MERIDA
CAPITAL PARTNERS
Responsible Investing in the Emerging Cannabis Industry

Q2 2019 Limited Partner Update

August 2019

Dear Merida Limited Partner:

This is an exciting time in the cannabis investing landscape. Thanks to the growth of the Merida team and an intense effort to focus on our value-added model and ecosystem connectivity, our third fund has an incredible pipeline of opportunities in which to invest. Similar to our launch of Fund II, we have hit the ground running in Fund III with a pipeline of investments that are complementary to our existing portfolio and will derive value from interacting with our earlier investments. We have a large backlog of thoroughly vetted opportunities that we are currently assessing as positive contributors to our portfolio ecosystem. We believe that this aspect of our thesis largely insulates our companies from some of the adverse side effects of an emerging market, and we will continue to lean heavily on our methodology of driving value through connectivity.

As this is our first shareholder report for Fund III, it is important to highlight the challenges our sector is facing as well as how Merida's grounded approach to value helps us identify risks that could affect the returns of our investments. Some of these risks are company specific while others are macroeconomic in nature. Those of you who hold investments in various cannabis companies undoubtedly see some of these challenges yourself. It is also worth noting that the recent market volatility may give investors the impression that all cannabis companies are struggling, or that the landscape of opportunity has diminished. Nothing could be further from the truth. Finally, we appreciate that while market volatility affects our public companies in various ways, it can have a profound effect on the psychology of investors, who are beginning to understand the obstacles that cannabis investing presents in terms of both exposure and operations.

Market values for public companies had a wild second quarter as many companies saw their stocks under pressure. For companies in our portfolio, it was a mixed bag. GrowGen is currently one of the best performing stocks in the sector, while some of our MSO investments and KushCo have been adversely affected, we believe, by the unfulfilled promises many Canadian companies made when going public at aggressive valuations. That said, the biggest story of the second quarter is

the retrenchment of Canadian stock values and the fact that the Canadian landscape is under heavy pressure to show that the industry can mature past the relentless promotion of sketchy companies, harkening back to Canada's oil & gas and minerals days.

There is no doubt that Canadian firms are struggling under the weight of valuations that were never justified given their addressable market and the huge capital expenditures required by each Canadian LP's operating plan. We have never focused more than a small amount of our efforts on the Canadian market specifically because we identified early on that the business models being pursued there were unlikely to warrant fundamental valuations anywhere near proposed offering prices. Even with market caps chopped down to size we believe Canadian companies are still somewhat expensive as a group. In addition, we have always looked at the federalization of cannabis in Canada as a flawed enterprise that would require evolution if not outright overhaul, particularly because Health Canada has been tasked with regulating an adult-use market that is markedly different than the federal medical regime in place before legalization. Product categories, the lack of legal dispensaries and the low quality of legal cannabis vis a vis the black market in Canada were some of the biggest problems we highlighted in our "Whoa! Canada" commentary, which came out the day after legalization occurred on October 17, 2018.

We highlighted governance lapses at Canntrust last October when two top executives left the company and the company failed to publicize these departures until nearly a month had passed and only after a Reddit commenter highlighted the departures. Even then, Canntrust only confirmed the rumors on Twitter and never made a formal announcement until much of the cannabis investing world became aware of the situation. As a further unraveling, Canntrust was found in May to have sold cannabis grown in rooms that had not been licensed by Health Canada. Products from the harvest ended up in several foreign countries and Canntrust was forced to halt all sales due to its inability to identify the unlicensed cannabis.

This is one example of how Health Canada's incompetence in oversight has riled the Canadian markets. In this case, a whistleblower came forward and provided irrefutable evidence that Health Canada was deliberately deceived by Canntrust, which had gone so far as to construct fake walls to take pictures that would convince Health Canada that all activities adhered to regulatory standards. Health Canada has not taken authoritative action since but it appears that they are finally ramping up their enforcement personnel and will finally do more than collect "evidence packets" to ensure companies are compliant. The Canntrust Chairman, CEO and other senior executives who knowingly moved forward with these activities to deceive Health Canada have all left the company. Lawsuits are being filed and it remains unclear whether Canntrust will keep its NYSE listing.

Our ability to highlight those issues illustrates Merida's adept information gathering to identify the ways in which legal changes, or the evolution of the consumer market, could play out. For example, while Canada's federal regulation was perceived as strict, we understood how in reality, most U.S. states have far more rigorous regulatory enforcement regimes. As Canntrust has raised many questions regarding the safety of Canadian markets, and has caused billions in market caps to be shed, some of the other large Canadian companies have failed to produce anything other than heavy losses. Canopy, The Green Organic Dutchman, and Cronos are prime examples of

companies losing money at a fast clip with market caps far in excess of their foreseeable production of profits.

The Canadian downturn has further tightened capital markets. While this dynamic may prove beneficial to our Fund in the long run, at a macro level it has slowed the pace of completed capital raises significantly. Large investors have begun to recognize that investing in cannabis can offer incredible returns, but also offer challenges in diligence, identifying operational problems and separating fact from hype.

