JUSHI HOLDINGS INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2019

(Expressed in United States Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") covers the financial statements of Jushi as at December 31, 2019, and for the three months and year then ended (the "Financial Statements"). Unless the context indicates or requires otherwise, the terms "Jushi", "the Company", "we", "us" and "our" refers to Jushi Holdings Inc. and its controlled entities. This MD&A should be read in conjunction with the audited annual financial statements and notes thereto for the year ended December 31, 2019 (the "Annual Financial Statements")**, which** has been prepared by management and **are** in accordance with International Financial Reporting Standards ("IFRS"), and all amounts are expressed in U.**S.** dollars unless otherwise noted. The information contained in this report is current to May 6, 2020 unless otherwise indicated.*

The Company's certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the Financial Statements and MD&A fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

The unaudited condensed interim consolidated financial statements and this MD&A have been reviewed by the Company's Audit Committee and were approved by the Company's Board of Directors on May 6, 2020.

Forward-Looking Statements

This document may contain "forward-looking information" within the meaning of applicable securities laws, including Canadian securities laws and U.S. securities laws. All information, other than statements of historical facts, included in this document that address activities, events or developments that Jushi expect or anticipate will or may occur in the future constitutes 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: future business strategy, competitive strengths, goals, expansion and growth of Jushi's business, operations and plans, including new revenue streams, the completion of contemplated acquisitions by Jushi of additional assets, roll out of new operations, the implementation by Jushi of certain product lines, implementation of certain research and development, the application for additional licenses and the grant of licenses that will be or have been applied for, the expansion or construction of certain facilities, the expansion into additional U.S. and international markets, any potential future legalization of adult use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the U.S. and the states in which Jushi operates; expectations for other economic, business, regulatory and/or competitive factors related to Jushi 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 and estimates of management of Jushi at the time they were provided or made and involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Jushi, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Such factors include, among others: risks relating to the ability to complete the pipeline transactions; risks relating to U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to the economy generally; risks relating to pandemics and forces of nature including but not limited to COVID-19; risks related to contracts with third party service providers; risks related to the enforceability of contracts; the limited operating history of Jushi; reliance on the expertise and judgment of senior management of Jushi; risks inherent in an agricultural business; risks related to co-investment with parties with different interests to Jushi; risks related to proprietary intellectual property and potential infringement by third parties; the concentrated Founder voting control of the Jushi and the unpredictability caused by the anticipated capital structure; risks relating to the Company's recent debt financing and other financing activities including leverage and issuing additional securities; risks relating to the management of growth; costs associated with Jushi being a publicly traded company; increasing competition in the industry; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor; reliance on manufacturers and contractors; risks of supply shortages or supply chain disruptions; cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks;; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to executed or future acquisitions or dispositions, including potential future impairment of goodwill or intangibles acquired; sales by existing shareholders; the limited market for securities of the Company; as well as limited research and data relating to cannabis; and risks related to the Company's critical accounting policies and estimates. Although Jushi has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. Forward-looking information and statements are provided and made as of the date of this MD&A and Jushi does not undertake any obligation to revise or update any forward-looking information or statements other than as required by applicable law.

Company Overview

Jushi is a globally focused, multi-state cannabis and hemp operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. Jushi and its industry-leading management team are focused on building a diverse portfolio of cannabis and hemp assets through opportunistic investments and pursuing application opportunities in attractive limited license jurisdictions. The Company has targeted assets in highly populated, limited licensed medical markets with a trajectory toward adult-use legalization, such as Pennsylvania, Virginia and Ohio, and limited license, fast-growing, large adult-use markets, such as Illinois, California, and Nevada.

Jushi Holdings Inc. (formerly Tanzania Minerals Corp. and before that Hill Top Resources Corp.) was incorporated under British Columbia's *Business Corporations Act* ("BCBCA"). As of June 6, 2019, Tanzania Minerals Corp. was acquired by Jushi Inc through a reverse takeover transaction (the "RTO").

The Company's Subordinate Voting Shares are listed for trading on the CSE under the ticker symbol "JUSH" and on the OTCQX under the ticker symbol "JUSHF."

Key Markets Overview

Pennsylvania Operations:

In July 2019, the Company acquired 100% equity ownership in Franklin Bioscience – Penn LLC and its subsidiaries (collectively, "FBS PA"). FBS PA holds four permits allowing for 12 medical marijuana dispensaries in Pennsylvania. The Company currently operates a total of six medical dispensaries under the Beyond/Hello brand and expects to open its seventh location in Ardmore during the second quarter. The Company expects to open the remaining five locations within the next twelve months. The six open dispensaries are located in West Chester, Bristol, Johnstown, Philadelphia (Center City and Northern Liberties), and Scranton, PA.

In September 2019, the Company signed a definitive agreement to acquire 80% of a Pennsylvania dispensary permittee, which would take the Company's subsidiary-held dispensary count from 12 to 15, the current maximum allowable number of dispensaries that can be held by one company or its affiliates in Pennsylvania. The Company's purchase of this Pennsylvania dispensary permittee is subject to customary closing conditions, including regulatory approvals.

Illinois Operations:

In January 2020, Jushi became the majority owner of two medical dispensaries in Illinois located in Sauget (adjacent to East St. Louis) and Normal (Bloomington-Normal metro area). Following the transaction, in February 2020, the Company closed on the remaining interest in the two dispensaries and now owns 100% of the two cannabis dispensaries. Since acquiring the two dispensaries, both locations have been re-branded to Beyond/Hello, and the Sauget dispensary began adult-use sales in March 2020. The Normal dispensary was approved for adult-use sales in March 2020 and is expected to begin adult-use sales in the second quarter of 2020. Each dispensary is eligible to seek approval from the Illinois Department of Financial & Professional Regulation ("IDFPR") to open a second retail location. The Company plans to exercise both of these options and have four adult-use dispensaries operating by the end of 2020.

Virginia Operations:

In September 2019, Jushi acquired the majority membership interests in Dalitso, a Virginia-based pharmaceutical processor for medical cannabis extracts. Dalitso is one of only five applicants to have received conditional approval for a pharmaceutical processor permit issued by the Virginia Board of Pharmacy. The designated area for Jushi to operate is Health Service Area II, in Northern Virginia. According to the U.S. Census Bureau, Health Service Area II has a population of approximately 2.5 million people or nearly 30 percent of the state population. This area includes two of Virginia's most densely populated and highest-income counties, Fairfax and Prince William County. The Company is currently building out a cultivation, manufacturing, retail facility in Prince William County near the City of Manassas. The Company expects the facility to be operational in the summer of 2020. Also, with the enactment of Senate Bill 976 in April 2020, the Company anticipates adding up to five additional Beyond/Hello branded medical dispensaries to Dalitso's operations in Virginia. These five cannabis Beyond/Hello branded medical dispensaries will be in addition to the Dalitso's pharmaceutical processor facility near the City of Manassas, which will allow Dalitso to cultivate, process, dispense and deliver medical cannabis to registered patients in Virginia. Senate Bill 976 will also remove the statutory five percent cap on the concentration of THC within a cannabis oil formulation and expands the definition of products a patient can possess.

California Operations:

Jushi, through its subsidiary, anticipates owning and operating a store in Santa Barbara in the second half of 2020, subject to the closing of a related acquisition agreement. Moreover, a subsidiary of the Company also received approval to move forward in the merit-based application process as one of three selected applicants for a storefront

retail (and ancillary delivery) permit in Culver City, California.
The Company has terminated a previously disclosed transaction to acquire a medical and adult-use dispensary in Malibu pursuant to the terms of the definitive agreement. In July 2019, the Company previously announced a transaction to acquire 75% equity in a medicinal and adult-use dispensary in San Diego for a purchase price of $12 million to be paid in cash and convertible notes. On April 8, 2020, the Company notified the sellers that the agreement is terminable due to certain breaches by the sellers and provided sellers with the required 30-day period to cure such breaches. Sellers responded on April 21, 2020 that they have not breached the agreement and that the Company is in breach for not closing the transaction.

The Company will continue to pursue retail opportunities in specific limited license markets, particularly in jurisdictions with high barriers of entry, limited market participants, and a firm handle on the local black market.

Nevada Operations:

The Company's subsidiary Production Excellence, LLC ("Production Excellence"), received local City of North Las Vegas authorization to enter the greater Las Vegas, Nevada market under a management services agreement with Franklin Bioscience NV, LLC ("FBS Nevada"). Pursuant to the transaction, Jushi purchased the real estate associated with FBS Nevada's facility in North Las Vegas, Nevada.

The Company has a purchase agreement in place to acquire 100% equity ownership of FBS Nevada. The closing of the equity acquisition is subject to receipt of applicable state and local regulatory approvals. An application for change of ownership has already been submitted to the State of Nevada Department of Taxation and is pending.

FBS Nevada holds medical and adult-use cannabis cultivation, processing and distribution licenses issued by the Nevada Department of Taxation. FBS Nevada currently operates cultivation, production and distribution facilities in North Las Vegas, Nevada. Additionally, the Nevada Department of Agriculture issued FBS Nevada a Hemp Handler license.

Ohio Operations:

Jushi entered into a management services agreement with a provisionally licensed medical marijuana processor in Ohio. As part of the relationship, Jushi will provide ongoing management and consulting services to the processor, including financial assistance and pre-operational support.

New York Operations:

In March 2019, Jushi was awarded an Industrial Hemp CBD Processor License by the New York State Department of Agriculture and Markets through its wholly owned subsidiary, Sound Wellness, LLC. The Company also operates a CBD retail store at the Dent Neurologic Institute in Amherst, New York, where it sells its physician formulated hemp-derived product brand Nira. The Company also sells its Nira branded products through its e-commerce platform (niracbd.com).

Recent Developments

Acquires Two Illinois Medical Cannabis Dispensaries

In January 2020, Jushi became the owner of two Illinois medical cannabis dispensaries located in Sauget (adjacent to East St. Louis) and Normal (Bloomington-Normal metro area). At the time of closing, the Sauget dispensary had received approval from the IDFPR for adult-use sales. The Bloomington-Normal dispensary was eligible to seek approval from the IDFPR to become an adult-use dispensary. Since closing on the two dispensaries and becoming 100% owners in February 2020, the Sauget dispensary has begun adult-use sales in March 2020. The Bloomington-Normal dispensary was approved for adult-use sales in March 2020 and is expected to begin adult-use sales in the second quarter of 2020. Each dispensary is also eligible to seek approval from the IDFPR to open a second retail location, and the Company plans to exercise both of these options and have four adult-use stores operating in Illinois by the end of 2020.

