMar Inc. (Lakeview)	MedMar Inc. (Rockford)	Cresco Labs Ohio, LLC	SLO Cultivation Inc.	Other entities including Cresco Labs, LLC[1]	Eliminations	
Non-current assets	$ 3,185	$ 16,667	$ 21,419	$ 12,575	$ 23,317	$ 380,053	$ —	$
Current assets	14,081	750	1,644	30,949	47,529	116,472	(52,087)	
Non-current liabilities	—	(1,634)	(1,993)	(95)	(13,940)	(126,100)	—	(
Current liabilities	(13,442)	(1,479)	(2,172)	(37,660)	(68,822)	(78,522)	51,928	(1
Net assets	**$ 3,824**	**$ 14,304**	**$ 18,898**	**$ 5,769**	**$ (11,916)**	**$ 291,903**	**$ (159)**	**$**
Net assets attributable to NCI	$ 1,567	$ 2,907	$ 2,081	$ 150	$ (2,940)	$ 131,776	$ —	$
Revenue	$ 6,417	$ 4,088	$ 5,310	$ 7,759	$ 21,148	$ 99,290	$ (15,478)	$
Gross profit	5,037	1,999	2,565	2,210	(505)	61,935	(9,160)	
Total comprehensive income (loss)	**$ 5,747**	**$ (980)**	**$ (555)**	**$ (6,259)**	**$ (15,295)**	**$ (47,960)**	**$ —**	**$**
Comprehensive income (loss) allocated to NCI	$ 1,437	$ (121)	$ (139)	$ (63)	$ (3,059)	$ (20,156)	$ —	$
NCI percentage at December 31, 2019	25.0%[1]	12.4% Holders of SVS	25.0% Holders of SVS	1.0% Holders of SVS	20.0% Holders of SVS	56.2% Holders of SVS		Holders of SVS

1 The NCI percentage reflects the NCI that exists at Cresco Labs, LLC. There is a further 56.2% NCI related to NCI for Cresco Labs Inc.

NOTE 12. SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the "Plan") for key employees and service providers. Under the Plan, options issued have no voting rights and vest proportionately over periods ranging from the grant date to four years from the issuance date. Stock options exercised are converted to SVS.

A summary of the status of the options outstanding consisted of the following:

	Number of stock options outstanding	Weighted-average exercise price
Outstanding – January 1, 2019	19,500,000	$ 2.11
Granted	4,474,000	7.48
Exercised	(934,682)	1.37
Forfeited	(669,150)	2.88
Outstanding – December 31, 2019	22,370,168	$ 3.19
Granted	7,278,021	5.04
Exercised	(1,945,401)	2.12
Origin House replacement awards	629,275	4.24
Forfeited	(5,845,350)	2.77
Outstanding - December 31, 2020	**22,486,713**	**$ 3.96**
Exercisable - December 31, 2020	**9,550,535**	**$ 3.25**

The following table summarizes the stock options outstanding as of December 31, 2020:

Expiration date	Stock options outstanding	Exercise price[1]	Stock options exercisable
October 2022	17,578	$ 3.13	17,578
April 2025	1,758	4.49	879
May 2025	3,516	6.01	2,636
June 2025	205,273	0.50 - 5.80	203,954
July 2025	3,515	5.43	2,637
September 2025	250,000	1.00	—
January - February 2026	75,000	1.00	75,000
May - June 2026	600,000	1.00	600,000
November - December 2026	17,500	1.00	17,500
January 2027	5,000	1.00	3,750
October 2027	200,000	1.00	200,000
November 2027	250,000	1.00 - 1.14	162,500
December 2027	328,120	1.14 - 4.17	265,620
March 2028	254,028	1.14	121,250
May - June 2028	610,000	2.25	235,000
July 2028	235,000	2.25 - 3.75	125,139
August 2028	403,120	3.75 - 6.31	240,620
September 2028	7,014,374	1.13 - 3.75	3,818,541
October - November 2028	1,788,750	3.75	868,750
December 2028	220,000	6.50	110,000
January 2029	149,876	6.67	149,876
February 2029	85,000	6.50	21,250
March 2029	272,000	11.25	68,000
June 2029	1,171,250	10.28	297,500
September 2029	1,186,250	5.90	293,750
December 2029	582,000	6.86	145,500
March 2030	597,000	2.99	—
May 2030	3,812,023	4.56	1,312,023
June 2030	885,000	4.11	—
July 2030	19,544	5.39	19,544
September 2030	555,000	6.00	—
December 2030	689,238	9.86 - 10.19	171,738
	22,486,713		**9,550,535**

1 Origin House replacement awards are denominated in Canadian dollars. Exercise prices have been translated to U.S. dollar equivalents as of December 31, 2020.

Weighted average stock price of options on the dates on which options were exercised during the years ended December 31, 2020 and 2019 was $5.96 and $7.12 per option, respectively.

The fair value of stock options granted under the Plan during the years ended December 31, 2020 and 2019, was determined using the Black-Scholes option-pricing model with the following range of assumptions at the time of the grant:

	2020	2019
Risk-free annual interest rate	0.54% - 1.79%	1.97% to 2.49%
Expected annual dividend yield	—	—
Expected stock price volatility	65% to 81%	77% to 88%
Expected life of stock options	5 to 7 years	5.5 to 7 years
Forfeiture rate	5% - 15%	0% to 3%
Fair value at grant date	$1.84 to $6.48	$3.88 to $8.26
Stock price at grant date	$2.99 to $10.19	$5.90 to $11.25
Exercise price range	$2.99 to $10.19	$5.90 to $11.25

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded companies. An increase in volatility would result in an increase in fair value at grant date. The expected life in years represents the period of time that options issued are expected to be outstanding. The risk-free rate is based on U.S. treasury bills with a remaining term equal to the expected life of the options. The forfeiture rate is estimated based on historical forfeitures experienced by the Company.

During the years ended December 31, 2020 and 2019, the weighted-average fair value of stock options granted was $3.05 and $5.52 per option, respectively. As of December 31, 2020, stock options outstanding have a weighted-average remaining contractual life of 8.1 years.

During the year ended December 31, 2020, the Company issued 0.6 million replacement options with a weighted average exercise price of $4.24 per option in connection with the Origin House acquisition. The replacement options have expiration dates ranging between October 2022 and August 2028. As of December 31, 2020, 0.3 million options with a weighted average exercise price of $5.13 per option are exercisable.

Restricted Stock Units

During 2019, the Company established an RSU program to provide employees an additional avenue to participate in the successes of the Company. The fair value of RSUs granted was determined by the fair value of the Company's share price on the date of grant. A number of RSUs granted had the ability to settle in cash. These awards were determined to be liability classified awards and are required to be marked-to-market as of the end of each reporting period through issuance. As of December 31, 2020 and 2019, the Company recorded $22 thousand and $0.3 million, respectively, in Deferred consideration, contingent consideration and other payables on the Consolidated Statements of Financial Position related to these awards.

A summary of outstanding RSUs is provided below:

	Number of RSUs outstanding	Weighted average fair value
Outstanding - January 1, 2019	—	$ —
Granted	404,215	8.58
Outstanding – December 31, 2019	404,215	$ 8.58
Granted	661,190	6.00
Origin House replacement awards	3,430,456	5.96
Vested and settled	(3,435,527)	5.23
Forfeited	(66,005)	8.91
Outstanding - December 31, 2020	**994,329**	**$ 6.54**
Liability classified as of December 31, 2020	**2,210**	**$ 9.86**

All liability classified awards above are vested and pending issuance into shares.

During the year ended December 31, 2020, the Company issued 3.4 million replacement RSUs with a weighted average fair value of $5.96 per share in connection with the Origin House acquisition. As a result of the acquisition, the vesting of the replacement RSUs was accelerated, with Canadian participants having the option to defer settlement. As such, there is no post-acquisition compensation expense required for these awards.