Turning away from Canada and to the State of New York, we are excited that our Funds I and II portfolio company, Valley Agriceuticals, has received approval to close the sale of its NY operation to Cresco for more than $100MM (when factoring in the stock appreciation of Cresco since the transaction was first agreed to and struck). Valley Ag and MCP Wellness were our first two direct investments in operational licenses and both have resulted in large winners. This is no coincidence as we have virtually unmatched experience in this vertical of the cannabis space. We understand the relative value of licenses and how to make operations as attractive as possible for resale or to simply run them at profitable margins. We are currently working towards acquiring two other licensed companies in addition to being under contract to acquire the majority of one of Virginia's five licenses. We will discuss this in more detail on our Q2 Shareholder call.

Clearly the march to a normalized cannabis/CBD industry is moving apace in every way except for perhaps the most fundamental: federal legislation. The Farm Bill was a good start but we believe that banking and potentially cannabis research will be resolved within the next nine months. We remain convinced that the current illegality continues to optimize the opportunity for asymmetric gains and we continue to position our portfolio appropriately for the eventuality of deregulation and incremental legality.

Political/Regulatory Landscape

The dam of illegality in the U.S. cannabis market continues to crumble. A state-by-state legal approach with a federal banking law loosening up traditional capital structures would be optimal for continuing our strategy of employing asymmetric information to uncover value in the pre-legalization phase of the industry. Below are significant recent highlights.

Federal Court orders DEA to Reassess Cannabis

In a stunning move that signals the most significant judicial statement on cannabis to date, a federal appeals court gave medical cannabis patients and reform advocates a small but significant procedural victory recently, ruling that it would hold open a case challenging the scheduling status of marijuana under federal law. In essence, the court is putting the federal government on notice that it must "promptly" make a decision on marijuana rescheduling so that those who rely on its medical benefits don't suffer unjustly.

Cannabis patients and advocates filed a lawsuit against the DOJ in a U.S. District Court in 2017, alleging that the Schedule I status of cannabis under the Controlled Substances Act (CSA) poses serious health risks and unfair economic disadvantages.

The court dismissed the case last year after accepting the government's scheduling discretion and ruling against each of the plaintiffs' claims. It also argued that the plaintiffs should have first pursued reform through an administrative process, seeking relief from the federal agencies responsible for drug scheduling, before pursuing judicial action.

The U.S. Court of Appeals for the Second Circuit has agreed that it took the issue to the judicial branch prematurely and when it should have exhausted its administrative options. That said, the court also determined that unique circumstances apply, particularly as it concerns the two child plaintiffs who argued that current federal law both jeopardizes their health and creates legal uncertainty.

Writing for the majority, Judge Guido Calabrese stated "[W]e are troubled by the Drug Enforcement Administration (DEA)'s history of dilatory proceedings. Accordingly, while we concur with the District Court's ruling, we do not dismiss the case, but rather hold it in abeyance and retain jurisdiction in this panel to take whatever action might become appropriate if the DEA does not act with adequate dispatch." Remarkably, these two sentences could force the DEA to de-schedule before any of the bills listed below have a chance to change the face of the federal legal regime.

Safe Banking Act

This bill would open up traditional banking and financial services to the cannabis industry by amending existing laws to preclude federal regulators from penalizing banks that accept cannabis clients. The bill would also require the U.S. Treasury to update its obstructive FINCEN guidance and its Anti-Money Laundering guidance – both of which have been the two biggest hurdles preventing the cannabis space from joining the 21st century's banking system. While this bill fell short last year in the House Financial Services Committee, it did have strong bi-partisan support including 14 votes from conservative republicans. It is worth noting that most of the major U.S. banks submitted written testimony in support of passage. Reps Danny Heck and Ed Perlmutter plan to have the bill on the House floor for a full vote this month and believe they have the votes to get it passed out of the House, including over 1/3rd of the Republican caucus. On the Senate side, Financial Services Chairman Crapo was quoted recently as saying he did not want to get the bill heard. However, it is widely believed that if the bill garners 300 votes in the House (out of 435), he will allow it to be heard and will attach it to a "Must Pass" bill to ensure it gets moving. Self-interest may be the deciding factor as several Republicans in tough re-election battles see this as a key driver of voter interest and will push to pass legislation that voters now clearly favor.

STATES Act

The STATES Act amends the Federal Controlled Substances Act to remove cannabis from Schedule 1 in states where cannabis has been legalized (either recreationally or medically). This bill has 24 sponsors in the Senate and 175 sponsors in the House in addition to leadership's support. House Democrats currently present the bill's biggest hurdle as are they pushing to include contentious amendments, particularly around social justice reforms and de-scheduling. Timing of

this bill is late 2019 and the upcoming presidential election in 2020 will ensure it is politically driven.

FDA Oversight

The FDA held hearings on May 31 on CBD regulations with Merida's Chief Scientific Officer Deb Kimless playing a key role in the testimony. The goal is to have CBD products regulated like nutraceuticals, with some baseline production and manufacturing standards to bring uniformity and modernization to the marketplace. We expect formal regulations to begin hitting the tape by late 2019. With our recent transformational merger of Freedom Leaf Health with Green Lotus Hemp, we are watching all CBD regulations closely as this is an area where we see incredible opportunities.