Formation of Jushi Europe

In February 2020, the Company expanded internationally with the formation of Jushi Europe. Jushi Europe plans to build out its European business through a combination of strategic acquisitions, partnerships, and license applications, focused on supplying the highest-quality medical cannabis products to patients throughout Europe.

Closed on $45 Million Debt Financing

At the end of January 2020, Jushi announced the receipt of $35.65 million in proceeds and $9.56 million of exchanged debt in connection with the Company's previously announced debt financing. Investors were provided two financing structure options. The first structure was senior secured promissory notes ("Warrant Notes") that will mature on January 15, 2023, will bear interest at 10.0% per annum, payable in cash quarterly, and are issued with warrants ("Warrants") to acquire Class B Subordinate Voting Shares of the Company at 75% coverage. An additional 25% warrant coverage may be issued under certain circumstances. The Warrants have an expiration date of December 23, 2024, and an exercise price of ~$1.58 (~CAD$2.08 as of December 23, 2019). The second structure was original issue discount senior secured promissory notes ("OID Notes") maturing on January 15, 2023. The OID Notes will bear interest at 10.0% per annum, payable in cash quarterly. The combined annual yield on the OID Notes totals 17%. In addition to the maturity dates, both structures have the same key terms. The Company's obligations under both the Warrant Notes and the OID Notes are secured by the assets of the Company and certain of its Subsidiaries (subject to certain exclusions) and are guaranteed by certain Subsidiaries.

Sale of Minority Stake of New York Medical Cannabis License

In October 2019, Jushi sold its 16.5% minority stake in Gloucester Street Capital, LLC ("Gloucester"), the parent company of Valley Agriceuticals and owner of one of ten New York licensed medical cannabis operators. Jushi previously purchased its 16.5% interest in Gloucester in February 2018 for $5 million in cash. The approximate market value of cash and securities received by Jushi for the sale of its 16.5% interest has a total value of approximately $15 - 20 million (depending on the contingency payouts).

Funds

Jushi has successfully raised approximately $185 million to date (which includes $9.6 million of debt assumed in the acquisition of TGS Illinois Holdings, Inc), of which approximately $40 million was invested by management and insiders. The Company is currently closing acquisitions and investments in cannabis and hemp assets in the U.S. as well as considering opportunities through its joint venture in Europe. As of December 31, 2019, the Company had $38.9 million of cash and $12.3 million in short term investments. Pro forma for 2020 financing, cash and investments in securities were approximately $70 million as of December 31, 2019. The Company will continue to opportunistically deploy capital to further enhance and complement its organic growth. Jushi anticipates incurring certain costs in connection with pursuing its objectives and will consider future sources of capital as necessary to capitalize on promising opportunities. Jushi may contemplate additional debt or equity financing to fund further acquisitions, investments in new markets, as well as future debt maturities.

Operational and Regulation Overview

Jushi takes all actions necessary to ensure that its operations are in full compliance with all applicable state and local laws, rules, regulations, and licensing requirements in the states that it operates. Currently, cannabis other than hemp is illegal under U.S. Federal law due to its classification as a Schedule 1 substance. To date, the Company's revenue has been derived from investments, U.S. cannabis operations, and U.S. hemp operations. For a regulatory overview of the states in which we operate or currently plan to operate in please review the Company's Filing Statement (filed on December 9, 2019) filed under the Company's profile on SEDAR.

Business Strategy

Jushi's business strategy is to evaluate each market opportunity pursuant to the relevant local competitive and regulatory landscape, supply/demand dynamics, and growth potential. The Company evaluates the economic viability of each opportunity before making capital allocation decisions and may decide to participate in one or more facets of the supply chain based on the dynamics mentioned above. In certain markets, Jushi may seek to apply a capital-light or retail-focused strategy, especially where cultivation may become further commoditized in future years (such as California). In early stage, vertical limited license markets (such as Virginia or New York), Jushi may seek to buy controlling interests despite the high level of capital intensity required, given the significant market opportunity. Also, in other markets, Jushi may seek a more balanced capital allocation approach where it may acquire a grower-processor and/or additional retail dispensaries in a market where it currently operates, such as Pennsylvania or Illinois. By establishing a strong platform and retail-brand recognition in markets that have the greatest growth potential, Jushi expects to be well-positioned to have a first-mover advantage for future growth in adult-use cannabis once it is further legalized.

Growth Strategy

Our team remains intensely focused on expanding our retail presence in current markets, while pursuing acquisition opportunities across the supply chain in limited license markets that complement our existing portfolio. We believe our financial capacity allows us to operate from a position of strength and will help Jushi emerge as an even stronger player in this distressed industry. Jushi plans to implement its growth strategy by expanding its presence in current markets, targeting acquisition opportunities in limited license jurisdictions, and applying for de novo licenses.

Expanding its presence in current markets. The Company currently operates in limited license markets where state-level restrictions limit the number of cannabis licenses awarded, resulting in high barriers to entry, limited market participants, and long-term competitive advantage. The Company plans to build-out its retail footprint in Pennsylvania and Illinois by increasing its store count from six to 15 in Pennsylvania, and opening two additional adult-use stores in Illinois, which will bring store count from two to four by the end of 2020. The Company also anticipates adding up to five additional Beyond/Hello branded medical dispensaries to Dalitso's operations in Virginia, with the enactment of Senate Bill 976 in April 2020. These five Beyond/Hello branded medical dispensaries will be in addition to the Dalitso's pharmaceutical processor facility near the City of Manassas, which will allow Dalitso to cultivate, process, dispense and deliver medical cannabis to registered patients in Virginia. Senate Bill 976 will also remove the statutory five percent cap on the concentration of THC within a cannabis oil formulation and expands the definition of products a patient can possess.

Targeting acquisition opportunities in limited licenses jurisdictions. Jushi is pursuing acquisition opportunities to become vertically integrated in Pennsylvania and Illinois, where the Company currently only operates retail dispensaries. The Company is also pursuing acquisition opportunities in limited license markets with high barriers of entry, such as California.

Applying for de novo licenses. Jushi is actively seeking additional avenues of growth in its existing markets and other key markets. The Company is in the process of evaluating, preparing to enter, or has submitted applications for municipal cannabis licenses in California, Illinois, Florida, Georgia, New Jersey, and New York.

Selected Financial Information

The following table sets forth unaudited selected quarterly financial information for the periods indicated:

(Amounts Expressed in United States Dollars)

	Quarter Ended				
	December 31, 2019 (unaudited)	**September 30, 2019** (unaudited)	**June 30, 2019** (unaudited)	**March 31, 2019** (unaudited)	**December 31, 2018** (unaudited)
Revenue	$ 6,034,038	$ 3,588,233	$ 226,390	$ 380,689	$ 273,001
Net (loss) income	$ (17,129,597)	$ 4,156,317	$ (11,842,839)	$ (5,954,817)	$ (3,511,383)
Net (loss) income attributable to Jushi shareholders - basic and diluted	$ (17,039,931)	$ 4,226,862	$ (11,842,839)	$ (5,954,817)	$ (3,511,383)
Net (loss) income per share attributable to Jushi shareholders - basic	$ (0.18)	$ 0.05	$ (0.17)	$ (0.12)	$ (0.07)
Net (loss) income per share attributable to Jushi shareholders - diluted	$ (0.18)	$ 0.04	$ (0.17)	$ (0.12)	$ (0.07)

	December 31, 2019	**September 30, 2019** (unaudited)	**June 30, 2019** (unaudited)	**March 31, 2019** (unaudited)	**December 31, 2018**
Assets:					
Cash and cash equivalents	$ 38,935,652	$ 26,781,331	$ 86,735,344	$ 42,683,511	$ 38,113,861
Investments in securities and other short-term financial assets	$ 17,913,154	$ 15,939,619	$ 1,253,345	$ 1,241,750	$ 1,233,228
Total assets	$ 210,059,375	$ 185,369,845	$ 127,510,512	$ 63,069,724	$ 50,180,794
Liabilities:					
Long-term liabilities	$ 52,117,677	$ 23,349,452	$ 9,102,094	$ 8,191,472	$ 7,388,547
Total liabilities	$ 86,034,777	$ 46,256,608	$ 14,947,301	$ 11,165,854	$ 8,664,629

Results of Operations

(Amounts Expressed in United States Dollars)

	Three Months Ended December 31, 2019 (unaudited)	Three Months Ended December 31, 2018 (unaudited)	Year Ended December 31, 2019	Period from January 23, 2018 (inception date) to December 31, 2018
Revenue	$ 6,034,038	$ 273,001	$ 10,229,350	$ 523,364
Cost of goods sold	3,594,300	-	5,665,452	-
Gross profit before fair value adjustments	$ 2,439,738	$ 273,001	$ 4,563,898	$ 523,364
Fair value adjustment on sale of inventory	-	-	-	-
Fair value adjustment on biological assets	240,156	-	258,840	-
Gross profit	$ 2,679,894	$ 273,001	$ 4,822,737	$ 523,364
	-	-	-	-
Operating expenses:	-	-	-	-
General and administrative expenses	$ 3,795,812	$ 2,111,997	$ 13,789,518	$ 4,823,519
Salaries, wages and employee related expenses	4,985,987	1,093,106	14,673,969	2,328,609
Share-based compensation expense	1,116,359	269,850	4,868,435	2,478,149
Acquisition and deal costs	153,108	234,334	2,662,636	378,433
Depreciation and amortization expense	963,168	73,680	2,163,095	210,768
Loss on inventory impairment	819,537	-	819,537	-
Total operating expenses	$ 11,833,972	$ 3,782,967	$ 38,977,190	$ 10,219,478
Loss from operations before other income (expense)	$ (9,154,078)	$ (3,509,965)	$ (34,154,453)	$ (9,696,114)
Other (expense) income:				
Impairment of goodwill	$ -	$ -	$ -	$ (8,990,000)
RTO listing expense	-	-	(1,359,971)	-
Interest income	58,843	167,664	378,486	854,469
Gains on investments and financial assets	2,099,130	-	11,321,330	-
Expected credit loss	(5)	-	(172,144)	-
Interest expense and finance charges	(2,009,208)	(169,082)	(3,253,004)	(224,331)
Pre-acquisition expense	(4,000,000)	-	(4,000,000)	-
Other (expense) income	(4,441)	-	4,977,827	-
Total other (expense) income	$ (3,855,681)	$ (1,418)	$ 7,892,524	$ (8,359,862)
Net loss and comprehensive loss before tax	$ (13,009,759)	$ (3,511,383)	$ (26,261,929)	$ (18,055,976)
Income tax expense	(4,119,838)	-	(4,509,009)	-
Net loss and comprehensive loss after tax	$ (17,129,597)	$ (3,511,383)	$ (30,770,938)	$ (18,055,976)
Net loss attributable to non-controlling interests	(89,666)	-	(160,211)	-
Net loss and comprehensive loss attributable to Jushi stockholders - basic and diluted	$ (17,039,931)	$ (3,511,383)	$ (30,610,727)	$ (18,055,976)
Loss and comprehensive loss per share - basic and diluted	$ (0.18)	$ (0.07)	$ (0.37)	$ (0.42)
Weighted average shares outstanding - basic and diluted	96,069,351	48,052,774	82,058,059	43,054,027

Three Months Ended December 31, 2019

Revenue

Revenue for the three months ended December 31, 2019 totaled $6.0 million, as compared to $0.3 million for the three months ended December 31, 2018, an approximately $5.8 million or 2110% increase. The increase in revenue is due primarily to the acquisition and commencement of retail operations in Pennsylvania, cultivation and manufacturing in Nevada, and retail and e-commerce operations in New York.