Deferred Share Awards

During the year ended December 31, 2020, the Company issued 1.6 million replacement deferred share awards in connection with the Origin House acquisition. The awards have a fair value of $5.96 per share, which is based on the Company's share price as of the acquisition date. Awards are considered to be fully vested as of the acquisition date and therefore require no post-acquisition compensation expense. During the year ended December 31, 2020, 1.5 million shares settled into share capital. The remaining 0.1 million shares are pending issuance into shares as of December 31, 2020.

Expense Attribution

The Company recorded compensation expense for option awards in the amount of $15.8 million and $14.5 million for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the Company expensed $15.3 million and $13.8 million, respectively, to Selling, general and administrative expenses, with the remainder in Cost of sales – production costs and ending inventory. Unrecognized compensation expense as of December 31, 2020 for option awards is $16.8 million and will be recorded over the course of the next four years.

The Company recorded compensation expense for RSU awards in the amount of $1.5 million and $1.2 for the years ended December 31, 2020 and 2019, respectively, of which $1.0 million and $0.3 million, respectively, is included in Selling, general and administrative expenses, with the remainder in Cost of sales – production costs and ending inventory. Unrecognized compensation expense as of December 31, 2020 is $3.2 million and will be recognized over the course of the next three years.

The Company recorded post-acquisition compensation expense for replacement options in the amount of $51 thousand for the year ended December 31, 2020 in Selling, general and administrative expenses. Unrecognized compensation for replacement options was $6 thousand as of December 31, 2020 and will be recognized through the third quarter of 2021.

As of December 31, 2020 and 2019, ending inventory includes immaterial and $0.9 million capitalized compensation expense related to both options and RSUs, respectively. Ending inventory includes compensation expense reductions attributable to an increased estimated forfeiture rate recognized during the year ended December 31, 2020 based on the Company's historically experienced forfeitures. For the years ended December 31, 2020 and 2019, $1.8 million and $0.8 million, respectively, of compensation expense was recorded to Cost of sales – production costs, which includes $0.9 million and $39 thousand, respectively, related to compensation expense capitalized to inventory in prior years.

NOTE 13. ACQUISITIONS

(a) Business Combinations

The table below summarizes significant business combinations completed during the year ended December 31, 2020:

Completed during the year ended December 31, 2020	Origin House (ii)
($ in thousands)	
Total consideration	
Common shares issued	$ 396,575
Replacement awards	31,671
Total consideration	$ 428,246
Net identifiable assets (liabilities) acquired	
Cash	$ 32,984
Accounts receivable	7,565
Inventory	14,658
Biological assets	2,002
Other current assets	2,197
Property and equipment	18,625
Right-of-use assets	17,984
Loans receivable, long-term	331
Investment in associate	4,302
Investments	139
Customer relationships	63,600
Trade names	39,700
Licenses	5,900
Market related intangibles	2,374
Internally developed software	380
Total identifiable assets acquired	$ 212,741
Short-term liabilities	$ (24,349)
Lease liabilities	(18,002)
Deferred and contingent consideration	(3,807)
Notes payable	(22,045)
Deferred tax liabilities	(30,200)
Net identifiable assets acquired	$ 114,338
Purchase price allocation	
Net identifiable assets acquired	$ 114,338
Goodwill	313,908
Total consideration	$ 428,246

Under IFRS 3, the Company retrospectively adjusted the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of the acquisition date. During the year ended December 31, 2020, the Company updated its valuation of Origin House intangible assets acquired, which resulted in an increase of $9.2 million to the acquisition date value of intangible assets and an associated increase of $2.8 million to the acquisition date value of the deferred tax liability, resulting in an offsetting reduction in goodwill. The Company has completed the purchase accounting related to Origin House and is no longer within the measurement period as of the issuance of the Consolidated Financial Statements.

(i) Wellbeings

On October 5, 2020, the Company acquired all remaining equity interests and voting rights of Wellbeings LLC ("Wellbeings"). As a result of this acquisition, the Company has control over a business that distributes and sells high quality CBD wellness products.

No consideration was transferred for this step acquisition, other than the Company recognized $0.2 million of goodwill and assumed $0.2 million of net liabilities. The Company recognized a $0.5 million loss on a previous investment in Wellbeings, offset by a gain of $0.3 million related to the reversal of an expected credit loss on a loan that was extended to Wellbeings by the Company prior to the acquisition.

(ii) Origin House

On January 8, 2020, the Company announced that it had closed its acquisition of 100% of the membership interests of Origin House. As a result of this acquisition, the Company now holds additional licenses to cultivate and process medical and adult-use marijuana and new licenses to distribute medical and adult-use cannabis in the state of California. Additionally, the Company now holds licenses to operate a nicotine vape business in Canada with retail, online and wholesale revenues, as well as franchise locations.

Total consideration for the acquisition was $428.2 million. The consideration consisted of 66.5 million SVS issued as of the acquisition date, valued at $396.6 million, and 5.7 million replacement awards, valued at $31.7 million. The replacement awards are comprised of 3.4 million replacement RSUs, 1.6 million deferred share awards and 0.6 million replacement options. The Company recorded an increase of $51 thousand of post-acquisition share-based compensation expense related to the replacement options for the year ended December 31, 2020. See Note 12 for additional details.

As part of the acquisition, the Company recorded reserves of $0.1 million for potential payments contingent on future events. The matter was settled and paid during the year ended December 31, 2020. See Note 19 for additional details.

The Company calculated, on a pro forma basis, the combined results of the acquired entity as if the Origin House acquisition had occurred as of January 1, 2020. These unaudited pro forma results are not necessarily indicative of either the actual consolidated results had the acquisition occurred as of January 1, 2020 or of the future consolidated operating results.

Total unaudited pro forma Revenue and Net loss for the combined company for the year ended December 31, 2020 was $476.9 million and $37.0 million, respectively.

Contributed revenue and Net loss from the Origin House acquisition for the year ended December 31, 2020 was $88.7 million and $30.7 million, respectively.

Since the first quarter of 2019, the Company has recorded transaction costs of $5.5 million in connection with the Origin House acquisition as Selling, general and administrative expenses in the Consolidated Statements of Operations.

The table below summarizes business combinations completed during the year ended December 31, 2019:

Completed during the year ended December 31, 2019	Valley Ag (iii)	HHH (iv)	Total
($ in thousands)			
Total consideration			
Cash	$ 18,774	$ —	$ 18,774
Deferred cash consideration	25,990	26,606	52,596
Common shares issued	48,881	—	48,881
Derivative liability consideration	5,437	—	5,437
Contingent consideration	20,346	—	20,346
Loan settlement	10,146	4,807	14,953
	$129,574	$31,413	$160,987
Net identifiable assets (liabilities) acquired			
Cash	$ 1,199	$ 313	$ 1,512
Accounts receivable	145	306	451
Inventory	800	4,703	5,503
Biological assets	—	1,436	1,436
Other current assets	558	18	576
Property & equipment	7,256	8,524	15,780
Right-of-use asset	6,836	—	6,836
Other non-current assets	81	1	82
Customer relationships	1,200	300	1,500
Non-compete agreement	—	300	300
License	53,400	12,000	65,400
Total identifiable assets acquired	$ 71,475	$ 27,901	$ 99,376
Short-term liabilities	$ (690)	$ (621)	$ (1,311)
Lease liability	(6,980)	—	(6,980)
Long-term liability	—	(550)	(550)
Deferred tax liability	(16,108)	—	(16,108)
Net identifiable assets acquired	$ 47,697	$ 26,730	$ 74,427
Purchase price allocation			
Net identifiable assets acquired	$ 47,697	$ 26,730	$ 74,427
Goodwill	81,877	4,683	86,560
Total consideration	$ 129,574	$ 31,413	$ 160,987
Net cash outflows			
Cash consideration paid	$ (18,774)	$ (80)	$ (18,854)
Cash acquired	1,199	313	1,512
Total	$ (17,575)	$ 233	$ (17,342)

No goodwill for any acquisition is expected to be deductible for tax purposes. Additionally, per IFRS 3, the Company retrospectively adjusted the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of the acquisition date. During the year ended December 31, 2019, the Company recognized additional goodwill of $13 thousand related to the updated valuation of deferred consideration. The measurement period yielded no changes during 2020 and the purchase price allocation has been finalized.