The FDA has repeatedly announced that it will have guidance on CBD within the next 3 months. The biggest unknown is their position on infused foods and beverages as the FDA seems inclined to significantly limit these product categories until they have adequate data on form factors requiring a manufacturing process.

Multi State Operators ("MSOs") remain one of the most popular verticals in cannabis due primarily to their size and scale. There are now a wide range of MSO strategies, geographical concentrations and financial results from which to choose when reviewing the vertical. Canadian public markets are now stuffed with public company MSOs, which should ultimately allow investors to compare and contrast the most attractive companies. Below, we summarize some key data for your edification.

Public Comparables as of 8/20/2019

We note that while the MSOs continue to trade more or less in tandem with Canadian LPs, MSOs are projecting to be more profitable than LPs and to post these profits more expediently than LPs. However, there are MSOs targeting market share at the expense of profitability.

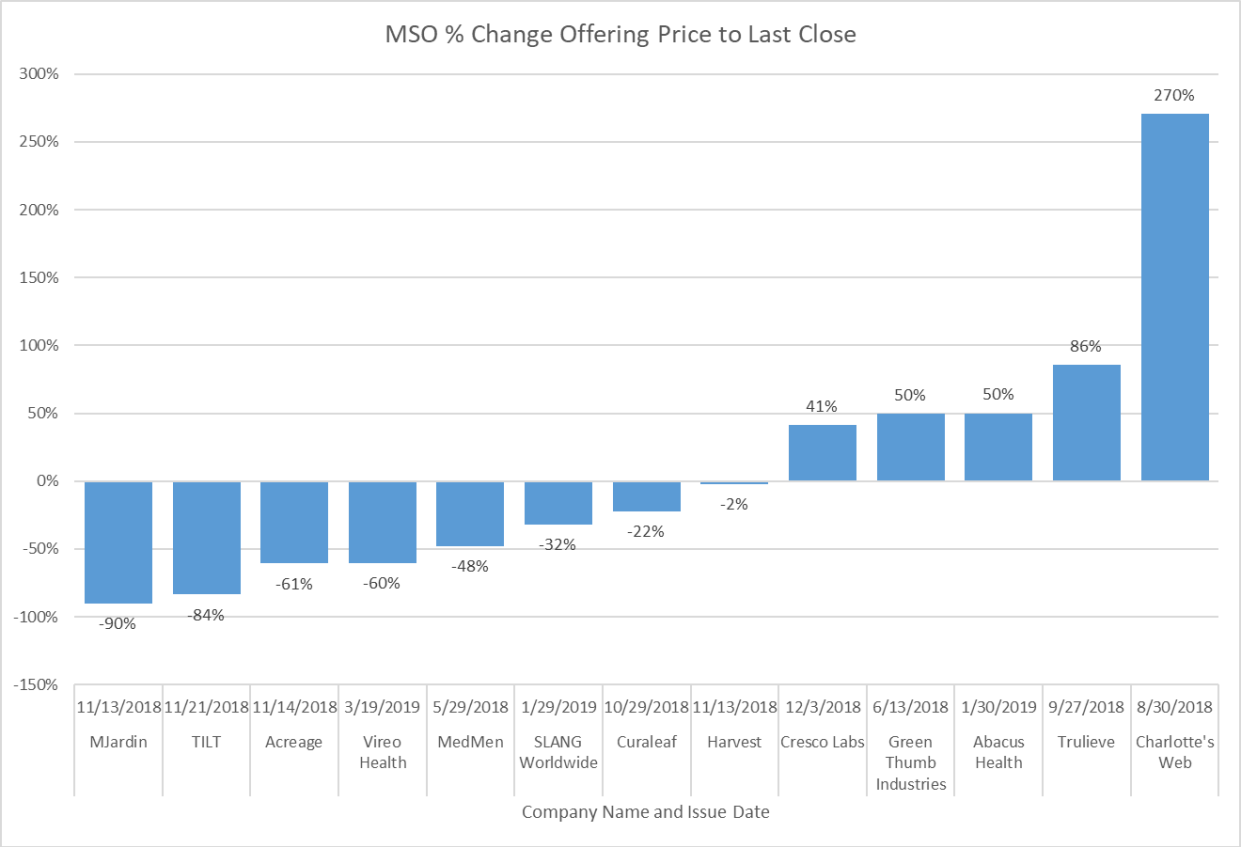
MSOs that are considered "quality" operators are projecting solid EBITDA margins in 2019 and 2020. Most of these names have remained above their RTO deal prices, even as the sector pulled back by ~50% from the highs. There are several potential legislative catalysts for the MSO space, including the SAFE Banking Act, the STATES Act and New Jersey recreational legislation.