Cost of Goods Sold

Cost of goods sold, which excludes fair value adjustments on sale of inventory and on biological assets, totaled $3.6 million for the three months ended December 31, 2019, as compared to $nil for the three months ended December 31, 2018. As a percentage of revenue, cost of goods sold for the three months ended December 31, 2019 was 60%. The increase was due to the commencement of retail sales.

Gross Profit

Gross profit is calculated as revenue less cost of goods sold, fair value adjustment on the sale of inventory and fair value adjustment on biological assets. The primary factors that can impact gross profit include the mix of products sold, changes in inventory reserves and biological asset adjustments.

Gross profit totaled $2.7 million for the three months ended December 31, 2019, as compared to $0.3 million for three months ended December 31, 2018. As a percentage of revenue, gross profit for the three months ended December 31, 2019 was 44%.

The fair value adjustment on biological assets was a gain of $0.2 million for the three months ended December 31, 2019. As percentage of revenue, gross profit excluding fair value adjustments for the three months ended December 31, 2019 was 40%.

The fair value adjustments on biological assets are the gains or losses arising from changes in fair value less costs to sell during the period and are included in the statements of operations and other comprehensive income (loss) of the related period. Determination of the fair values of the biological assets requires the Company to make estimates and assumptions about how market participants assign fair values to the biological assets. These estimates and assumptions primarily relate to the level of effort required to bring the plants up to the point of harvest, sales price and expected remaining future yields for the plants.

Operating Expenses

Operating expenses comprise general and administrative expenses, salaries and employee benefits, share-based compensation expense, deal and acquisition-related costs and depreciation and amortization expense.

General and Administrative Expenses

General and administrative expenses, which excludes salaries, wages, employee benefits and share-based compensation expense, includes: (i) professional fees, legal fees and expenses, accounting and consulting fees (excluding acquisition and deal costs); (ii) marketing, advertising and selling costs; (iii)application and administration fees; (iv) rent, utilities, maintenance and related expense; (v) insurance (vi) travel, entertainment and conference expenses; (vii) third-party software and technology expenses including maintenance and support; (viii) other operating expenses including but not limited to: dues and subscriptions, lobbying, office supplies, banking and credit card processing fees.

General and administrative expenses ("G&A") were $3.8 million for the three months ended December 31, 2019, as compared to $2.1 million for three months ended December 31, an increase of $1.7 million. G&A for the three months ended December 31, 2019 and 2018, includes the following:

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018	
	(unaudited) (in millions)		(unaudited) (in millions)	
Professional fees and legal fees	$	0.8	$	1.3
Marketing and selling		0.5		0.0
Administration and application fees		0.5		0.2
Insurance		0.5		0.0
Rent and related expenses		0.5		0.2
Travel, entertainment and conferences		0.3		0.2
Software and technology		0.2		0.0
Other G&A		0.5		0.2
	$	3.8	$	2.1

Salaries, Wages and Employee Related Expenses

Salaries, wages and employee related expenses ("S&W"), which excludes share-based compensation expense, was $5.0 million for the three months ended December 31, 2019, compared to $1.1 million for three months ended December 31, 2018, an increase of $3.9 million. The increase in S&W is primarily to an increase in headcount from acquisitions and to support growth of the business.

In addition to the S&W included in operating expenses, $0.1 million of salaries, wages and employee related expense was allocated to inventory and included in cost of goods sold for the three months ended December 31, 2019, and none was allocated to inventory for the three months ended December 31, 2018.

Share-Based Compensation Expense

Non-cash share-based compensation expense totaled $1.1 million for the three months and year ended December 31, 2019, compared to $0.3 million for three months ended December 31, 2018, an increase of $0.8 million. The increase is primarily to an increase in headcount from acquisitions and growth of the business.

Acquisition and Deal Costs

Acquisition and deal costs totaled $0.2 million for both the three months ended December 31, 2019, and 2018.

Depreciation and Amortization Expense

Depreciation and amortization expense totaled $1.0 million for the three months ended December 31, 2019, as compared to $0.1 million for the three months ended December 31, 2018, an increase of $0.9 million. Depreciation for property, plant and equipment was $0.5 million for the three months ended December 31, 2019, as compared to $nil for the three months ended December 31, 2018. Amortization for intangible assets totaled $0.5 million for the three months ended December 31, 2019, as compared to $0.1 million for the three months ended December 31, 2018. The increases are related to assets acquired from acquisitions and growth of the business.

In addition to the depreciation and amortization expense included in operating expenses, $0.1 million of depreciation expense was allocated to inventory and included in cost of goods sold for the three months ended December 31, 2019, and $nil was allocated to inventory for the three months ended December 31, 2018.

Loss on Inventory Impairment

Loss on inventory impairment for the three months ended December 31, 2019 totaled $0.8 million. The Company paid amounts for raw hemp and subsequent extraction and other costs; however, testing of the product in its current form has shown that the material is not commercially viable, and as a result, the Company recorded a loss relating to inventory impairment.

Total Other Income (Expense)

Total net other loss was $3.9 million for the three months ended December 31, 2019, as compared to $0.0 million for the three months ended December 31, 2018. Total net other loss for the three months ended December 31, 2019 included pre-acquisition expense of $4.0 million; interest expense and finance charges of $2.0 million, partially offset by gains on investments and financial assets of $2.1 million and interest income of $0.1 million. Total net other expense for the three months ended December 31, 2018 included interest expense and finance charges of $0.2 million, offset by interest income of $0.2 million. The pre-acquisition expense related to an unreimbursed advance payment for the FBS Penn acquisition which was expensed during the fourth quarter of 2019. The gains on investments and financial assets in 2019 relates to the Company's sale of its investment in Gloucester Street Capital, LLC ("GSC") and gains on the related securities received in connection with the sale. The increase in interest expense and finance charges is related to the notes entered into by the Company in connection with its recent acquisitions and the 10% Senior Notes issued by the Company in December 2019. Interest income in 2019 relates primarily to interest earned on cash balances in bank accounts, whereas interest income in 2018 was related to notes receivable that were sold in 2018.

Net Loss

Net loss and comprehensive loss was $17.1 million for the three months ended December 31, 2019, as compared with $3.5 million for the three months ended December 31, 2018. Net loss for the three months ended December 31, 2019 includes taxation expense of $4.1 million, primarily relates to other income and the taxable gross profit generated from the Company's retail sales. There was no income tax expense for the three months ended December 31, 2018.

Net loss and comprehensive loss attributable to Jushi Stockholders (controlling interests) was $17.0 million for the three months ended December 31, 2019, as compared with $3.5 million for the three months ended December 31, 2018. Net loss attributable to non-controlling interests was $0.1 million for the three months ended December 31, 2019, and $nil for the three months ended December 31, 2018. Net loss attributable to non-controlling interests primarily relates to expenses attributable to Dalitso non-controlling interests and other non-controlling interests.

Fiscal Year Ended December 31, 2019

Revenue

Revenue for the year ended December 31, 2019 totaled $10.2 million, as compared to $0.5 million for the period from January 23, 2018 (inception date) to December 31, 2018 (the comparative period in 2018), a $9.7 million or 1855% increase. The increase in revenue is due primarily to the acquisition and commencement of retail operations in Pennsylvania and cultivation and manufacturing in Nevada and retail and e-commerce operations in New York.

Had the acquisitions of FBS Penn and FBS Nevada occurred on January 1, 2019, additional revenues of $5.1 million would have been included in the condensed interim consolidated statements of operations and comprehensive loss for the year ended December 31, 2019.

Cost of Goods Sold

Cost of goods sold, which excludes fair value adjustments on sale of inventory and on biological assets, totaled $5.7

million for the year ended December 31, 2019, as compared to $nil for the comparative period in 2018. As a percentage of revenue, cost of goods sold for the year ended December 31, 2019 was 55%. The increase was due to the commencement of retail sales.

Gross Profit

Gross profit is calculated as revenue less cost of goods sold, fair value adjustment on the sale of inventory and fair value adjustment on biological assets. Gross profit totaled $4.8 million for the year ended December 31, 2019, as compared to $0.5 million of the same period in 2018, an increase of $4.3 million. As a percentage of revenue, gross profit for the year ended December 31, 2019 was 47%.

The fair value adjustment on biological assets was a gain $0.3 million for the year ended December 31, 2019. As percentage of revenue, gross profit excluding fair value adjustments for the year ended December 31, 2019 was 45%.

Operating Expenses

General and Administrative Expenses

General and administrative expenses ("G&A") was $13.8 million for the year ended December 31, 2019, as compared to $4.8 million for the comparative period in 2018, an increase of $9.0 million. G&A for the year ended December 31, 2019 and the comparative period in 2018 includes the following:

	Year Ended December 31, 2019	Period from January 23, 2018 (inception date) to December 31, 2018
	(unaudited) (in millions)	(unaudited) (in millions)
Professional fees and legal fees	$ 5.7	$ 3.4
Marketing and selling	1.3	0.0
Administration and application fees	1.6	0.6
Insurance	1.1	0.0
Rent and related expenses	1.1	0.2
Travel, entertainment and conferences	1.4	0.5
Software and technology	0.4	0.1
Other G&A	1.2	0.0
	$ 13.8	$ 4.8

Salaries, Wages and Employee Related Expenses

Salaries, wages and employee related expenses ("S&W"), which excludes share-based compensation expense, was $14.7 million for the year ended December 31, 2019, respectively, compared to $2.3 for the comparative period in 2018, and increase of approximately $12.3 million. The increase in S&W is primarily to an increase in headcount from acquisitions and to support growth of the business.

In addition to the total expense of $14.7 million included in operating expenses for the year ended December 31, 2019, $0.1 million of salaries, wages and employee related expense was allocated to inventory and included in cost of goods sold for the year ended December 31, 2019, and $nil was allocated to inventory for the comparative period in 2018.