(iii) Gloucester Street Capital, LLC

On October 8, 2019, the Company announced that it had closed its acquisition of 100% of the membership interests of Gloucester Street Capital, LLC, the parent entity of Valley Agriceuticals, LLC via a merger between Gloucester and a subsidiary of Cresco Labs. As a result of this acquisition, Cresco Labs now holds one of 10 vertically integrated cannabis business licenses granted in the State of New York by the New York State Department of Health.

Total consideration for the acquisition was $129.6 million. Total consideration consisted of $18.8 million in cash consideration, equity consideration of $49 thousand which consisted of 8.7 million PVS (as converted), warrants classified as long-term derivative liabilities convertible into 2.0 million PVS (as converted) valued at $5.4 million, $26 thousand in deferred cash consideration, valued at present value, $20.3 million in contingent consideration and settlement of a loan receivable valued at $10.1 million. The maximum payment of contingent consideration is 4.8 million PVS (as converted) (includes potential fractional shares to be paid in cash) of which the ultimate value will fluctuate along with the movement of the Company's stock price. See section (c) and (d) of this note for discussion of the methodology of the calculation of contingent consideration. See Note 20 for additional detail on liability-classified warrants.

The Company calculated, on a pro forma basis, the combined results of the acquired entity as if the Valley Ag acquisition had occurred as of January 1, 2019. These unaudited pro forma results are not necessarily indicative of either the actual consolidated results had the acquisition occurred as of January 1, 2019 or of the future consolidated operating results.

Total unaudited pro forma revenue and net loss for the combined company for the year ended December 31, 2019 was $129.8 million and $68.9 million, respectively.

Contributed revenue and net loss from the Valley Ag acquisition was $0.8 million and $0.5 million, respectively, from the acquisition date through December 31, 2019.

The Company recorded transaction costs of $2.0 million in connection with the Valley Ag acquisition as Selling, general and administrative expenses in the Consolidated Statements of Operations for the year ended December 31, 2019.

(iv) Hope Heal Health, Inc. ("HHH") and 1880 West, LLC, ("1880 W"), collectively referred to as ("HHH")

On October 1, 2019, in order to enter the Massachusetts market, Cresco Labs, LLC acquired HHH via certain agreements giving it operational control before cash consideration was settled. HHH holds licenses to cultivate, process and dispense medical and adult-use marijuana in the State of Massachusetts, and operates a medical marijuana dispensary in Fall River, Massachusetts which was granted the right to dispense adult-use cannabis. The legal closing and cash funding for HHH occurred on February 7, 2020.

Total consideration for the acquisition was $31.4 million consisting of deferred cash consideration, valued at present value, of $26.6 million and settlement of a pre-existing loan receivable valued at $4.8 million.

The Company calculated, on a pro forma basis, the combined results of the acquired entity as if the HHH acquisition had occurred as of January 1, 2019. These unaudited pro forma results are not necessarily indicative of either the actual consolidated results had the acquisition occurred as of January 1, 2019 or of the future consolidated operating results.

Total unaudited pro forma revenue and net loss for the combined company for the year ended December 31, 2019 was $129.6 million and $68.3 thousand, respectively.

Contributed revenue and net income from the HHH acquisition was $2.0 million and $3.0 million, respectively, from the acquisition date through December 31, 2019.

The Company recorded transaction costs of $0.6 million in connection with the HHH acquisition in Selling, general and administrative expenses in the Consolidated Statements of Operations for the year ended December 31, 2019.

(b) Deferred Consideration, Contingent Consideration and Other Payables

The following is a summary of deferred consideration and other payables balances as of December 31, 2020 and 2019, which are classified as short term:

($ in thousands)	IFRS 9 classification	2020	2019
MedMar contingent consideration liability for tax payments	FVTPL	$ —	$ 2,000
MedMar contingent consideration liability	FVTPL	—	1,927
Interest payable - short term	Amortized Cost	—	1,464
HHH deferred consideration	FVTPL	—	27,237
Valley Ag deferred consideration	Amortized Cost	—	18,750
Valley Ag operating cash flows consideration	FVTPL	—	7,423
Valley Ag make-whole liability	FVTPL	—	800
Valley Ag contingent consideration	FVTPL	19,093	—
Liability-classified equity awards	FVTPL	22	339
Total Deferred consideration, contingent consideration and other payables		**$19,115**	**$59,940**

Decreases in deferred consideration between December 31, 2019 and December 31, 2020 are due to fair value adjustments and payments of deferred consideration related to acquisitions of MedMar, HHH and Valley Ag.

For the year ended December 31, 2020, the Company recognized a mark-to-market loss of $73 thousand on MedMar's contingent consideration liability. During year ended December 31, 2020, the Company settled the contingent consideration liability with the issuance of 0.1 million SVS, valued at $0.5 million, and a cash payment of $1.5 million. As of December 31, 2020, the Company settled the $2.0 million contingent consideration liability for tax payments which is based on the counterparty's expected tax liability for total consideration transferred for the acquisition with the issuance of 0.1 million SVS, valued at $1.1 million, and a cash payment of $0.9 million.

During the year ended December 31, 2020, the Company paid $27.5 million to settle the HHH deferred consideration and recorded $0.3 million in interest expense.

During the year ended December 31, 2020, the Company paid $18.8 million and issued 0.3 million PVS (as-converted), valued at $1.3 million, to settle the Valley Ag deferred consideration and corresponding interest payable.

The Valley Ag operating cash flows consideration was reclassified to long-term liabilities as it is expected to be settled in more than 12 months.

The Valley Ag make-whole adjustment liability, which compensated previous owners for agreeing to a securities lock-up period, expired as of December 31, 2020. During the year ended December 31, 2020, the Company recognized mark-to-market losses of $0.7 million and made payments of 0.5 million SVS valued at $1.5 million for make-whole adjustment liability. No additional make-whole adjustment liability remains as of December 31, 2020.

During the year ended December 31, 2020, the Company recorded a mark-to-market fair value gain of $2.8 million related to contingent consideration for its Valley Ag acquisition. As of December 31, 2020, the estimated liability of $19.1 million is based on the present value of potential payments associated with market conditions and changes in the Company's stock price. The Valley Ag contingent consideration remaining balance of $19.1 million was reclassified to current liabilities as it is expected to be settled within the next 12 months.

In connection with the Origin House acquisition, the Company acquired deferred consideration liabilities valued at $3.8 million, primarily related to $3.7 million of deferred consideration associated with Origin House's previous acquisition of Cub City. In May 2020, the Company settled these obligations through issuance of 0.8 million SVS, valued at $2.2 million and cash payment of $1.5 million. In May 2020, the Company issued 0.3 million shares, valued at $1.0 million, in accordance with the post combination remuneration agreement with FloraCal.

The Company holds various real estate property approximating $10.0 million in fair value as collateral for certain deferred payment obligations.

(c) Long-term Deferred and Contingent Consideration

The following is a summary of long-term contingent consideration as of December 31, 2020 and 2019:

($ in thousands)	IFRS 9 classification	2020	2019
Valley Ag contingent consideration	FVTPL	$ —	$21,901
Valley Ag operating cash flows consideration	FVTPL	7,247	—
Total Long-term deferred and contingent consideration		**$7,247**	**$21,901**

During the year ended December 31, 2020, the Company recorded a $0.2 million decrease to the present value of Valley Ag operating cash flows consideration due to changes in the Company's incremental borrowing rate and other present value considerations. As of December 31, 2020, the estimated liability of $7.2 million is based on the present value of expected payments associated with future cashflows of the acquired business.