Public Comparables - U.S. Multi-State License Roll-Ups

As of 8/20/2019

US$ mm Company Name	Next Financials	Last Close	FD Shares	Equity MC	Net Debt	Enterprise Value	LQA	2018E Rev	EV / 2018E Rev	2018E EBITDA	EV / 2018E EBITDA	2018E Margin
Trulieve Cannabis Corp (a)	11/30/2019	$ 8.37	110	$ 922	$ 74	$ 996	$ 232	$ 103	9.7x	$ 46	21.8x	44.4%
MedMen (b)	10/28/2019	2.03	514	1,044	193	1,237	146	40	nm	(47)	nm	n/a
Green Thumb Industries (c)	8/28/2019	8.70	200	1,743	32	1,775	112	46	38.6x	16	nm	34.6%
iAnthus (d)	8/29/2019	2.48	179	444	100	543	74	49	11.0x	(34)	nm	n/a
Liberty Health Sciences (e)	11/30/2019	0.30	345	104	33	137	29	0	nm	(5)	nm	n/a
Sunniva (f)	8/29/2019	0.90	39	35	19	54	57	14	3.8x	n/a	n/a	n/a
TerraTech (g)	11/30/2019	0.41	103	42	14	56	42	31	1.8x	n/a	n/a	n/a
Golden Leaf (h)	8/29/2019	0.04	584	23	19	43	16	17	2.6x	(15)	nm	n/a
Acreage Holdings (i)	11/30/2019	9.65	117	1,129	(20)	1,109	52	81	13.7x	(5)	nm	n/a
Columbia Care (j)	11/30/2019	4.95	228	1,130	(74)	1,056	77	39	26.9x	n/a	n/a	n/a
Cresco Labs (k)	8/21/2019	9.07	295	2,674	(122)	2,552	84	43	58.9x	2	nm	4.6%
Harvest Health (l)	11/30/2019	4.87	284	1,385	(38)	1,347	77	47	28.7x	10	nm	22.0%
Curaleaf (m)	8/29/2019	6.64	498	3,306	(89)	3,217	141	205	15.7x	n/a	n/a	n/a
Vireo Health (n)	8/29/2019	1.71	107	183	15	198	23	18	11.0x	3	nm	16.7%
4Front/Cannex (o)		0.66	622	411		411			n/a		n/a	n/a
MariMed (p)	11/30/2019	1.50	195	293	32	324	103	12	27.4x	2	nm	20.3%
CLS Holdings (q)	8/29/2019	0.23	260	60	2	62	10	n/a	n/a	n/a	n/a	n/a
Green Growth Brands (t)	8/29/2019	1.46	201	293	(18)	275	22	n/a	n/a	n/a	n/a	n/a
AYR Strategies (x)	11/30/2019	10.97	43	471	155	626	43	75	8.3x	23	27.8x	30.0%
JUSHI (y)	11/30/2019	1.80	174	313	(76)	237	2		n/a		n/a	n/a
Median excludes any data point labeled "nm".									**12.4x**		**24.8x**	**22.0%**
Average excludes any data point labeled "nm".									**18.4x**		**24.8x**	**24.6%**

Company Name	2019E Rev	EV / 2019E Rev	2019E EBITDA	EV / 2019E EBITDA	2019E Margin	2020E Rev	EV / 2020E Rev	2020E EBITDA	EV / 2020E EBITDA	2020E Margin	Last Update
Trulieve Cannabis Corp (a)	$ 238	4.2x	$ 104	9.5x	43.9%	$ 389	2.6x	$ 151	6.6x	38.8%	8/20/2019
MedMen (b)	146	8.5x	(157)	nm	n/a	367	3.4x	(33)	nm	n/a	8/20/2019
Green Thumb Industries (c)	192	9.2x	20	90.1x	10.3%	445	4.0x	126	14.1x	28.3%	8/20/2019
iAnthus (d)	138	3.9x	1	543.3x	0.7%	282	1.9x	70	7.8x	24.8%	8/20/2019
Liberty Health Sciences (e)	11	12.4x	(6)	nm	n/a	66	2.1x	13	10.5x	19.7%	8/20/2019
Sunniva (f)	47	1.2x	9	6.4x	18.2%	77	0.7x	18	3.0x	23.4%	8/20/2019
TerraTech (g)	85	0.7x	9	6.6x	10.0%	n/a	n/a	n/a	n/a	n/a	8/20/2019
Golden Leaf (h)	51	0.8x	10	4.2x	20.0%	n/a	n/a	n/a	n/a	n/a	8/20/2019
Acreage Holdings (i)	157	7.1x	(44)	nm	n/a	457	2.4x	79	14.0x	17.3%	8/20/2019
Columbia Care (j)	100	10.6x	(36)	nm	n/a	325	3.2x	64	16.6x	19.5%	8/20/2019
Cresco Labs (k)	215	11.9x	78	32.9x	36.2%	779	3.3x	251	10.2x	32.2%	8/20/2019
Harvest Health (l)	242	5.6x	8	170.5x	3.3%	851	1.6x	264	5.1x	31.0%	8/20/2019
Curaleaf (m)	334	9.6x	61	52.7x	18.3%	918	3.5x	279	11.5x	30.4%	8/20/2019
Vireo Health (n)	73	2.7x	18	11.0x	24.7%	187	1.1x	54	3.7x	28.9%	8/20/2019
4Front/Cannex (o)	92	4.5x	10	41.1x	10.9%	325	1.3x	38	10.8x	11.7%	8/20/2019
MariMed (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8/20/2019
CLS Holdings (q)	59	1.1x	19	3.2x	32.7%	148	0.4x	59	1.1x	39.8%	8/20/2019
Green Growth Brands (t)	12	23.5x	(17)	nm	n/a	161	1.7x	47	5.8x	29.2%	8/20/2019
AYR Strategies (x)	94	6.7x	30	21.0x	31.7%	235	2.7x	105	5.9x	44.8%	8/20/2019
JUSHI (y)	63	3.8x	3	78.9x	4.8%	205	1.2x	42	5.6x	20.5%	8/20/2019
Median excludes any data point labeled "nm".		**5.6x**		**27.0x**	**18.3%**		**2.1x**		**7.2x**	**28.6%**	
Average excludes any data point labeled "nm".		**6.7x**		**76.5x**	**19.0%**		**2.2x**		**8.3x**	**27.5%**	