Share-Based Compensation Expense

Non-cash share-based compensation expense totaled $4.9 million for the year ended December 31, 2019, compared to $2.5 million in the comparative period in 2018, an increase of $2.4 million. The increase is primarily to an increase in headcount from acquisitions and growth of the business.

Acquisition and Deal Costs

Acquisition and deal costs totaled $2.7 million for the year ended December 31, 2019, compared to $0.4 million for the comparative period in 2018, an increase of $2.3 million. The increase is related to expensed deal costs from targeted and acquired businesses, of which $1.3 million relates to the FBS Penn and FBS Nevada acquisitions.

Depreciation and Amortization Expense

Depreciation and amortization expense totaled $2.2 million for the year ended December 31, 2019, as compared to $0.2 million for the comparative period in 2018, an increase of $2.0 million, of which $0.5 million was due to depreciation for right-of-use assets. Depreciation for property, plant and equipment was $0.9 million for the year ended December 31, 2019, as compared to $nil for the comparative period in 2018. Amortization for intangible assets totaled $1.2 million for the year ended December 31, 2019, as compared to $0.2 million for the comparative period in 2018. The increases for the year ended December 31, 2019 are related to assets acquired from acquisitions and growth of the business.

In addition to the depreciation and amortization expense included in operating expenses, $0.1 million of depreciation expense was allocated to inventory and included in cost of goods sold for the year ended December 31, 2019, and $nil was allocated to inventory for the comparative period in 2018.

Loss on Inventory Impairment

Loss on inventory impairment for the year ended December 31, 2019 totaled $0.8 million. The Company paid amounts for raw hemp and subsequent extraction and other costs; however, testing of the product in its current form has shown that the material is not commercially viable, and as a result the Company recorded a loss relating to inventory impairment.

Total Other Income (Expense)

Total net other income, was $7.9 million for the year ended December 31, 2019 as compared to a total net other loss of $8.4 million for the comparative period in 2018, an increase of approximately $16.3 million. Total net other income for the year ended December 31, 2019 included gains on investments and financial assets of $11.3 million, other income of $5.0 million relating to a confidential legal settlement and interest income of $0.4 million, partially offset by pre-acquisition expense of $4.0 million; interest expense and finance charges of $3.3 million, RTO listing expense of $1.4 million, and expected credit loss of $0.2 million. Total net other expense for the period from January 23, 2018 (inception date) to December 31, 2018 included impairment of goodwill of $9.0 million, interest expense and finance charges of $0.2 million, partially offset by interest income of $0.9 million. The gains on investments and financial assets in 2019 relates to the Company's sale of its investment in GSC and gains on the related securities received in connection with the sale. The write-off of pre-acquisition expense relates to an unreimbursed advance payment for the FBS Penn acquisition which was expensed during the fourth quarter of 2019. The increase in interest expense and finance charges is related to the notes entered into by the Company in connection with its recent acquisitions and the 10% Senior Notes issued by the Company in December 2019. Interest income in 2019 relates primarily to interest earned on cash balances in bank accounts, whereas interest income in 2018 was related to notes receivable that were sold in 2018.

Net Loss

Net loss and comprehensive loss was $30.8 million for the year ended December 31, 2019, as compared with $18.1 million for the comparative period in 2018. Net loss for the year December 31, 2019 includes taxation expense of

$4.5 million, which primarily relates to other income and the taxable gross profit generated from the Company's retail sales. There was no income tax expense for the comparative period in 2018.

Net loss and comprehensive loss attributable to Jushi Stockholders (controlling interests) was $30.6 million for the year ended December 31, 2019, as compared with $18.1 million for the comparative period in 2018. Net loss attributable to non-controlling interests was $0.2 million for the year ended December 31, 2019, and $nil for the comparative period in 2018. Net loss attributable to non-controlling interests relates to expenses attributable to Dalitso non-controlling interests and other non-controlling interests.

Non-IFRS Measures

In addition to providing financial measurements based on IFRS, the Company provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Corporation's financial performance. These non-IFRS financial measures are EBITDA and Adjusted EBITDA (both defined below). Management believes that these non-IFRS financial measures reflect the Corporation's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are financial measures that are not defined under IFRS. We believe EBITDA is a useful measure to assess the performance of the Company as it provides meaningful operating results by excluding the effects of expenses that are not reflective of our operating business performance. We define EBITDA as net income (loss), or "earnings", before interest, income taxes, depreciation and amortization. We believe Adjusted EBITDA is a useful measure to assess the performance of the Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our operating business performance and other one-time or non- recurring expenses. We define Adjusted EBITDA as EBITDA before: (i) fair value adjustments on biological assets and fair value adjustments on sale of inventory; (ii) share-based compensation expense; (iii) RTO listing expense; (iv) write-off of pre-acquisition expense; and (v) goodwill impairment losses.

The financial measures noted above are metrics that have been adjusted from the IFRS net income (loss) measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the IFRS net income measure. Other companies in the Corporation's industry may calculate this measure differently, limiting their usefulness as comparative measures.

Reconciliation of Non- IFRS Measures

The table below reconciles net loss to EBITDA and Adjusted EBITDA for the periods indicated:

(Amounts Expressed in United States Dollars)

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Period from January 23, 2018 (inception date) to December 31, 2018
Net loss	$ (17,129,597)	$ (3,511,383)	$ (30,770,938)	$ (18,055,976)
Income tax expense	4,119,838	-	4,509,009	-
Interest expense (income), net	1,950,366	1,418	2,874,518	(630,139)
Depreciation and amortization	1,026,776	73,680	2,226,703	210,768
EBITDA (Non-IFRS)	$ (10,032,617)	$ (3,436,285)	$ (21,160,708)	$ (18,475,346)
Non-cash share-based compensation	1,116,359	269,850	4,868,435	2,478,149
Fair value adjustments on biological assets and fair value adjustments on sale of inventory	(240,156)	-	(258,840)	-
RTO listing expense	-	-	1,359,971	-
Pre-acquisition expense	4,000,000		4,000,000	
Impairment loss	-	-	-	8,990,000
Adjusted EBITDA (Non-IFRS)	$ (5,156,413)	$ (3,166,435)	$ (11,191,142)	$ (7,007,197)

Liquidity and Capital Resources

Sources and Uses of Cash

The Company had cash of $38.9 million, short term investments of $12.3 million, short-term financial assets of $5.6 million, total current assets of $64.5 million and current liabilities of $32.6 million as of December 31, 2019. The Company therefore had net working capital of $31.2 million.

The major components of the Company's statements of cash flows for the year ended December 31, 2019 are as follows:

	Year Ended December 31, 2019	Period from January 23, 2018 (inception date) to December 31, 2018
	(in milions)	(in milions)
Net cash flows used in operating activities	$ (22.8)	$ (6.6)
Net cash flows used in investing activities	(60.9)	(2.4)
Net cash flows provided by financing activities	84.6	47.1
Effect of currency translation on cash	(0.0)	-
Net change in cash and cash equivalents	$ 0.8	$ 38.1

Cash used in operations during the year ended December 31, 2019 totaled $22.8 million, compared to $6.6 million provided by operations for the same period in 2018. The increase in cash used in operations for the year ended December 31, 2019 is primarily due to an increase in net loss as a result of an increase in operating expenses and net changes in operating assets and liabilities, partially offset by increased revenues for the year ended December 31, 2019, as compared with the comparative period in 2018.

Net cash used in investing activities totaled $60.9 million for the year ended December 31, 2019 compared to $2.4 million for the same period in 2018. The net increase in net cash used in investing activities for the year ended December 31, 2019 was primarily due to: $52.2 million in acquisition-related payments, which includes payments for acquisitions of businesses, payments for deferred acquisition costs and payments for advances for acquisitions; $8.2 million for the purchases of property, plant and equipment for use in the Company's operations; and payments for other intangibles of $0.6 million.

Net cash provided by financing activities totaled $84.6 million for the year ended December 31, 2019 compared to $47.1 million for the same period in 2018. The increase in net cash provided by financing activities for the year ended December 31, 2019 resulted primarily from: the receipt of cash from the issuance of stock of $79.5 million; net proceeds of $16.1 million from the December 2019 Debt Offering (which is net of financing charges of $0.6 million); and $1.3 million in proceeds from the exercise of share-based compensation; partially offset by payments on notes payable, including interest, of $11.5 million; and payments on lease obligations of $0.9 million. Refer to "*December 2019 Debt Offering"* below for additional details on the December 2019 Debt Offering.

The Company believes at this time that there is sufficient liquidity to execute on its business plan and satisfy the commitments made to date. The Company expects it will have negative operating cashflow while it executes on its business plan through the start-up phase and integration of acquisitions as they close. The Company may contemplate further financings over the next twelve months depending on market conditions and the potential for additional strategic investments opportunities that may come available. There is no assurance that the Company will be successful in these endeavors. Refer to Note 18. "Commitments and Contingencies" to the 2019 Financial Statements for commitments, including those relating to pending acquisitions.

December 2019 Debt Offering

During the month and year ended December 31, 2019, the Company received cash proceeds of $16,760,000 and issued 10% senior secured notes (the "Senior Notes") and 7,695,531 5-year warrants to purchase Subordinate Voting Shares of the Company (the "Warrants") and, as part of a private placement. The notes mature on January 15, 2023 (the "Maturity Date") and bear interest at 10.0% per annum, payable in cash quarterly. The Senior Notes were issued in connection with the December 23, 2019 announcement of the receipt of binding subscriptions totaling $27.460 million for the Senior Notes and the Warrants (collectively, the "Offering"). The remainder of the receipts, as well as additional subscriptions, were received in January 2020. Refer to *Closed on $45 Million Debt Financing* above for additional details.

Outstanding Share Data

As of December 31, 2019, the Company had 91,842,638 Subordinate Voting Shares issued, 149,000 Super Voting Shares which carry 1,000 votes per share and are convertible into 100 Subordinate Voting Shares per share, 4,000,000 Multiple Voting Shares which carry 10 vote per share and are convertible into 1 Subordinate Voting Share per share, 67,078,869 warrants outstanding (on an as-converted basis), 3,539,285 unvested restricted stock awards (included in the Subordinate Voting Shares outstanding), and 9,061,333 stock options outstanding. On April 30, 2020, the Company had 87,741,848 subordinate voting shares, 149,000 Super Voting Shares, 4,000,000 Multiple Voting Shares, 75,430,870 warrants (on an as-converted basis), 3,306,936 unvested restricted stock awards (included in the Subordinate Voting Shares outstanding), and 8,803,000 stock options outstanding.