NOTE 14. LONG-TERM NOTES AND LOANS PAYABLE

The following table represents the Company's loans payable balances as of December 31, 2020 and 2019:

($ in thousands)	2020	2019
Term Loan	$180,863	$—
Interest payable	3,658	—
HHH Loan	—	550
Total borrowings and interest payable	$184,521	$550
Less Short-term borrowings and interest payable	(15,046)	—
Total Long-term notes and loans payable	**$169,475**	**$550**

(a) Amended Term Loan

On February 2, 2020, the Company closed on a senior secured term loan agreement (the "Term Loan") for an aggregate principal amount of $100 million, with the option to increase the principal amount to $200 million. Of the $100 million Term Loan commitment, $92.4 million was committed by Tranche A lenders (the "Tranche A Commitment") and $7.6 million was committed by Tranche B lenders (the "Tranche B Commitment").

The Tranche A Commitment accrued interest at a rate of 12.7% per annum, payable in cash quarterly, and had a stated maturity of July 2021. The Tranche B Commitment accrued interest at a rate of 13.2% per annum, payable in cash quarterly, and had a stated maturity of January 2022. The Company's effective interest rates for the Tranche A Commitment and Tranche B Commitment of the Term Loan were 17.0% and 16.1%, respectively. The Company capitalized $5.5 million and $0.4 million, respectively, of borrowing costs related to the Tranche A Commitment and Tranche B Commitment.

On December 11, 2020, the Company entered into an amendment to exercise the mutual option to increase the principal amount to $200 million and refinance the existing Term Loan and the Opaskwayak Cree Nation Loan (the "OCN Loan"), resulting in one amended term loan (the "Amended Term Loan"). As a result of the non-substantial debt modification of the existing Term Loan and the OCN Loan, a gain on debt modification of $4.3 million was recognized. Of the $200 million Amended Term Loan commitment, $11.7 million was committed by non-extending lenders (the "Non-Extending Lenders Commitment"), $97.3 million was committed by extending lenders (the "Extending Lenders Commitment") and $91.0 million was committed by increasing lenders (the "Increasing Lenders Commitment"). The Company accelerated principal repayments of $5.4 million and $1.0 million to the OCN Loan lender and certain exiting Term Loan lenders, respectively.

The Non-Extending Lenders Commitment accrues interest at a rate of 12.7% per annum, payable in cash quarterly, and has a stated maturity of July 2021. The Extending Lenders Commitment and Increasing Lenders Commitment (the "Extending and Increasing Lenders Commitment") accrues interest at a rate of 12.0% per annum, payable in cash quarterly, and have a stated maturity of January 2023. The Company's effective interest rates for the Non-Extending Lenders Commitment and the Extending and Increasing Lenders Commitment are 18.1% and 17.6%, respectively. The Company capitalized $0.1 million and $11.8 million of borrowing costs related to the Non-Extending Lenders Commitment and the Extending and Increasing Lenders Commitment, respectively. Of the $11.9 million in deferred financing fees, $8.6 million is payable upon principal repayment of the Extending and Increasing Lenders Commitment and thus, was reflected within Other long-term liabilities.

The Amended Term Loan is secured by a guarantee from substantially all material subsidiaries of the Company, as well as by a security interest in certain assets of the Company and such material subsidiaries. The Amended Term Loan also contains negative covenants which restrict the actions of the Company and its subsidiaries during the term of the loan, including restrictions on paying dividends, making investments and incurring additional indebtedness.

The Company may prepay in whole or in part the Amended Term Loan at any time prior to the stated maturity date, subject to certain conditions, upon the payment of the outstanding principal amount (plus a specified prepayment premium) and all accrued and unpaid interest and fees.

For the year ended December 31, 2020, the Company recognized $16.0 million of interest expense attributable to the Term Loan, including interest expense related to the amortization of the debt issuance costs of $3.6 million.

(b) OCN Loan

In conjunction with its January 8, 2020 acquisition of Origin House, the Company recorded a short-term liability, the OCN Loan, for an aggregate balance of $22.0 million as of the acquisition date, subject to a 10% interest rate and a stated maturity of June 2020. The weighted average effective interest rate of the OCN Loan was 23.8%.

On June 30, 2020, the OCN Loan was amended to extend the maturity date from June 30, 2020 to June 30, 2021 for an extension fee of $0.6 million which was recorded within Accounts payable and other accrued expenses and was amortized over the extended term. Fees, interest and principal payments were made in regular monthly installments through the maturity date. As a result of the non-substantial debt modification, the effective interest rate increased to 27.1% and a gain on debt modification of $1.1 million was recognized.

On September 29, 2020, the OCN Loan was amended to restate the principal repayment terms for an extension fee of $0.1 million which was recorded within Accounts payable and other accrued expenses. Fees, interest and principal payments were made in regular monthly installments through the maturity date. As a result of the non-substantial debt modification, the effective interest rate decreased to 18.8% and a loss on debt modification of $40 thousand was recognized.

For the year ended December 31, 2020, the Company recognized interest expense of $4.5 million attributable to the OCN Loan, including interest expense related to the accretion of discount on the OCN Loan of $2.5 million. As discussed above, the OCN Loan was settled in December 2020, in conjunction with the amendment of the Term Loan.

(c) Other Loans

In conjunction with its October 1, 2019 acquisition of HHH, the Company recorded a long-term liability for the HHH Loan for an aggregate balance of $0.6 million with a stated maturity of June 2021. During June 2020, the Company paid off the $0.6 million outstanding principal balance as part of a sale-leaseback transaction. See Note 7 for additional details on the transaction.

NOTE 15. REVENUE AND LOYALTY PROGRAMS

(a) Revenue

The following table represents the Company's disaggregated revenue by source, primarily due to the Company's contracts with its customers, for the years ended December 31, 2020 and 2019:

($ in thousands)	2020	2019
Wholesale	$274,000	$79,927
Dispensary	202,251	48,607
Total Revenue	**$ 476,251**	**$128,534**

The Company generates revenue at the point in time the control of the product is transferred to the customer, as the Company has a right to payment, and the customer has assumed significant risks and rewards of such product. The Company does not engage in long-term sales contracts.

During the year ended December 31, 2019, the Company recorded $2.1 million of revenue under IFRS 15 related to a bill-and-hold arrangement for products not shipped as of December 31, 2019.

(b) Loyalty Programs

The Company has customer loyalty programs where retail customers accumulate points based on their level of spending. These points are recorded as a contract liability until customers redeem their points for discounts on cannabis and vape products as part of an in-store sales transaction. In addition, the Company records a performance obligation as a reduction of revenue based on the estimated probability of point obligation incurred, which is calculated based on a standalone selling price that ranges between $0.025 and $0.10 per loyalty point. Upon redemption, the loyalty program obligation is relieved, and the offset is recorded as revenue. As of December 31, 2020, there were 52.5 million points outstanding, with an approximate value of $0.8 million. The Company expects the outstanding loyalty points will be redeemed within one year.