Portfolio Company Updates

MCP Wellness Michigan

We continue to work on the audit required to finalize and close our sale of MCP Wellness to CannCure, which is a Florida licensee. In addition to Michigan and Florida operators, CannCure has also acquired a California dispensary operation, One Plant, and a California cultivator, Northern Emeralds. The four entities will be combined and a public listing is expected by Q1 2020. Our operation in Michigan is about to double its dispensary count, from 3 to 6, over the next 6 weeks, including the highly anticipated opening of a flagship Ann Arbor dispensary. Merida's three funds will own approximately 17% of CannCure, which will be renamed Bluma Wellness. With an aggressive earn out based on revenue in year one post closing, our operating team is preparing the operation in Michigan for ramping up dispensary operations over the next several quarters. As of the end of Q2, MCP's Michigan 1H 2019 revenue was more than $19MM.

GrowGeneration ("GRWG")

With our participation in a $12MM offering at $3.10 per share, with 50% warrant coverage at $3.50, we are well positioned to capitalize on GrowGeneration's accelerating growth. GRWG has now expanded to 24 retail locations throughout 8 markets in North America. The Company's growth is being driven through high double-digit same store sales, an aggressive acquisition and consolidation strategy, the opening of de novo stores, and increased activity on its e-commerce platform. The Company is consistently delivering over 100% year over year growth, and financial performance has improved in all areas. Second quarter results were incredible from every perspective.

Revenues for Q2 were $19.5MM up $12.3MM or 172% over Q2 2018 revenues of $7.1MM are an impressive headline but all metrics showed meaningful improvement as the company logged a profitable quarter and has projected profitability going forward.

Q2 2019 Financial Highlights:

- Net income of $1,062,000 for Q2 2019 compared to a net loss of $(929,959) for Q2 2018, an increase of $2.0MM.
- Adjusted EBITDA of $1,779,310 for Q2 2019 compared to adjusted EBITDA of $(205,758) for Q2 2018, an increase of $2.0MM.
- GAAP earnings of $.04 per share for Q2 2019 and $.04 per share year to date, basic.
- Non-GAAP adjusted earnings per share of $.06 per share for Q2 2019 and $.08 per share year to date, basic.
- Same store sales were up 23% for Q2 2019 versus Q2 2018.
- Gross profit margin percentage was 29.9% for Q2 2019 compared to 24.2% for Q2 2018.
- Store operating costs, as a percentage of revenue, have declined to 14% for Q2 2019 compared to 16.1% for Q2 2018.
- Corporate overhead, as a percentage of revenue declined to 9.8%, for Q2 2019 compared to 16.8% of revenue for Q2 2018.

With its hyper growth and robust acquisition activity, GRWG has consumed a large portion of its cash reserves, yet still has sufficient liquidity to fund existing operations for the next year. That said, to fund the slate of potential acquisitions and organic growth opportunities that exist in each market, GRWG recently raised capital in a private placement in which Merida invested $2MM from Funds II and III, combined. The conversion price of $3.10 per share and implied valuation including 50% warrant coverage ($3.50 strike price) were very attractive with respect to valuations of comparable cannabis and specialty retailer businesses, the outlook for future growth and the price targets of the few analysts covering the stock. Post transaction, GRWG's cash position is strong at approximately $11MM.

Merida continues to believe GRWG is meaningfully undervalued, trading at less than 2.5X 2019 estimated revenues. As an OTC-listed ancillary company, GRWG is not garnering as much market attention as a plant-touching company or multi-state operator listed on the Canadian exchanges. We expect GRWG's stock will eventually break out as the market identifies the incredible

acquisition metrics the company is able to achieve, with strong second quarter earnings and more visibility from a possible up-listing to NASDAQ. With distribution for its own proprietary products, and HeavyGardens.com for direct-to-consumer online sales, GRWG now has the foundation to surpass $100MM of sales in 2020 while maintaining its strong margin expansion.