Refer to Note 14. "Equity" in the December 31, 2019 Financial Statements for additional details on the Company's securities.

Contractual Obligations and Off-Balance Sheet Arrangements

At December 31, 2019, the Company had the following estimated contractual obligations to make future payments, excluding interest payments, representing contracts and other commitments that are known and committed:

	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years	Total
Accounts payable	$ 1,182,819	$ -	$ -	$ -	$ 1,182,819
Accrued expenses and other current liabilities	$ 7,690,549	$ -	$ -	$ -	$ 7,690,549
Promissory notes	$ 15,634,563	$ 9,988,044	$ -	$ -	$ 25,622,607
Senior notes	$ -	$ -	$ 16,760,000	$ -	$ 16,760,000
Leases	$ 1,196,552	$ 2,374,942	$ 2,118,430	$ 10,075,730	$ 15,765,654

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the financial performance or financial condition of the Company.

Commitment and Contingencies

The Company is 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 consolidated operations, or losses of permits that could result in ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of December 31, 2019, cannabis and hemp regulations continue to evolve and area is subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future. Refer to "Risks Related to the Business of Jushi" below.

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. Other than the matters noted in Note 18. "Commitments and Contingencies" in the December 31, 2019 Financial Statements, there were no pending or threatened lawsuits as of December 31, 2019 that could reasonably be expected to have a material effect on the results of the Company's consolidated operations. There are no proceedings in which any of the Company's directors, officers, or affiliates is an adverse party or has a material interest adverse to the Company's interest.

Other commitments and contingencies of the Company are disclosed in Note 18. "Commitments and Contingencies" in the December 31, 2019 Financial Statements.

Related Party Transactions

Other than those described or referred to in Note 19. "Related Party Transactions" in the December 31, 2019 Financial Statements, there are no additional related party transactions.

Accounting Policies, Critical Judgments and Estimates

The preparation of the Company's December 31, 2019 Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Summaries of the significant accounting policies applies, and significant judgements, estimates and assumptions made by management in the preparation of its financial statements are provided in Note 2. "Basis of Preparation and Summary of Significant Accounting Policies" in the December 31, 2019 Financial Statements.

Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR") is the responsibility of Management. The DCP and ICFR have been designed by Management based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance that the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS. Regardless of how well the DCP and ICFR 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 IFRS. 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.

Risks Related to Jushi and its Businesses

U.S. federal law and enforcement of cannabis and hemp

As of April 2020, five states have passed legislation authorizing CBD-only medical marijuana programs while thirty-four state and the District of Columbia have passed legislation authorizing comprehensive medical marijuana programs, eleven of which and the District of Columbia have passed legislation authorizing adult use marijuana. Marijuana remains fully illegal in eleven states, though access to certain cannabinoids, particularly hemp-derived CBD, is only prohibited in four states.

Twenty-five states and the District of Columbia have passed legislation decriminalizing marijuana possession to some extent (nineteen states and the District of Columbia have fully decriminalized possession, while six states have partially decriminalized by passing legislation that retains the criminal classification of possession offenses but removes the threat of incarceration).

Conversely, under the CSA, the U.S. Government lists cannabis (marijuana) as a Schedule I controlled substance (i.e., deemed to have no medical value), and accordingly the manufacture (growth), sale, or possession of cannabis is federally illegal. It is also federally illegal to advertise the sale of cannabis or to sell paraphernalia designed or intended primarily for use with cannabis, unless the paraphernalia is authorized by federal, state, or local law. The U.S. Supreme Court ruled in *U.S. v. Oakland Cannabis Buyers' Coop.*, 532 U.S. 483 (2001), and *Gonzales v. Raich*, 545 U.S. 1 (2005), that the federal government has the right to regulate and criminalize cannabis, even for personal medical purposes.

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

Under the Obama administration in 2013, the DOJ issued the Cole Memo, which gave U.S. Attorneys discretion not to enforce federal law in states with legalization regimes that adequately addressed the eight federal priorities of preventing: the distribution of cannabis to minors; revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels; the diversion of cannabis from states where it is legal under state law in some form to other states; state authorized cannabis activities 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 cannabis; drugged driving and exacerbation of other adverse public health consequences associated with cannabis use; the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and cannabis possession or use on federal property. Noting that the DOJ was "committed to using it limited investigative and prosecutorial resources to address the most significant threat in the most effective, consistent, and rational way," the Cole Memo served "as guidance to the Department attorneys in law enforcement to focus their enforcement resources and efforts, including prosecution, on persons or organizations whose conduct interferes with any one or more of these priorities, regardless of state law."

On January 4, 2018, however, then as former Attorney General, Jeff Sessions rescinded the Cole Memo and other DOJ guidance on cannabis law enforcement. Sessions wrote that the CSA, the money laundering statues, and the Bank Secrecy Act "reflect Congress's determination that marijuana is a dangerous drug in that marijuana activity is a serious crime." Instead of following the Cole Memo guidance, "prosecutors should follow the well-established principles that govern all federal prosecutions. These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The ramifications of this change in policy are unclear. Since the Cole Memo was rescinded, however, U.S. Attorneys have taken no legal action against state law compliant entities. In addition, Sessions resigned and left the DOJ, and Attorney General nominee William Barr testified in his nomination and subsequently wrote that, as Attorney General, he would not seek to prosecute companies that relied on the Cole Memo and are complying with state law.

The current uncertainty about federal enforcement is more acute with respect to the state adult use programs because federal law currently precludes federal interference with the state medical cannabis programs. Starting in December 2014, Congress included in its omnibus spending bill the Rohrabacher-Farr amendment (subsequently known at the Rohrabacher-Blumenauer amendment, and now known as the Joyce amendment), which prohibits the DOJ and the Drug Enforcement Administration from using funds to interfere with state medical cannabis programs "to prevent…States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana." Courts have interpreted the protection to preclude any prosecution against those in strict compliance with state medical cannabis laws. While the Joyce protection prevents prosecutions, it does not make cannabis legal. Accordingly, the U.S. Appellate Court for the Ninth Circuit noted in a footnote that, if the protection were lifted, the federal government could prosecute any conduct within the statute of limitations. In other words, if Congress does not renew the Joyce protection, the federal government could commence prosecuting cannabis companies for any activity occurring within the statute of limitations even if the Joyce protection was in place when the federally illegal activity occurred.

The Joyce protection depends on its continued inclusion in the federal omnibus spending bill, or inclusion in some other legislation, and entities' strict compliance with the state medical cannabis laws. That protection has been extended through the most recent spending bill.

Until Congress changes the law with respect to medical cannabis and particularly if the Congress does not extend the Joyce protection of state medical cannabis programs, there is a risk that federal authorities may enforce current federal cannabis law, and Jushi may be found to violate federal law by growing, processing, possessing, and selling cannabis, by possessing and selling drug paraphernalia, and by laundering the proceeds of the sale of cannabis or otherwise violating the money laundering laws or the Bank Secrecy Act. Active enforcement of the current federal regulatory position on cannabis may thus directly or indirectly adversely affect Jushi's revenues and profits.

Because the medical 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.

Regardless of the federal government's criminal enforcement, federal prohibition otherwise can negatively affect businesses involved in the cannabis industry for several reasons including that: most banks refuse to serve cannabis companies, making banking and other financial transactions difficult; businesses trafficking in cannabis may not take tax deductions for costs beyond costs of goods sold under Section 280E of the Tax Code; cannabis businesses have restricted intellectual property rights particularly with respect to obtaining trademarks and enforcing patents; and cannabis businesses may face court action by third parties under the Racketeer Influenced and Corrupt Organizations Act. Any of these risks could make it difficult for Jushi to operate or could impact its profitability. In addition, cannabis businesses cannot avail themselves of federal bankruptcy protection and face fewer and generally more expensive options for insurance coverage.

Investors should understand that there is no guarantee that the current administration will not change federal enforcement policy or execution in the future. Additionally, any new administration or attorney general could change this policy and decide to enforce the federal laws more strongly. A change in the federal approach towards enforcement could negative affect the industry, potentially ending it entirely. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to Jushi. The legal uncertainty and possible future changes in law could negatively affect Jushi's existence, expansion plans, revenues, profits, and success generally.

Until recently, hemp (defined as Cannabis sativa L. with a THC concentration of not more than 0.3 percent on a dry weight basis) and hemp's extracts (except mature stalks, fiber produced from the stalks, oil or cake made from the seeds, and any other compound, manufacture, salt derivative, mixture, or preparation of such parts) were illegal Schedule I controlled substances under the CSA. The 2014 Farm Bill legalized the cultivation of industrial hemp for research under programs established by states. The majority of states established programs purportedly in compliance with the 2014 Farm Bill. Many industry participants and even states interpreted the law to include "research" into commercialization and commercial markets.

In December 2018, the U.S. government changed the legal status of hemp. The 2018 Farm Bill, removed hemp and extracts of hemp, including CBD, from the CSA schedules. Accordingly, the production, sale, and possession of hemp or extracts of hemp including CBD no longer violate the CSA. For hemp farmers and hemp product producers, the law expands banking options, expands IP protection and enforceability, decreases tax liabilities, and makes crop insurance available. The law also grandfathers 2014 Farm Bill industrial hemp research programs for at least one year.

Notably, the 2018 Farm Bill did not make hemp nationally legal and did not implement the legalization in permissive states. States can still prohibit hemp or limit hemp more stringently than the federal regulations will, although hemp may pass through all states, regardless of the particular state's law on growth and sales. The 2018 Farm Bill directs the USDA to create federal regulations and to set the framework for states to regulate their regulations. On October 31, 2019, the USDA published an interim final rule for the establishment of a domestic hemp production program. The rule had a sixty-day comment period and is effective from October 31, 2019 through November 1, 2021. For states choosing to permit and regulate hemp and hemp extracts, the state department of agriculture, in consultation with the state's governor and chief law enforcement officer, will devise a plan, which the USDA must approve. For states permitting, but opting out of regulating, hemp, the rule constructs a regulatory program under which hemp cultivators must apply for licenses and comply with the federally run program. Federal requirements for producers will include maintaining information about land and procedures for testing THC levels and disposing of hemp or byproducts that exceed 0.3% THC.

The section of the 2018 Farm Bill establishing a framework for hemp production also states explicitly that it does not affect or modify the FDCA, section 351 of the Public Health Service Act (addressing the regulation of biological products), the authority of the Commissioner of the FDA under those laws, or the Commissioner's authority to regulate hemp production under those laws.