NOTE 16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, 2020 and 2019, Selling, general and administrative expenses consisted of the following:

($ in thousands)	2020	2019
Salaries and related	$81,067	$28,519
Consulting and professional fees	24,576	18,091
Advertising and marketing	19,030	12,630
Office	17,696	4,884
Share based compensation	16,659	14,046
Provision expense (Note 19)	13,600	—
Excise taxes	13,167	4,341
Technology	7,604	1,989
Insurance	4,358	1,911
Travel and entertainment	3,074	4,154
Rent expense	1,478	286
Business expansion costs	1,586	1,524
Other	2,843	1,743
Total Selling, general and administrative expense	$206,738	$ 94,118

NOTE 17. OTHER (EXPENSE) INCOME, NET

For the years ended December 31, 2020 and 2019, Other (expense) income, net consisted of the following:

($ in thousands)	2020	2019
(Loss) gain on derivative instruments (Note 20)	$(13,319)	$(3,236)
Gain on conversion of loan to investment	—	703
Gain (loss) on changes in fair value of deferred and contingent consideration (Note 13)	2,126	(3,186)
Gain on debt modification (Note 14)	5,409	—
Gain on changes in fair value of loans receivable (Note 20)	921	1,515
Impairment on loan receivable (Note 20)	(902)	(3,037)
Loss on sale leaseback transactions (Note 7)	—	(670)
Sale and leaseback settlement costs (Note 7)	(479)	—
Dividend income	—	97
Unrealized loss on investments held at fair value (Note 8)	(160)	(2,827)
(Loss) gain on foreign currency	(2,394)	421
Other (loss) income on investments	(1,000)	—
Gain on dissolution of previously held equity investment (Note 8)	—	1,309
Other income, net	1,789	264
Total Other (expense) income, net	**$ (8,009)**	**$ (8,647)**

NOTE 18. RELATED PARTY TRANSACTIONS

(a) Compensation of Key Management Personnel

The Company's key management personnel, consisting of the executive management team and management directors, have the authority and responsibility for planning, directing, and controlling the activities of the Company. The material transactions with related parties and changes in related party balances for the year ended December 31, 2020 are discussed below.

Key management personnel compensation for the years ended December 31, 2020 and 2019 was as follows:

($ in thousands)	2020	2019
Management compensation	$ 6,234	$3,139
Share-based compensation expense	10,992	5,972
Total	$17,226	$9,111

As of December 31, 2020 and 2019, the Company had receivables of $0.2 million and $0.7 million, respectively, with key management personnel.

As of December 31, 2020 and 2019, the Company had payables of $2.3 million and $0.1 million, respectively, with key management personnel.

Key management personnel hold 109.4 million redeemable units of Cresco Labs, LLC, which is equal to $125.6 million of Non-controlling interests as of December 31, 2020. During the year ended December 31, 2020 and 2019, 83.3% and 71.9%, respectively, of required tax distribution payments to holders of Cresco Labs, LLC were made to key management personnel.

(b) Related Parties - Debt

As of December 31, 2020, the Company had borrowings with related parties of $18.3 million related to the Company's Term Loan. During the year ended December 31, 2020 and 2019, the Company recorded interest expense related to borrowings with related parties of $1.8 million and $nil, respectively. As of December 31, 2020 and 2019, the Company had interest payable related to borrowings with related parties of $0.1 million and $nil, respectively. See Notes 14 and 23 for additional details.

(c) Related Parties - Leases

The Company has lease liabilities for real estate lease agreements in which the lessors have minority interest in SLO and MedMar Inc. The lease liabilities were incurred in January 2019 and May 2020 and will expire in 2027 through 2036.

The Company has lease liabilities for real estate lease agreements in which the lessor is a member of key management personnel. The lease liabilities were incurred by entering into operating leases and sale and leaseback transactions with lease terms that will expire in 2030 during the year ended December 31, 2020. During the year ended December 31, 2020, the sale and leaseback transactions resulted in net funding of $8.6 million. During the year ended December 31, 2020, the Company received tenant improvement allowance reimbursements of $0.8 million related to these lease agreements and expects to receive further reimbursements of $2.2 million as of December 31, 2020.

Below is a summary of the expense resulting from the related party lease liabilities for the years ended December 31, 2020 and 2019.

	2020		2019	
($ in thousands)	Depreciation expense	Interest expense	Depreciation expense	Interest expense
Finance lease liability; lessor has minority interest in SLO	$ 295	$ 1,494	$ 382	$ 1,650
Finance lease liability; lessor has minority interest in MedMar	209	281	155	177
Finance lease liability; lessor is a member of key management personnel	551	564	—	—

Additionally, below is a summary of the ROU assets and lease liabilities attributable to related party lease liabilities.

	2020		2019	
($ in thousands)	ROU asset	Lease liability	ROU asset	Lease liability
Finance lease liability; lessor has minority interest in SLO	$5,219	$8,551	$9,930	$11,727
Finance lease liability; lessor has minority interest in MedMar	2,322	2,552	1,292	1,380
Finance lease liability; lessor is a member of key management personnel	8,371	6,925	—	—

NOTE 19. COMMITMENTS AND CONTINGENCIES

(a) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2020, there were no pending or threatened lawsuits, except as disclosed below, that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers, or affiliates are an adverse party or has a material interest adverse to the Company's interest.

During the year ended December 31, 2020, the Company recorded a provision of $0.1 million related to the Origin House acquisition. The Company subsequently reached an agreement to settle the previously recorded $0.1 million provision. The cash payment to settle the liability was made during the year ended December 31, 2020.

During the year ended December 31, 2020, a former executive of the Company commenced proceedings against the Company. On January 29, 2021, the Company commenced an action in the Supreme Court of British Columbia against various parties, including this former executive and a special purpose acquisition entity. On February 1, 2021, a binding settlement was reached and the terms were memorialized in an agreement as of March 1, 2021. The agreed-upon terms included a payment of 1.3 million SVS to the counterparty relating to certain equity awards previously held by the counterparty in exchange for a number of covenants including non-solicitation, non-hire, certain provisions surrounding voting rights and limitations on future sales of Company shares. As contemplated by the settlement, the Company discontinued the action on February 4, 2021 and a mutual release of claims resulted. At December 31, 2020, the Company recorded an estimated liability, based on certain assumptions impacting the value of the settlement and benefits to the Company, of $13.6 million for this settlement within Accounts payable and other accrued expenses, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 10 *Events After the Reporting Period*. The payment of 1.3 million SVS was made during the first quarter of 2021.

(b) Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management believes that the Company is in substantial compliance with applicable local and state regulations as of December 31, 2020, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

(c) Commitments

As of December 31, 2020, the Company had total commitments related to construction projects of $31.6 million, which will mostly be reimbursed through tenant improvement allowances in 2021.

NOTE 20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments are held at amortized cost (adjusted for impairments or expected credit losses, as applicable) or FVTPL. The carrying values of financial instruments held at amortized cost approximate their fair values as of December 31, 2020 and 2019 due to their nature and relatively short maturity date. Financial assets and liabilities with embedded derivative features are carried at FVTPL.

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.

There have been no transfers between fair value levels valuing these assets during the year.

The following tables summarize the Company's financial instruments as of December 31, 2020 and 2019:

	2020				
($ in thousands)	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Cash and cash equivalents	$136,339	$ —	$ —	$ —	$136,339
Restricted cash[1]	4,435	—	—	—	4,435
Accounts receivable, net	29,266	—	—	—	29,266
Loans receivable, short-term	921	—	2,237	(720)	2,438
Loans receivable, long-term	1,204	—	—	20,020	21,224
Investments[2]	3,192	—	1,049	119	4,360
Security deposits	3,558	—	—	—	3,558
Financial Liabilities:					
Accounts payable and other accrued expenses	$ 86,326	$ —	$ —	$ —	$ 86,326
Short-term borrowings	15,046	—	—	—	15,046
Current portion of lease liabilities	24,742	—	—	—	24,742
Deferred consideration, contingent consideration and other payables	—	22	—	19,093	19,115
Derivative liabilities, long-term	—	—	30,129	—	30,129
Lease liabilities	145,320	—	—	—	145,320
Deferred consideration and contingent consideration	—	—	—	7,247	7,247
Long-term notes payable and loans payable	169,475	—	—	—	169,475

1 Restricted cash balances include various escrow accounts related to investments, acquisitions, facility requirements and building improvements.