Gabriella's Kitchen ("GABY")

Gabriella's Kitchen is a fast-growing health and wellness company with a portfolio of cannabis and CBD brands under its umbrella. It trades publicly in Canada as GABY and on the US OTC as GABLF. GABY is a perfect complement to Merida's portfolio as an aggressive acquirer of brands, with a specific focus on categories that are rapidly growing in California. With an entry price that is 1x 2019e projected revenue, and a supply chain that is becoming complete (through acquisitions of The Oil Plant and KJM as examples), GABY is poised to deliver outsized value and add another strong house of brands to our portfolio.

Recent highlights include:

Acquisition of LULU's Chocolates

- Lulu's CBD infused chocolates are sold in approximately 250 mainstream grocery stores and its traditional chocolates are sold in an additional 200 mainstream grocery stores across the U.S., including Whole Foods Market in Northern California and Arizona. GABY intends to leverage Lulu's mainstream distribution channels to accelerate the growth trajectory for GABY's newly launched CBD products.
- Lulu's THC infused chocolates are sold in 35 dispensaries in California. GABY's distribution assets with access to dispensaries across California provide a strong licensed channel growth platform for Lulu's infused products.
- Lulu's CBD and THC infused chocolates have won multiple awards at several High Times Cannabis Cups and have been positively reviewed by leading industry publications.

Acquisition of KJM

The acquisition of KJM will enable GABY to increase its manufacturing and co-packing footprint by more than three times its current size; produce a portion of its own inputs for flower and biomass; establish a licensed kitchen for the expansion of edibles production; and supply its internal brands and partner brands with unique and high value cannabis genetics.

- KJM currently has a 25,000 square foot leased facility (the "Facility"), located less than one mile from GABY's current Santa Rosa facility.
- The Facility is zoned for all cannabis-related activities other than retail and type 7 (volatile) manufacturing. KJM currently has approval from Sonoma County for four licenses: manufacturing; cultivation; nursery; and distribution. A Provisional State License for Type 6 (non-volatile) manufacturing is also in place.
- With this new Facility, GABY expects to be able to supply 10% of its base needs for biomass. Thus ensuring a steady access to high quality inputs to enable it to continue its strong expansion.

- Shawn Ripley has joined the Company as Consulting Chief Science Officer with a focus on accelerating product development focused on the California market.

Additionally, GABY has launched of Sonoma Specific CBD infused topicals and landed their frozen entrees on the shelves of Whole Foods in Northern California, which we believe should open up that sales channel to all non-THC products.

Henry's Original ("Henry's")

Henry's is a private California-based vertically-integrated operator and brand, whose popular flower and pre-roll products are cultivated entirely from Mendocino County. Henry's has created a brand identity through this regional legacy. Merida views Henry's as not only an opportunity to invest and grow a scalable value brand tied directly to ground zero of the cannabis industry, but to also invest in a vertically-integrated company that controls its supply chain and therefore will operate at relatively large EBITDA margins in the long-term. Their business model is a contrast to lower-margin white-label distribution plays, most notably Flow Kana and Lowell Bros.

Henry's positions its products as the highest quality product at the best value: farm-direct, sun-grown, Clean-Green Certified (and someday Organic, once cannabis is rescheduled at a federal level) cannabis for the best price. This "every-day man" customer focus differs from that of Fund II portfolio company Canndescent who focuses on the premium sector, and as such we feel Henry's is a good fit and balance for the Merida portfolio. What we find intriguing is the brand recognition Henry's has already achieved, both in the Northern and Southern California markets, with virtually no marketing spend to date. As mentioned, Henry's products are already available in about 250 dispensaries throughout the State (roughly 40% market penetration), and with increased production and distribution functions, in tandem with marketing spend for the first time and key hires (CMO, CFO), we see significant upside.

Henry's currently has 8 cultivation licenses, 1 processing license, 1 distribution license, and 1 retail dispensary license. Henry's currently has over 100,000 sq. ft. of hoop-house cultivation (with significant upside to grow if certain local regulations change as expected). Henry's also has built a nursery program that allows them work with local 3rd party growers and buy back at subsidized cost their finished product, thereby leveraging supply of product outside the purview of their licenses, originated using their high-quality genetics and tested to ensure their standards. These 3rd party flower purchases also allow Henry's to keep up with insatiable demand.

Henry's is more focused on building the brand with retail partners (as opposed to building up their own retail function), including some of the biggest in the State, such as Medmen, Harvest, Apothecarium, Airfields, Harborside, and Hrba. For context, BDS Analytics, whose State-wide sales data is not very reliable but probably the best available, recently ranked Henry's 2nd in the State for pre-roll sales, and 9th in the State for flower sales. Henry's offers 1/8 Oz. flower jars, pre-roll 4-packs, and single 1g pre-rolls, all in 15 different seasonal varieties, including CBD-heavy variants. Henry's will be expanding into more SKUs post Series B close, including single gram and ½ Oz. flower jars, Omura flower carts (a new and innovative product, think Pax pods, but

instead of oil, the pods or carts have a single serving of flower that is disposable), and eventually in Q4 or Q1 2020, an oil-vape pen product. Henry's is taking its time to develop this, as they are mindful of creating a pen that ties back to its Mendocino County flower brand and is differentiated from what is out there now. Henry's also creates a significant amount of bio-mass that is not ultimately selected or used for its existing flower and pre-roll products and would be a perfect source for extracting oil. Henry's has shared prototypes with us and it we feel confident the product will be distinct.