Within hours of President Trump signing the 2018 Farm Bill, FDA Commissioner Scott Gottlieb, who subsequently resigned from the FDA, issues a statement reminding the public of the FDA's continued authority "to regulate products containing cannabis or cannabis-derived compounds under the [FDCA] and section 351 of the Public Health Service Act." (Statement, dated Dec. 20, 2018, available at https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm.) He continued: "additionally, it's unlawful under the FD&C Act to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products, as, or in, dietary supplements, regardless of whether the substances are hemp-derived," because CBD had entered the FDA's jurisdiction when GW Pharmaceuticals submitted Sativex and Epidiolex, both containing CBD as an active ingredient, for testing.

The memo added that any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e.g., therapeutic benefit, disease prevention) must be approved by the FDA for its intended use through one of the drug approval pathways prior to being introduced into interstate commerce. Notably, the FDA can look beyond the express claims to find that a product is a "drug." The definition of "drug" under the FDCA includes, in relevant part, "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals" as well as "articles intended for use as a component of [a drug as defined in the other sections of the definition]." 21 U.S.C. § 321(g)(1). In determining "intended use," FDA has traditionally looked well beyond a product's actual label to statements made on websites, on social media, or orally by representatives of the company. Gottlieb did acknowledge that hemp foods not containing CBD or THC are legal: hulled hemp seeds, hemp seed protein, hemp seed oil.

Notably, the FDA could take similar action on products with THC if the federal government ever similarly legalized cannabis.

Enforcement under the FDCA may be criminal or civil in nature and can include those who aid and abet a violation, or conspire to violate, the FDCA. Violations of the FDCA (21 U.S.C. § 331 (Prohibited acts)) are for first violations misdemeanors punishable by imprisonment up to one year or a fine or both and for second violations or violations committed with an "intent to defraud or mislead" felonies punishable by fines and imprisonment up to three years. 21 U.S.C. § 333(a). The fines provided for in 21 U.S.C. § 333(a) are low (US$1000 and US$3000), but under the Criminal Fine Improvements Act of 1987 the criminal fines can be increased significantly (approximately US$100,000 - US$500,000). Civil remedies under the FDCA include civil money penalties (see, e.g., 21 U.S.C.

§333(b)and (f)(2)A), 21 C.F.R. §17.1), injunctions, and seizures (21 U.S.C §334). FDA also has a number of administrative remedies, e.g., warning letters, recalls, debarment.

U.S. border officials could deny entry into the U.S. to employees of, or investors in companies with cannabis operations in the U.S.

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection (the "CBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in the U.S. could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, the CBP released a statement outlining its current position with respect to enforcement of the laws of the U.S. It stated that the CBP enforcement of U.S. laws regarding controlled substances has not changed and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the U.S. As a result, the CBP has affirmed that, a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry, will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reasons related to the cannabis industry, they may be deemed inadmissible.

Difficulty in accessing services of banks and/or other financial institutions

Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. Previous guidance issued by the FinCEN, a division of the U.S. Department of the Treasury, clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Prior to the DOJ's announcement in January 2018 of the rescission of the Cole Memo and related memoranda, supplemental guidance from the DOJ directed federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis-related activity. It is unclear what impact the rescission of the Cole Memo will have, but federal prosecutors may increase enforcement activities against institutions or individuals that are conducting financial transactions related to cannabis activities. The increased uncertainty surrounding financial transactions related to cannabis activities may also result in financial institutions discontinuing services to the cannabis industry.

Consequently, those businesses involved in the regulated medical-use cannabis industry continue to encounter difficulty establishing banking relationships, which may increase over time. Jushi's inability to maintain its current bank accounts would make it difficult for Jushi to operate its businesses, increase its operating costs, and pose additional operational, logistical and security challenges and could result in its inability to implement its business plans.

Difficulty accessing public and private capital

While Jushi is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, they currently have access to equity financing through the private markets in Canada and the U.S. 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 its business. Likewise, marijuana businesses have limited access, if any, 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.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to Jushi. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to Jushi when needed or on terms which are acceptable to Jushi. Jushi's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Lack of access to U.S. bankruptcy protections

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

Risks related to heightened scrutiny by regulatory authorities

For the reasons set forth above, Jushi'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 and the U.S. As a result, Jushi 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 Jushi's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those restrictions described herein. It had been reported in Canada that the Canadian Depository for Securities Limited was considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have activities in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the U.S., despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a MOU with the NEO, the Canadian Securities Exchange, the Toronto Stock Exchange, and the TSXV. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. 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 U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Subordinate Voting Shares or other securities of the Company are listed on a stock exchange, it would have a material adverse effect on the ability of holders of the Subordinate Voting Shares or such other securities to make and settle trades. In particular, the Subordinate Voting Shares or such other securities would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Subordinate Voting Shares or such other securities through the facilities of the applicable stock exchange.

Risks related to operating in a highly regulated industry

Some state requirements may prove to be excessively onerous or otherwise impracticable for Jushi to comply with, which may have the result of excluding such business opportunities from the list of possible qualifying transactions that Jushi would otherwise consider.

In addition, laws and regulations affecting the U.S. cannabis industry are continually changing, which could detrimentally affect the operations of Jushi. Local, state, and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require Jushi to incur substantial costs associated with compliance or alter its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt Jushi's businesses and result in material adverse effect on its operations.

Successful execution of Jushi's strategies are contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing all applicable licenses. The commercial cannabis industry is still a nascent industry, and Jushi cannot predict the impact of the compliance regime to which they will be subject. Similarly, Jushi cannot predict the time required to secure all appropriate regulatory approvals for any of its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of Jushi. Without limiting the foregoing, failure to comply with the requirements of any underlying licenses or any failure to maintain any underlying licenses would have a material adverse impact on the business, financial condition and operating results of Jushi. There can be no guarantees that any required licenses for the operation of our business will be extended or renewed in a timely manner, if at all, or that if they are extended or renewed, that the licenses will be extended or renewed on the same or similar terms.

Jushi will incur ongoing costs and obligations related to regulatory compliance, and such costs may prove to be material. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on Jushi's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Jushi's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on Jushi.

Risks related to events or developments in the cannabis industry

Damage to Jushi's reputations could be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that Jushi's businesses may attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputations of Jushi. The increased use of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the cannabis companies and their activities, whether true or not and the cannabis industry in general, whether true or not. Jushi does not ultimately have direct control over how they or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to Jushi's overall abilities to advance its business strategy and realize on its growth prospects, thereby having a material adverse impact on Jushi.

Risks related to being deemed an investment company under the U.S. Investment Company Act

Jushi may be deemed an investment company under the Investment Company Act, as amended, and thus subject to regulation under such act, and maintenance of its exclusion or an exemption from such status may impose significant limits on its operations. Shareholders' investment return may be reduced if Jushi is required to register as an investment company under the Investment Company Act.

Jushi conducts its operations so that they are not deemed an investment company under the Investment Company Act, or, in the alternative, so that Jushi may rely on an exemption from registration as an investment company under the Investment Company Act. It is possible that Jushi may not be able to maintain the mix of assets, or other characteristics, necessary to qualify for an exclusion or exemption, and attempts to maintain such exclusions or exemptions, may impair, perhaps materially, its ability to pursue otherwise attractive investments. These rules are subject to change, and such changes may have an adverse impact on Jushi. In the future, Jushi may need to avail themselves of alternative exclusions and exemptions which may require a change in the organization structure of its businesses.

Failure to maintain its exclusion or an exemption would require Jushi to significantly restructure its investment strategies. For example, because affiliate transactions are generally prohibited under the Investment Company Act, Jushi would not be able to enter into transactions with any of its affiliates if it is required to register as an investment company, and Jushi might be required to terminate the management agreement and any other agreements with affiliates, which could have a material adverse effect on its ability to operate its businesses and pay distributions. If Jushi were required to register as investment companies but failed to do so, it would be prohibited from engaging in its businesses and could be subject to criminal and civil actions. In addition, Jushi's contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of Jushi and liquidate its businesses.

Risks related to negative publicity or consumer perception

The public's perception of cannabis may significantly impact the cannabis industry's success. Both the medical and adult use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult use cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in the U.S. or internationally, may have a material adverse effect on Jushi's operational results, consumer bases, and financial results. Among other things, such a shift in public opinion could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which Jushi could identify potential acquisition opportunities.

Risks related to relationships with third parties

The parties with which Jushi does business may perceive that they are exposed to reputational risk as a result of Jushi's cannabis-related business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of Jushi's businesses could have a material adverse effect on Jushi's businesses, financial conditions and results of operations.

Risks related to competition

Jushi faces intense competition in the cannabis industry, some of which can be expected to come from companies with longer operating histories and more financial resources, manufacturing and marketing experience than Jushi. In addition, there is potential that the cannabis industry will undergo consolidation, creating larger companies with financial resources and manufacturing and marketing capabilities and products that may sell better than those of Jushi. As a result of this competition, Jushi may be unable to maintain or develop its operations as currently proposed on terms they consider to be acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect Jushi's businesses, financial conditions and results of operations.

Risks associated with insurance in the cannabis industry

While Jushi believe they will be able to acquire adequate insurance coverage, such insurance will be subject to coverage limits and exclusions and may not be available for all risks and hazards to which Jushi may be exposed. No assurance can be given that such insurance will be adequate to cover Jushi's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Jushi were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if Jushi were to incur such liability at a time when it is not able to obtain liability insurance, they could be materially adversely affected.

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

Risks related to U.S. anti-money laundering laws and regulations

Investments in the U.S. cannabis business are subject to a variety of laws and regulations 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 USA PATRIOT Act, other anti-money laundering laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

In February 2014, the U.S. Treasury Department FinCEN issued the FinCEN Memo providing guidance to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo outlined circumstances under which banks may provide services to cannabis related businesses without risking prosecution for violation of the U.S. Bank Secrecy Act. It outlines due diligence and reporting requirements, which most banks have viewed as onerous. The Treasury Department has stated that the FinCEN Memo is current guidance but that the Department plans to issue revised guidelines on an unspecified future date.

In the event that any of Jushi's transactions, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such transactions 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 Jushi to declare or pay dividends or effect other distributions of funds.

Risks related to transportation

Jushi's businesses involve, directly or indirectly, the production, sale and distribution of cannabis products. Due to the perishable nature of such products, Jushi may depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on Jushi. Rising costs associated with the third-party transportation services which will be used by Jushi to ship its products may also adversely impact the business of Jushi.

Risks related to rising energy costs

Jushi's businesses involve, directly or indirectly, the production of cannabis products which will consume considerable energy, making Jushi vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Jushi and its ability to operate profitably.

Risks related to the agricultural business

Jushi's businesses involve, directly or indirectly, the growing of cannabis, which is an agricultural product. As such, the businesses may be subject to the risks inherent in the agricultural business, such as insects, plant diseases, inclement weather and other natural disasters and similar agricultural risks. Even when grown indoors under climate-controlled conditions monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the production of cannabis products and on Jushi.