2 Investment balances in the amortized cost column represent equity method investments.

	2019				
($ in thousands)	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:					
Cash and cash equivalents	$ 49,102	$ —	$ —	$ —	$49,102
Restricted cash[1]	5,050	—	—	—	5,050
Accounts receivable, net	16,455	—	—	—	16,455
Loans receivable, short-term	644	—	—	—	644
Loans receivable, long-term	390	—	18,243	—	18,633
Investments	—	—	1,210	68	1,278
Security deposits	1,084	—	—	—	1,084
Financial Liabilities:					
Accounts payable and other accrued expenses	$ 62,834	$ —	$ —	$ —	$62,834
Current portion of lease liabilities	12,019	—	—	—	12,019
Deferred consideration, contingent consideration and other payables	49,451	339	—	10,150	59,940
Derivative liabilities, short-term	—	—	178	—	178
Derivative liabilities, long-term	—	—	15,243	—	15,243
Lease liabilities	82,856	—	—	—	82,856
Deferred consideration and contingent consideration	—	—	—	21,901	21,901
Long-term notes payable and loans payable	550	—	—	—	550

[1]Restrictedcash balances include various escrow accounts related to investments, acquisitions and facility licensing requirements.

(a) Loans receivable, short-term

The following is a summary of Loans receivable, short-term balances and IFRS 9 classifications (discussed further below) as of December 31, 2020 and 2019:

($ in thousands)	**IFRS 9 classification**	**2020**	**2019**
Short-term loans receivable - Lighthouse	FVTPL	$1,517	$—
Interest receivable	Amortized cost	921	644
Total Loans receivable, short-term		**$ 2,438**	**$644**

(i) Lighthouse Loan

On August 12, 2019, the Company issued a secured convertible promissory note that is convertible, at the Company's discretion, into additional membership units approximating 1% ownership of the parent company of Lighthouse. At inception, the loan had a maturity of 18 months. This loan is measured at FVTPL and as of December 31, 2020, this loan had a fair value of $1.5 million. As of December 31, 2019, this loan had a fair value of $2.2 million and was classified as Loans receivable, long-term. See Note 8 for discussion of the Company's investment in Lighthouse

Expected Credit Loss

The Company calculates ECLs for Loans receivable, short-term by considering cash shortfalls on a discounted basis it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring, which is determined through the exercise of judgment. The Company recognized impairment losses of $0.7 million and $nil during the years ended December 31, 2020 and 2019, respectively, on Loans receivable, short-term.

(b) Loans receivable, long-term

($ in thousands)	IFRS 9 classification	2020	2019
Long-term loans receivable - Verdant	FVTPL	$20,020	$16,007
Long-term loans receivable - Lighthouse	FVTPL	—	2,236
Long-term loans receivable - Other	Amortized cost	367	390
Interest receivable	Amortized cost	837	—
Total Loans receivable, long-term		**$21,224**	**$18,633**

(i) Verdant Loan

The Company entered into certain loan arrangements with Verdant Creations, LLC that contained embedded derivatives comprised of a call and put option and a stated interest rate of 5.25%. Settlement of the instruments varies based on contingent events and returns are not fixed. As such, the Company records this loan receivable at FVTPL. Each period, the loan is measured using a probability-weighting analysis of expected outcomes, which utilizes Level 3 inputs. The inputs included market rates ranging from 1.7% to 17.4%, a risk-free rate of 0.1% and expected settlement timing of less than 12 months. Refer to Note 25 for additional information regarding the acquisition of Verdant Creations, LLC. Changes in Level 3 inputs and assumptions utilized resulted in a fair value gain of $0.9 million and $2.0 million for the year ended December 31, 2020 and 2019, respectively.

The loan had a fair value of $20.0 million and $16.0 million as of December 31, 2020 and 2019, respectively, with attributable long-term interest receivable of $0.8 million and $nil, respectively, and short-term interest receivable of $0.5 million and $nil, respectively. As of the year ended December 31, 2020, of the $16.9 million maximum loan commitment, $17.1 million was drawn on these loans as the Company allowed the borrower to exceed the maximum loan commitment. The loan arrangements will be effectively settled and included as a part of purchase consideration upon the Company's acquisition of Verdant Creations, LLC. Refer to Note 25 for additional information regarding the acquisition of Verdant Creations, LLC.

(ii) Other Loans

In connection with the acquisition of Origin House, the Company assumed a loan receivable with a fair value of $0.4 million and $0.3 million as of December 31, 2020 and the acquisition date, respectively.

An outstanding long-term loan receivable with Wellbeings of $0.5 million was effectively settled as a preexisting relationship between the acquirer and acquiree as part of the business combination, resulting in a reversal of the $0.3 million expected credit loss that was previously recorded against the loan balance.

Expected Credit Loss

The Company calculates ECLs for Loans receivable, long-term by considering cash shortfalls on a discounted basis it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring, which is determined through the exercise of judgment. The Company recognized impairment losses of $0.2 million and $nil, net of reversals, during the year ended December 31, 2020 and 2019 on Loans receivable, long-term.

(c) Derivative Liability

In conjunction with its acquisition of PDI, the Company recorded a derivative liability of $0.2 million at the acquisition date for an NCI put option, by which the remaining NCI holders could put their shares for a fixed amount of cash within one year of the acquisition legal close/funding date. The derivative was valued using a discount rate of 9.0%. In April 2020, these holders exercised their put option which resulted in the Company paying $0.2 million to purchase the unowned interest of PDI, the Company recorded a $25 thousand mark-to-market loss to match the settlement value.

(d) Share Purchase Warrants

At December 31, 2020, the Company had 6.2 million warrants outstanding classified as Derivative liabilities, long-term, from issuances to underwriters associated with September 2019 financing and sellers from the Valley Ag acquisition.

During the year ended December 31, 2020, 43 thousand Valley Ag warrants were exercised for $0.2 million, resulting in a realized loss of $47 thousand and an increase to share capital of $0.4 million. During the year ended December 31, 2020, 18 thousand Randsburg warrants were exercised for $0.1 million, resulting in an increase to share capital of $0.1 million. No additional Randsburg warrants remain outstanding as of December 31, 2020.

During the year ended December 31, 2020, the Company recorded a mark-to-market loss of $13.3 million, due to changes in the Company's share price and other market factors, and an unrealized foreign exchange loss of $1.8 million. For the year ended December 31, 2019, the Company recorded a mark-to-market loss of $0.2 million due to changes in share price and an unrealized foreign exchange gain of $12 thousand.

All warrants classified as long-term derivative liabilities are measured at FVTPL.

As of December 31, 2020 and 2019, the fair value of liability-classified warrants was determined using the Black-Scholes option-pricing model utilizing the following assumptions:

	2020	2019
Risk-free annual interest rate	0.13%	1.58% - 1.61%
Expected annual dividend yield	0%	0%
Expected stock price volatility	83%	81%
Expected life of stock warrants	1.75 - 1.83 years	0.4 - 1.4 years
Forfeiture rate	0%	0%
Share price at period end	$9.86	$6.86

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. An increase in volatility would result in an increase in fair value at grant date. The expected life in years represents the period of time before warrants expire. The risk-free rate is based on U.S. treasury bills with a remaining term equal to the expected life of the options. The Company does not expect grantees to forfeit warrants.

Financial Risk Management

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

(a) Credit and Banking Risk

Credit risk is the risk of a potential loss to the Company if a customer or a third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2020 and 2019 is the carrying amount of cash, accounts receivable, and loans receivable. The Company does not have significant credit risk with respect to its customers or loan counterparties, based on cannabis industry growth in its key markets and the low interest rate environment. Although all deposited cash is placed with U.S. financial institutions in good standing with regulatory authorities, changes in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry have passed the House of Representatives but have not yet been voted on within the Senate. Given that current 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 cannabis industry.

The novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization on March 12, 2020. During the fourth quarter of 2020, the first vaccine utilized to prevent coronavirus infection was approved by the US Food and Drug Administration. There remains significant economic uncertainty and consequently it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

The Company's aging of Accounts receivables as of December 31, 2020 and 2019 was approximately as follows:

($ in thousands)	2020	2019
0 to 60 days	$27,604	$10,276
61 to 120 days	1,134	5,551
120 days +	1,224	899
Total accounts receivable, gross	**$29,962**	**$16,726**

For the years ended December 31, 2020 and 2019, the Company recorded bad debt expense of $0.4 million and $0.3 million, respectively, to account for expected credit loss and recorded an additional $0.4 million and $0.2 million, respectively, in bad debt related to invoice write-offs.