Merida led Henry's $11MM Series B preferred equity round with an aggregate $4MM equity commitment - $1MM was funded at the end of Q1, and an additional $3MM was funded in Q2. The preferred equity is priced based on a pre-money valuation of $38MM ($49MM post-money), which we justified based on a 2019E revenue projection of $15MM at the beginning of the year, equating to a 2.5x forward revenue multiple. In addition, Merida received $2MM of warrants, exercisable at a price based on a pre-money valuation equal to the lesser of (i) 20% below the valuation agreed to for purposes of any Series C fund raising round, or (ii) $55,000,000. After accounting for warrants, Merida will own nearly 11% of Henry's on a fully-diluted basis. Finally, Merida partner Mina Mishrikey is representing the firm on Henry's five-person board.

Henry's produced $2.9MM in revenue in 2017, its first year of sales, and $4.5MM in 2018. Through Q2 of 2019, Henry's generated $3.5MM of revenue, and expects their monthly revenue figures to ramp up throughout the rest of 2019 as they penetrate into more retail outlets, roll out

new products, double their production, and make their first serious marketing push. We do not expect the company to hit our projected $15MM revenue forecast for 2019 due to delays in funding and California-specific regulatory factors that has impacted the entire State. This has forced Henry's to throttle back production and delay marketing spend, but we feel good about Henry's achieving strong top-line growth to approximately $10MM, and much stronger growth in forward years with brand development and regulatory changes.

We expect Henry's to burn through a little more than half the Series B proceeds in 2019 as they scale, come close to breakeven on a bottom-line basis in 2020 (subject to growth mandates), and achieve significant positive cash flows in 2021 and beyond, with mature EBITDA margins of 34%. Henry's is well-positioned to gain market share in California, the biggest market in the country and the world, and Merida sees the potential for Henry's brand to elevate and cross the fragmentation gap geographically through licensing agreements outside of the Golden State. The valuation entry point seems attractive relative to comparable companies, and warrants positions Merida well for outsized returns in the long-run.

Convectium

Convectium is a workflow automation company focused on developing machinery and equipment solutions for cannabis and CBD companies. Premised primarily on the investments we have made in supply chain stalwarts GrowGen and Kush, we continue to look for automation technologies that growers and manufacturers are going to use as a greater emphasis is put on efficiency and quality control. Convectium's machines make vape cart and pill filling easy and fast. Our entry point ($0.35 per share) and our convertible debt structure significantly limit our downside and our warrants provide ample upside as the company continues to execute.

As a public company, (OTC: JKSM), we like the ability to scale their operation, and use the public currency to acquire other supply chain providers who offer complimentary products or services. In addition, like Ionization Labs, Vapor Dosing and other Merida portfolio companies, we prefer open loop systems or products that offer integration to any providers, rather than closed loop providers. Convectium's machines fill any vape cart, and work well with C-CELL which is the dominant cart in use at this current time.

It should be noted that KushCo is one of the largest resellers of C-CELLs and we believe a strategic partnership is natural between the parties, and we have made it a focus to facilitate such a coupling. We also see Convectium as a perfect opportunity to provide products for the exploding CBD business, as gel caps become a major form factor for CBD, and vape carts are still the fastest growing segment of usage. Rather than try and pick the future technology of vape carts, we are investing in the technology that fills any cart, as we see that as a more predictable part of the value chain. Convectium is another example of our ecosystem thesis brought to life, signing a distribution agreement with our B2B procurement company, Mainstem will distribute Convectium's 710 Shark Pneumatic Filling Machine, US 710 Electronic Shark (UL Certified), US 710 Captain Capping Machine (UL Certified), C-Core Cartridges, P-Core Cartridges (ceramic)

and Q-Core Cartridges (quartz). Mainstem will also get access to install their B2B platform, which currently sells more than 10,000 items at each Convectium client.

Freedom Leaf ("FRLF")

Freedom Leaf closed the purchase of Green Lotus ("GL") on May 31, 2019 for a total consideration of $47MM comprised of $6MM in cash and $41MM of FRLF common stock plus an earn-out based on the performance of key contracts Green Lotus had secured prior to the merger. On the metric side, Freedom Leaf is purchasing Green Lotus at 2.3x and 8.7x 2019 projected revenue and EBITDA, respectively. The public CBD comps trade at a median 2019 revenue and EBITDA multiples of 7.9x and 43x, respectively.