Risks related to environmental regulations

Participants in the cannabis industry are subject to environmental regulation in the various jurisdictions in which they operate. 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 and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Jushi.

Risks related to government approvals and permits

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. Jushi 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.

Risks related to differences in regulatory requirements across state jurisdictions

Traditional business rules may prove to be imperfect in the cannabis industry. For example, while it would be common for participants in the market to purchase companies in different states to reach economies of scale and to conduct business across state lines, that may not be feasible in the cannabis industry because of varying state-by-state legislation and the prohibition on cannabis passing over state lines. As no two regulated markets in the cannabis industry are exactly the same, doing business across state lines may not be possible or commercially practicable. As a result, Jushi may be limited to identifying opportunities in individual states, which may have the effect of slowing the growth prospects of Jushi.

Risks related to advertising and promotion

Jushi's future growth and profitability may depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to (i) create brand recognition for any products they may develop or sell; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for Jushi's businesses in the future or will generate awareness for any of Jushi's products. In addition, no assurance can be given that Jushi will be able to manage the advertising and promotional costs on a cost-effective basis.

The cannabis industry in the U.S., including both the medical and adult use cannabis markets, is in its early development stage and restrictions on advertising, marketing and branding of cannabis companies and products by various medical associations, governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Jushi's ability to conduct sales and marketing activities and to create brand recognition, and could have a material adverse effect on Jushi's businesses.

Risks related to product liability regimes and strict product recall requirements

Jushi faces the risk of exposure to product liability claims, regulatory action and litigation if any of its businesses' products are alleged to have caused significant loss or injury. In addition, the sale of cannabis 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 cannabis products alone or in combination with other medications or substances could occur. Jushi may be subject to various product liability claims, including, among others, that specific cannabis products caused injury or illness, or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Jushi could result in increased costs, could adversely affect our reputation with its clients and consumers generally, and could have a material adverse effect on Jushi.

In addition, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. To the extent any products are recalled due to an alleged product defect or for any other reason, Jushi could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Jushi 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. Moreover, a recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on Jushi. Product recalls may lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Risks related to the development and sale of new products

The cannabis industry is in its early stages of development and Jushi, and their competitors, may seek to introduce new products in the future. In attempting to keep pace with any new market developments, Jushi may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by Jushi. Jushi may also be required to obtain additional regulatory approvals from government agencies and any other applicable regulatory authorities, which may take significant amounts of time. Jushi may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on Jushi.

Risks related to intellectual property rights

The ownership and protection of intellectual property rights is a significant aspect of Jushi's future success. Jushi may rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. Jushi will try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as our partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event we could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use Jushi's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of Jushi's future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as Jushi may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of Jushi's future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of Jushi, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of Jushi's future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly. Any or all of these events could materially and adversely affect the businesses, financial conditions and results of operations of Jushi.

In addition, other parties may claim that Jushi's products infringe on its proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, Jushi may need to obtain licenses from third parties who allege that Jushi has infringed on its lawful rights. However, such licenses may not be available on terms acceptable to Jushi or at all. In addition, Jushi may not be able to obtain or utilize on terms that are favorable, or at all, licenses or other rights with respect to intellectual property that they do not own.

Risks related to information technology systems and cyber-attacks

Jushi's operations may depend, in part, on how well it and its suppliers protect networks, equipment, 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. Jushi's operations may also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact Jushi's reputations and results of operations. Jushi's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access may become a priority to ensure the ongoing success and security of the businesses. As cyber threats continue to evolve, Jushi may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks related to management of growth

Jushi may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Jushi to manage growth effectively will require them to continue to implement and improve its operational and financial systems and to expand, train, and manage its employee base. The inability of Jushi to deal with this growth may have a material adverse effect on Jushi.

Risks associated with limited resources and competition for business opportunities

Jushi has and expects to continue to encounter intense competition from other entities with similar business objectives, including other private investors, pension funds and private equity firms, prospective special purpose acquisition corporations and other entities, domestic and international, competing for the types of businesses Jushi intend to acquire. Many of these individuals and entities are well-established and have significant experience identifying and effecting, directly or indirectly, investments in companies operating in or providing services to various industries. Some of these competitors may possess greater technical, human and other resources and Jushi's financial resources will be relatively limited when contrasted with those of many of its competitors. While Jushi believes there are numerous target businesses and assets to potentially acquire, Jushi's ability to compete with respect to the opportunities in certain target businesses that are sizeable will be limited by its available financial resources.

Risks related to opportunities outside of management's area of expertise

Jushi may be presented with a target in a sector unfamiliar to its management team, but may determine that such candidate offers an attractive opportunity for Jushi. In the event Jushi elect to pursue an opportunity outside of its management's expertise, Jushi's management's experience may not be directly applicable to the target business or its evaluation of its operations.

Risks related to evaluating prospective target businesses

Although Jushi has identified specific criteria and guidelines for evaluating prospective target businesses, it is possible that a target business with which Jushi enters into a transaction will not have all of these positive attributes. If Jushi consummates a transaction with a target that does not meet some or all of these guidelines, such transaction may not be as successful in a business that does meet all of Jushi's general criteria and guidelines.

Risks related to transactions that are not consummated

Jushi anticipates that the investigation of each specific target business and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and other experts. If Jushi decides not to complete a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, if Jushi reaches an agreement relating to a specific target business, Jushi may fail to consummate the transaction for any number of reasons, including those beyond its control. Any such event will result in losses to Jushi of the related costs incurred which could materially adversely affect subsequent attempts to locate and acquire or merge with another business.

Risks related to loss of officers and directors

Jushi's operations are dependent upon a relatively small group of individuals and, in particular, its officers and directors. Jushi believe that its success will depend on the continued service of its officers and directors. In addition, Jushi's officers and directors are not required to commit any specified amount of time to Jushi's affairs and, accordingly, may have conflicts of interest in allocating management time among various business activities, including identifying potential acquisitions and monitoring the related due diligence. Jushi do not have key-man insurance on the life of, any of its directors or officers. The unexpected loss of the services of one or more of its directors or officers could have a detrimental effect on Jushi, its operations and its ability to make acquisitions.

Risks related to conflicts of interest

Jushi engages in the business of identifying and combining with one or more businesses. Jushi's officers and directors may now be, or may in the future become, affiliated with entities that are engaged in a similar business.

Jushi's officers and directors also may become aware of business opportunities which may be appropriate for presentation to Jushi and the other entities to which it owes duties. In the course of its other business activities, Jushi's officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in Jushi's favor, as Jushi's officers and directors are not required to present investment and business opportunities to Jushi in priority to other entities with which they are affiliated or to which they owe duties.

Jushi have not adopted a policy that expressly prohibits its directors, officers, security holders, affiliates or associates from having a direct or indirect financial interest in any investment to be acquired or disposed of by Jushi or in any transaction to which it is a party or has an interest. In fact, even though it is not Jushi's current intentions to do so, they may enter into a transaction with a target business that is affiliated with Jushi's directors or officers.

Risks related to scientific research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in early stages. To Jushi's knowledge, there have been relatively few double-blind placebo-controlled clinical trials on the benefits of cannabis or isolated cannabinoids. Any statements made in this document concerning cannabis' or cannabinoids' potential medical benefits are based on published articles and reports. As a result, any statements made in this document are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although Jushi believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this document or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact Jushi.

Results of future clinical research

Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for Jushi's products with the potential to lead to a material adverse effect on Jushi's business, financial condition and results of operations.

Reliable data on the medical cannabis industry is not available

As a result of recent and ongoing regulatory and policy changes in the medical cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by Jushi of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of Jushi's management team as of the applicable date of such research and projections.

Risks related to key personnel and employees

The success of Jushi are currently largely dependent on the performance of its current management team (collectively, "Key Persons"). Jushi's future success depend on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and Jushi may incur significant costs to attract and retain them. In addition, Jushi's lean management structures may be strained as Jushi pursue growth opportunities in the future. The loss of the services of a Key Person, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on Jushi's ability to execute on its business plan and strategy, and Jushi may be unable to find adequate replacements on a timely basis, or at all.

Key Persons may be subject to applicable security clearances by regulatory agencies. Security clearances are valid for a limited period of time and must subsequently be renewed. There is no assurance that any of Jushi's personnel who may in the future require a security clearance will be able to obtain or renew such clearances, or that new personnel who require a security clearance will be able to obtain one. A failure by a Key Person to maintain or renew his or her security clearance could result in a material adverse effect on Jushi's businesses, financial conditions and results of operations. In addition, if a Key Person leaves Jushi and it is unable to find a suitable replacement that has the requisite security clearance in a timely manner, or at all, such delay or failure could result in a material adverse effect on Jushi.

Limited Operating History

Jushi is an early stage company having been founded in 2018 and as a result, Jushi lacks an operating history. Investors have no basis upon which to evaluate Jushi's ability to achieve its business objectives. For Jushi to meet future operating requirements, Jushi will need to be successful in completing acquisitions, developing acquired licenses, growing retail footprint as well as marketing and sales efforts. In addition, where Jushi experiences increased sales and growth via acquisition, Jushi's current operational infrastructure may require changes to scale Jushi's businesses efficiently and effectively to keep pace with demand and achieve long-term profitability. If Jushi's products and services are not accepted by new customers, Jushi's operating results may be materially and adversely affected.

U.S. tax classification of the Company

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

It is expected that the Company will be treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code and will, as a result, be subject to U.S. 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 Code, to be treated as a Canadian resident company (as defined in the Tax Act) for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the U.S., 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, Multiple Voting Shares and/or Super Voting Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-U.S. tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may be unavailable.

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 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 Subordinate Voting Shares, Multiple Voting Shares, and/or Super Voting Shares will be treated for U.S. tax purposes as shares of a U.S. domestic corporation, the U.S. gift, estate, and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares.

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

Risks related to restrictions on deductions of certain business expenses in accordance with 280E under U.S. tax laws

Section 280E of the U.S. Tax Code prohibits businesses trafficking in Schedule I or II controlled substances, including cannabis, even if legally under state law, from claiming tax deductions beyond costs of goods sold. Accordingly, Section 280E generally causes such businesses to pay higher effective U.S. federal tax rates than businesses in other industries. Jushi Inc and the Company expect to be subject to Code Section 280E. The application of Code Section 280E to Jushi Inc and the Company may adversely affect Jushi Inc and the Company’s profitability and, in fact, may cause Jushi Inc and the Company to operate at a post-tax loss. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of Code Section 280E to cannabis businesses, the enactment of any such law is uncertain.