(b) Asset Forfeiture Risk

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

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company primarily manages liquidity risk through the management of its capital structure by ensuring that it will have sufficient liquidity to settle obligations and liabilities when due. As of December 31, 2020, the Company had working capital (defined as current assets less current liabilities) of $167.1 million, which reflects the amendment of the Term Loan as discussed in Note 14.

In December, 2020 the Company amended the existing term loan facility increasing the total principal outstanding to $200 million. In December 2019, the Company entered into the ATM Offering for subordinated voting shares in the Company to be issued at the discretion of management to raise up to C$55 million to fund corporate operations. See Note 11 for further information. Additionally, the Company expects to receive tenant improvement allowances of $47.7 million to fund further expansion. Information about tenant improvement allowances and the maturity analysis for lease obligations is located in Note 7. The Company will continue to raise capital as needed to fund operations and expansion.

In addition to the commitments outlined in Note 7, the Company has the following contractual obligations as of December 31, 2020:

($ in thousands)	< 1 Year	1 to 3 Years	3 to 5 Years	Total
Accounts payable & other accrued expenses	$ 86,326	$ —	$ —	$ 86,326
Deferred consideration, contingent consideration and other payables	19,115	—	—	19,115
Deferred consideration and contingent consideration	—	7,247	—	7,247
Long-term notes payable and loans payable and Short-term borrowings	15,046	169,475	—	184,521
Total obligations as of December 31, 2020	**$120,487**	**$ 176,722**	**$ —**	**$297,209**

In addition to the commitments outlined in Note 7, the Company has the following contractual obligations as of December 31, 2019:

($ in thousands)	< 1 Year	1 to 3 Years	3 to 5 Years	Total
Accounts payable and other accrued expenses	$ 62,834	$ —	$ —	$ 62,834
Deferred consideration, contingent consideration and other payables	59,940	—	—	59,940
Deferred consideration and contingent consideration	—	21,901	—	21,901
Other long-term liabilities	—	550	—	550
Total obligations as of December 31, 2019	**$122,774**	**$ 22,451**	**$ —**	**$145,225**

(d) Market Risk

(i) Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. As of December 31, 2020 and 2019, the Company's financial assets and liabilities are denominated primarily in U.S. dollars. However, from time to time some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company recorded a $2.4 million foreign exchange loss and a $0.4 million foreign exchange gain during the years ended December 31, 2020 and 2019, respectively. See Note 17 for additional details.

As of December 31, 2020 and 2019, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. An increase or decrease in the Company's incremental borrowing rate by 10% would result in an associated increase or decrease in Deferred consideration, contingent consideration and other payables and Interest expense, net of $0.2 million. The Company's effective interest rates for its Term Loan range from 17.6% to 18.1% and the stated interest rate varies from 12.0% to 12.7% based on the term elected by the lender. See Note 14 for further information.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to price risk related to derivative liabilities and contingent consideration that are valued based on the Company's own stock price. An increase or decrease in stock price by 10% would result in an associated increase or decrease of $6.7 million or $6.5 million, respectively, in both the fair value of derivative liabilities and contingent consideration and Other (expense) income, net.

(iv) Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on the Company's business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to section 280E, which bars businesses from deducting all expenses except their cost of sales when calculating federal tax liability. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on the operations of the Company, while any decrease in such tax levies will be beneficial to future operations. See Note 24 for the Company's disclosure of uncertain tax positions.

(v) Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon the compliance of regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature. Any delays in obtaining, or failure to obtain regulatory approvals can significantly delay operational and product development and

can have a material adverse effect on the Company's business, results of operation, and financial condition. The Company is cognizant of the advent of regulatory changes occurring in the cannabis industry on the city, state, and national levels. Although regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect that unforeseen regulatory changes could have on the goals and operations of the business as a whole.

NOTE 21. SEGMENT INFORMATION

The Company operates in one segment, the cultivation, manufacturing, distribution, and sale of cannabis.

For the year ended December 31, 2020, the Company generated 98% of its revenue in the United States with the remainder generated in Canada. For the year ended December 31, 2019, all revenues were generated in the United States.

NOTE 22. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share ("EPS") is calculated by dividing the net earnings or loss attributable to shareholders by the weighted average shares outstanding.

Potentially dilutive securities of approximately 146.2 million and 152.1 million for the years ended December 31, 2020 and 2019, respectively, were excluded in the calculation of diluted EPS for these periods as their impact would have been anti-dilutive due to net losses in the periods.

The following is a reconciliation for the calculation of basic and diluted loss per share for the years ended December 31, 2020 and 2019:

(in thousands, except per share data)	2020	2019
Basic and diluted loss per share		
Net loss attributable to Cresco Labs Inc. shareholders	$ (81,925)	$ (43,201)
Weighted-average number of shares outstanding	210,466	118,318
Loss per share – basic and diluted	**$ (0.39)**	**$ (0.37)**

NOTE 23. INTEREST (EXPENSE) INCOME, NET

Interest expense, net consisted of the following for the years ended December 31, 2020 and 2019:

($ in thousands)	2020	2019
Interest expense – leases	$(20,375)	$(7,078)
Interest expense – notes and loans payable	(14,353)	—
Accretion of debt discount and amortization of deferred financing fees	(6,139)	—
Other interest expense	(40)	(2,380)
Interest income	1,414	1,583
Total Interest expense, net	**$(39,493)**	**$(7,875)**

See Note 7 for additional information regarding Interest expense – leases and Note 14 for additional information on Interest expense – notes and loans payable and Accretion of debt discount and amortization of deferred financing fees.

NOTE24. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

The Company accounts for income taxes in accordance with IAS 12 *Income Taxes*, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E for US federal income tax purposes as well as state income tax purposes for all states except for California. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. However, the State of California does not conform to IRC Section 280E and, accordingly, the Company deducts all operating expenses on its California Franchise Tax Returns.

The Company is treated as a United States corporation for US federal income tax purposes under IRC Section 7874 and is subject to US federal income tax on its worldwide income. However, for Canadian tax purposes, the Company, regardless of any application of IRC Section 7874, is 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 is subject to taxation both in Canada and the United States.

As of December 31, 2020, the Company has $nil million of non-capital Canadian losses, $78.7 million of state net operating losses which expire in 2038-2040, and $31.0 million of US federal net operating losses which have an indefinite carryforward period. When calculating these amounts, the Company reduced the gross loss carryforwards by valuations allowances. The Company determined a valuation allowance was applicable to $55.6 million of non-Capital Canadian losses, $25.9 million of state net operating losses, and $7.6 million of US federal net operating losses. Many of these NOL carryforwards currently subject to the valuation allowance will expire if they are not used within certain periods. Management has determined that it is more likely than not that the benefit from these NOL carryforwards will not be realized.

As of December 31, 2019, the Company had $1.7 million of non-capital Canadian losses which expire in 2038-2039, $12.3 million of California net operating losses which expire in 2038-2039, and $0.9 million of US federal net operating losses which have an indefinite carryforward period.

The Company determined that the tax impact of certain arrangements between its management companies and operating companies is not probable of being sustained under IFRIC 23 due to the evolving interpretations of IRC Section 280E. As a result, the Company recorded a reserve for an uncertain tax position of $15.5 million and $7.5 million as of December 31, 2020 and 2019, respectively. Of this amount, $0.6 million relates to penalties and $0.5 million relates to interest as of December 31, 2020, and $0.5 million relates to penalties and $0.2 million relates to interest as of December 31, 2019.

The amounts above may differ from the amounts recorded in Deferred tax asset and Deferred tax liability in the Consolidated Statements of Financial Position due to netting for tax filing groups for which the company has the legal right and intention to settle on a net basis as allowable under IAS 12.71.