Risks related to tax consequences

While the Company expects to undertake any merger or acquisition so as to minimize taxes both to the acquired business and/or asset and the Company, such a transaction might not meet the statutory requirements of a tax-deferred rollover for the Company or for its shareholders. A transaction that does not qualify for a tax-deferred rollover could result in the imposition of substantial taxes and may have other adverse tax consequences to the Company and/or its shareholders.

Risks related to Founder and beneficial owner voting control

As a result of the Super Voting Shares that James Cacioppo, Erich Mauff and Louis Jonathan Barack (the "Founders") collectively hold they have the ability to control the outcome of all matters submitted to the Company's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Company. In addition, Dennis Arsenault, a beneficial owner, owns the Multiple Voting Shares as well as some Subordinate Voting Shares and therefore may also be in a position to influence the outcome such matters. If James Cacioppo, Erich Mauff or Louis Jonathan Barack's 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.

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 their 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 officers of the Company, the Founders are anticipated to 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 officers, the Founders will 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, James Cacioppo, Erich Mauff and Louis Jonathan Barack will be 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.

Risks related to unpredictability caused by anticipated capital structure and Founder voting control

Although other Canadian-based companies have dual class or multiple voting share structures, given the unique capital structure contemplated in respect of the Company and the concentration of voting control that is anticipated to be held by the Founders, 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.

Risks related to additional financing

The Company may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Subordinate Voting Shares.

Depending on the available of traditional banking services to the Company, the Company may enter into one or more credit facilities with one or more lenders in order to finance the acquisition of the Company's investments. It is anticipated that any such credit facility will contain a number of common covenants that, among other things, might restrict the ability of the Company to: (i) acquire or dispose of assets or businesses; (ii) incur additional indebtedness; (iii) make capital expenditures; (iv) make cash distributions; (v) create liens on assets; (vi) enter into leases, investments or acquisitions; (vii) engage in mergers or consolidations; or (viii) engage in certain transactions with affiliates, and otherwise restrict activities of the Company (including its ability to acquire additional investments, businesses or assets, certain changes of control and asset sale transactions) without the consent of the lenders. In addition, such a credit facility would likely require the Company to maintain specified financial ratios and comply with tests, including minimum interest coverage ratios, maximum leverage ratios, minimum net worth and minimum equity capitalization requirements. Such restrictions may limit the Company's ability to meet targeted returns and reduce the amount of cash available for investment. Moreover, the Company may incur indebtedness under credit facilities that bear interest at a variable rate. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt and could reduce the amount of cash available for various Company purposes.

Debt Financing and Restrictions

In January of 2020, the Company closed on a significant tranche of debt financing and, as part of certain past and pending transactions, has financed such purchases by debt. From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations that may also be financed in whole or in part, by debt, which may increase the Company's debt levels above industry standards. Debt financing, including the January 2020 debt financing, may involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Risks of leverage

Jushi anticipates utilizing leverage in connection with the Company's investments in the form of secured or unsecured indebtedness. Although Jushi will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Company defaults on secured indebtedness, the lender may foreclose and the Company could lose its entire investment in the security of such loan. If the Company defaults on unsecured indebtedness, the terms of the loan may require the Company to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Company may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Company could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Company investments, the Company may borrow funds in its own name for various purposes, and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Company. If investments fail to cover the cost of such borrowings, the value of the investments held by the Company would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Company could be subordinated to such leverage, which will compound any such adverse consequences.

Future Financing Needs

The continued development of the Company may require additional financing. Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The failure to raise additional capital could result in the delay or indefinite postponement of current business objectives or the Company becoming insolvent. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, on terms that are favorable or acceptable to the Company.

Risks related to previous or future acquisitions or dispositions

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

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

Risks related to acquisitions

The Company could incur additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition of businesses or strategic assets. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's securities.

The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on management. There is no assurance that these acquisitions will be successfully integrated in a timely manner.

Such transactions could involve other risks, including the assumption of unidentified or unknown liabilities, disputes or contingencies, for which the Company, as a successor owner, may be responsible, and/or changes in the industry, location, or regulatory or political environment in which these investments are located, that the Company's due diligence review may not adequately uncover and that may arise after entering into such transactions. Although the Company has and expects to continue to realize strategic, operational and financial benefits as a result of the Company's mergers and acquisitions, the Company cannot predict whether and to what extent such benefits will be achieved.

Furthermore, any future merger or acquisition may result in diversion of management's attention from other business concerns, and such transactions may be dilutive to the Company's financial results and/or result in impairment charges and write-offs.

The Company has incurred goodwill impairment charges in the past and may incur additional goodwill, intangible or other asset impairment charges in the future. The Company has significant amounts of long-lived assets, goodwill and intangible assets. Management periodically reviews the carrying values of goodwill and intangible assets to determine whether such carrying values exceed their fair market values. Declines in the profitability due to economic or market conditions or otherwise, as well as adverse changes in financial, competitive and other conditions, or other adverse changes in the key valuation assumptions contributing to the estimated fair value of a reporting unit, could adversely affect the estimated fair values of the related reporting unit, which could result in an impairment of the recorded balances of goodwill or intangible assets. Such an impairment or write-off could adversely affect the Company's financial condition and operating results.

Risks related to increased costs as a result of being a public company

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

In particular, as a result of the Business Combination, the Company has become subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, which requires annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company as well as on the Company's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

Risks related to a loss of Foreign Private Issuer status

The Company may lose its status as a Foreign Private Issuer if, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the United States. The Company could lose its status as a Foreign Private Issuer as a result of all or a portion of the Super Voting Shares directly or indirectly held of record by U.S. residents are converted into Subordinate Voting Shares. In addition, the Company could potentially lose its Foreign Private Issuer status as a result of future issuances of its shares from treasury to the extent such shares are acquired by U.S. residents. Loss of Foreign Private Issuer status may have adverse consequences on the Company's ability to issue its securities to acquire companies and its ability to raise capital in private placements or Canadian prospectus offerings. In addition, loss of the Company's Foreign Private Issuer status would likely result in increased reporting requirements and increased audit, legal and administration costs. Further, should the Company seek to list on a securities exchange in the United States, in the future loss of Foreign Private Issuer status may increase the cost and time required for such a listing. These increased costs may have a material adverse effect on the business, financial condition or results of operations of the Company.

Certain remedies may be limited

The Company's governing documents may provide that the liability of the Company Board and its officers is eliminated to the fullest extent permitted under the laws of the Province of British Columbia. Thus, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Company Board and its officers. The Company's governing documents may also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Company Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of 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.

Financial projections may prove materially inaccurate or incorrect

Any financial estimates, projections and other forward-looking information or statements included in this document were prepared by Jushi without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this document. Shareholders should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including target and/or pipeline transactions not being consummated, pending acquisitions being terminated, increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, Shareholders should not rely on any projections to indicate the actual results the Company might achieve.

Market price volatility risks

The market price of the Subordinate Voting Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Subordinate Voting Shares.

Sales by existing shareholders

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares, could reduce the market price of the Subordinate Voting Shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

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.

Limited market for securities

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

An investment in the Company may be considered to be speculative, involves certain risks, and is suitable only for prospective purchasers who have sufficient financial means to bear such risks, who have substantial other assets to provide for current needs and future contingencies, and therefore have no need for immediate liquidity with respect to this investment, and who can withstand a possible total loss of this investment.

Currency Fluctuations

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

Legality of contracts

Because the Company's contracts will involve cannabis, hemp 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.

Global financial conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favorable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labor unrest and stock market trends will affect the

Company's operating environment and its operating costs, profit margins and share price, and could result in a decrease in asset values, write-downs or impairment charges. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Third Party Suppliers, Manufacturers and Contractors

The Company's business is dependent on a number of fundamental inputs and their related costs including manufactured products, raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs 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. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of the Company and materially adversely impact the business, financial condition and operating results of the Company.

Supply Shortages

The Company may not be able to obtain from third parties, or produce, enough cannabis to meet demand. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply.

Licensed producers may produce less cannabis than is needed to satisfy the demand of the adult-use and medical markets in the jurisdictions in which the Company operates. As a result, the supply of cannabis could lower than demand, resulting in product supply running low or not being available. If such supply or price fluctuations occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected.

In addition, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers can cause a reduction in disposable income for the average consumer, change consumption patterns and result in a reduction in spending on cannabis products or a switch to other products obtained through illegal channels. There can be no assurance that market demand for cannabis will continue to be sufficient to support the Company's current or future production levels.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, or any other similar illness could result in a general or acute decline in economic activity; (iii) political instability, social and labor unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services.

COVID-19 Pandemic

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The outbreak has caused companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While the impact of these restrictions cannot be reasonably estimated at this time, Jushi has sought to assess the potential impact of the pandemic on its operating results. 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. As of March 25th, Jushi's dispensaries received the "life-sustaining" business designation in Pennsylvania and the "essential services" designation in Illinois, permitting our dispensaries to stay open despite the mandatory closure of non-essential businesses. As a result, the Company's six dispensaries in Pennsylvania, operating under the brand "BEYOND/HELLO," and its two dispensaries in Illinois, operating under the brand "BEYOND/HELLO", will remain open. While the Company is working closely with state and local regulators to seek temporary measures that allow us to remain operational, there is no guarantee further measures may nevertheless require us to shut operations in some or all states. The Company's ability to generate revenue would be materially impacted by any shut down of its operations.

Customer Impact. The Company has implemented several initiatives prioritizing its medical patients and customers most susceptible to COVID-19 during the pendency of the COVID-19 outbreak. While the Company is seeking to implement measures, where permitted, such as "curbside" sales and delivery, to reduce infection risk to our customers, regulators may not permit such measures, or such measures may not prevent a reduction in demand.

Health and Safety of Patients, Customers, and Employees. In accordance with the guidance of the Centers for Disease Control and Prevention (CDC), Jushi made essential changes to promote a healthy and safe operating environment for all of its patients, customers and employees, including:

- Frequently sanitizing high-touch surfaces
- Deep cleaning and sanitizing workstations
- Sanitizing or washing hands after each transaction
- Ensuring hand sanitizer is easily accessible
- Suspending all use of paper menus, demo products, and demo samples
- Positioning staff at every other register when possible
- Taking the temperature of store employees before they begin their shift
- Requiring all dispensary staff to wear face masks
- Installed plexi-shields in areas where patients/customers come face to face with staff (check-in and at registers where glass doesn't already exits)
- Placed markers on the floor to dictate 6 feet + of space between patients/customers.

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, providing masks and taking the temperature of employees before they begin their shift. 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.

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 Company’s senior notes payable or other debt, which in turn could lead to insolvency and bankruptcy of the Company.