Provision for income taxes consists of the following for the years ended December 31, 2020 and 2019:

($ in thousands)	2020	2019
Current		
Federal	$ 35,784	$ 10,455
State	12,383	2,830
Total current	$ 48,167	$ 13,285
Deferred		
Federal	$ (2,566)	$ 1,124
State	(1,881)	52
Total deferred	$ (4,447)	$ 1,176
Total	$43,720	$14,461

As of December 31, 2020 and 2019, the components of deferred tax assets and liabilities were as follows:

($ in thousands)	2020	2019
Deferred tax assets		
Share-based compensation	$ 2,080	$ 1,177
Net operating losses	12,440	1,285
Lease liabilities	20,146	13,202
Inventory	—	188
Other	817	425
Total deferred tax assets	$ 35,483	$ 16,277
Deferred tax liabilities		
Biological assets	$ (7,396)	$ (4,213)
ROU assets	(8,699)	(6,488)
Inventory	(8,026)	—
Property, plant and equipment	(8,407)	(7,923)
Intangible assets	(48,517)	(18,877)
Other	(137)	(227)
Total deferred tax liabilities	$(81,182)	$(37,728)
Net deferred tax liabilities	**$(45,699)**	**$(21,451)**

The amounts above may differ from the amounts recorded in Deferred tax asset and Deferred tax liability in the Consolidated Statements of Financial Position due to netting for tax filing groups for which the company has the legal right and intention to settle on a net basis as allowable under IAS 12.71.

The reconciliation between the effective tax rate on income from continuing operations and the statutory tax rate is as follows:

($ in thousands)	2020	2019
Expected income tax (recovery) expense at statutory tax rate	$ 4,833	$(10,783)
Tax rate differences	76	(5,383)
Pass through and non-controlling entities	(13,559)	186
State tax expense, net	11,148	1,726
Permanently non-deductible items	29,635	16,382
Uncertain tax treatment	7,598	4,875
Share-based compensation	3,349	3,869
Change in tax status	—	3,102
Return-to-provision and other prior period adjustments	(4,301)	—
Net changes in deferred tax assets not recognized	5,586	608
Other	(645)	(121)
Income tax expense	**$ 43,720**	**$ 14,461**
Effective tax rate	**206.8%**	**(28.4%)**

Movement in net deferred tax liabilities:

($ in thousands)	2020	2019
Balance at the beginning of the year	$(21,451)	$ (4,459)
Recognized in profit/loss	4,447	(1,176)
Recognized in goodwill	(30,199)	(16,108)
Recognized in equity	1,504	292
Balance at the end of the year	**$(45,699)**	**$(21,451)**

For the year ended December 31, 2020, the Company recognized in equity a deferred tax asset of $1.5 million comprised of $0.3 million related to the previous adoption IFRS 16 and a deferred tax asset of $0.2 million related to share-based compensation reserve and other transactions with shareholders. In 2020, the Company recorded a deferred tax asset of $1.0 million related to the step-up in basis from shareholder redemptions under the tax receivable agreement for Cresco Labs, LLC.

The Company also recognized in equity other activity in addition to the deferred tax asset. This includes the tax receivable agreement liability of $0.8 million related to estimated payables to certain shareholders, and $0.1 million related to permanent adjustments to the share based compensation reserve.

For the year ended December 31, 2019, the Company recognized in equity a deferred tax asset of $0.3 million comprised of $0.4 million related to the adoption of IFRS 16 partially offset by $0.1 million related to share-based compensation reserve and other transactions with shareholders.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

($ in thousands)	2020	2019
Unrecognized deductible temporary differences:		
Canadian non-capital losses carried forward	$ 55,552	$1,677
Canadian capital losses carried forward	—	809
U.S. non-capital losses carried forward	7,637	—
California non-capital losses carried forward	25,864	—
U.S. and California amortization of intangible assets	1,763	—
Capital raise expenses	10,375	2,332
Other	6,548	63
Total	**$107,739**	**$4,881**

The loss carryforwards will expire if they are not used within certain periods. Management has determined that it is more likely than not that the benefit from these deferred tax assets will not be realized as there may not be sufficient earnings.

NOTE 25. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 26, 2021, which is the date on which these financial statements were issued.

On January 14, 2021, the Company entered into a definitive agreement with Bluma Wellness Inc. ("Bluma")(the "Bluma Agreement"), pursuant to which Cresco will acquire all of the issued and outstanding shares of Bluma in an all-share transaction that values Bluma at an equity value of $213 million (the "Bluma Transaction"), or $1.12 per Bluma share. Under the terms of the Bluma Agreement, holders of common shares of Bluma will receive 0.0859 subordinate voting shares of Cresco for each Bluma share. The Bluma Transaction is expected to close during the second quarter of 2021. On March 15, 2021, Cresco agreed to extend $7.5 million to One Plant Florida ("One Plant"), Bluma's operating subsidiary. The proceeds of the loan will be used for the expansion of One Plant's operations in Florida and to satisfy tax liabilities relating to the settlement of vested restricted share units.

On January 14, 2021, the Company announced the commencement of a best efforts overnight marketed offering (the "Offering") of subordinate voting shares (the "Securities") of the Company. On January 15, 2021, the Company closed the Offering of 9.9 million subordinate voting shares at a price of C$16.00 per share for total gross proceeds of approximately US$125.0 million. The Securities were offered in each of the Provinces of Canada, other than Québec, pursuant to a prospectus supplement dated January 19, 2021 to the Company's base shelf prospectus dated July 25, 2019 and in the United States on a private placement basis to "qualified institutional buyers."

On February 16, 2021, the Company closed its acquisition of four Ohio dispensaries previously operated by Verdant Creations, LLC and its affiliates (collectively "Verdant") pursuant to the agreements previously announced on May 26, 2020. The Company acquired the four dispensaries for cash consideration of US$11.5 million and 127,065 Cresco shares at a price of C$20 per share share for total equity consideration of US$2.0 million. As of the date of issuance of this report, the Company is still in the process of determining the fair value of acquired assets and liabilities and calculation of the associated goodwill.

On February 22, 2021, the Company entered into a share purchase agreement with Spyder Cannabis Inc. and agreed to the terms of a debt assignment agreement with Plant-Based Investment Corp ("PBIC") (collectively, the "180 Smoke Agreement"), pursuant to which Cresco will sell all of the equity interests of 180 Smoke in a cash transaction that values 180 Smoke at an equity value of $0.000001 on a cash-free basis, and Cresco will sell its outstanding debt receivables with 180 Smoke of approximately C$11.6M to PBIC for C$1.0M cash (collectively, the "180 Smoke Transaction"). The 180 Smoke Transaction is expected to close in the first half of 2021.

On March 18, 2021, the Company entered into a definitive agreement to acquire all of the issued and outstanding equity interests in Cultivate Licensing LLC and BL Real Estate LLC (collectively, "Cultivate"), a vertically integrated Massachusetts operator, for maximum consideration of up to $158.0 million (the "Purchase Price"). A portion of the Purchase Price is payable upon closing of $15.0 million cash consideration and Cresco shares having an equity value equal to $75.0 million. The remaining portion of the Purchase Price will be structured as an earnout of up to $68.0 million in which approximately 12.5% of earnout payments shall be paid in cash and the remaining portion satisfied through issuance of Cresco shares (the "Cultivate Transaction"). The Cultivate Transaction is expected to close in the fourth quarter of 2021.

Exhibit 99.7

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Cresco Labs Inc. on Form S-8 (333-253670) and Form F-10 (333-253671) of our report dated March 26, 2021, with respect to our audits of the consolidated financial statements of Cresco Labs Inc. and its subsidiaries as of December 31, 2020 and 2019 and for the years then ended, included in this Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission on March 29, 2021.

/s/ MARCUM LLP
Marcum LLP
Chicago, IL
March 29, 2021