Key highlights below:

- Green Lotus operates a 10,000 sq. ft manufacturing, lab and processing facility (GMP compliant, but not licensed due to current regulations in TX) in Dallas, TX; a 2,000 sq. ft GMP certified lab in Denver (certified GMP by the state); and 8,000 sq. ft of corporate office space in Dallas, TX.
- The acquisition will add significant management capabilities to the combined company including Daniel Nguyen, the Chief Science Officer, with a master's degree in organic chemistry and extensive experience in nutraceuticals and cosmetics formulations, and a 17-person sales team.
- The company has tolling agreements with leading processors of extract in Colorado and owns biomass inventory which will support domestic revenue through most of 2020.
- The Dallas manufacturing facility has the capacity to fulfill 2019 and 2020 anticipated demand; tinctures are manufactured in the Dallas facility and co-packers are used for topicals, gummies, and soft gels.
- The company distributes its products in ~1,200 stores nationwide including supermarket chains such as Wegman's and Giant Eagle, vape shops, independent pharmacies, natural food and wellness stores.
- The company utilizes a B2B wholesale model, working with 3 major third-party distributors: NY (head & vape shops); Midwest (HS Wholesale, head & vape shops), and Texas (independent pharmacies).
- The company has ~ 33 employees, broken down as follows: Management team-3; Sales force-17; Operations team-6; Production & fulfillment-7.

The Green Lotus transaction was transformational. We expect Green Lotus to generate a substantial increase in revenue, while also providing Freedom Leaf with a more robust portfolio of products, enhanced distribution capabilities and penetration in attractive emerging markets worldwide, most notably Mexico. The acquisition also brings Freedom Leaf a new management team, a low-cost supply chain, access to GMP manufacturing and lab facilities, and a robust sales team.

Green Lotus has already begun executing on our broader strategic plan, executing on the domestic opportunity Freedom Leaf already mapped out while delivering the first CBD products permitted in Mexican history to its Mexican partner, CBD Life. We find the Mexican contract, which totals $26MM, as one of the driving factors for our belief that the newly combined Freedom Leaf/Green Lotus will succeed over time. Very few U.S. companies have been able to export CBD, due to costs or regulatory factors, and with THC exports banned, Green Lotus is one of possibly three companies in the U.S. to export branded CBD products. Due to the exclusivity of the Mexican contract, Green Lotus is now in a strong position to expand to other markets in Central and Latin America over time.

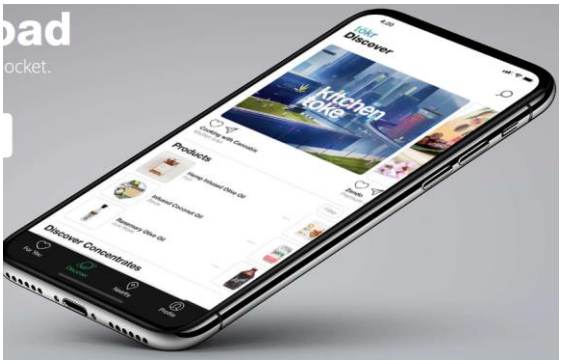
Lastly, we believe that when Mexico moves to allow cannabis products, CBD Life would be a natural partner for our operational know-how in looking to produce products locally and serve the Mexican market.

<u>tökr (Q3)</u>

tökr is a front-end web-app that interfaces with cannabis consumers. tökr looks to curate a selection of cannabis brands and products based on the user profile that each consumer creates. Upon launching the tökr app, users are prompted to answer brief questions such as: desired product categories, desired sensation/experience, preferred activities, etc. This allows tökr to curate the products for each customer and provides valuable context to the anonymized data that tökr collects. To date, tökr has shown an impressive ability to acquire users cheaply (just over $2 per app-download). tökr has amassed ~50,000 monthly active users with relatively little marketing spend. The demographics of tökr's user base skews female (70%/30%) which is important from an e-commerce lens.

We will look to drive tökr's adoption in LA and get them access to the Bay Area. In addition, we believe that Merida can drive incremental value by placing tökr into limited license markets where there is no incumbent app solution.

Merida invested in tökr at a $14.7MM valuation and through a marketing partnership has warrants that could drive this valuation down to $7.4MM.



Ionization Labs (Q3)

Green Ocean Sciences (d.b.a. Ionization Labs) ("IL") provides its customers with turn-key testing solutions that provide quick, accurate results on-premise. Utilizing a SaaS (or Testing as a Service, "TaaS") model, IL will engage customers on an ongoing basis. The Company's product comes with step by-step instructions and requires no mixing or diluting of chemicals. The alternative is to buy chemicals in bulk, then precisely measure, mix, and dilute these chemicals before performing any tests. IL claims their process is so simple it can be performed by a single employee after a few hours of training. After an initial upfront payment for set-up, equipment, etc., the Company looks to generate between $2,500 and $10,000 per month from each customer depending on the number of tests run per month (48 to 500). Ionization Labs estimates that the nationwide average cost/test is close to $75/test. The Company's current solution costs $20-$50/test.

Since the passage of the 2018 Farm Bill, the Company has seen a dramatic pick-up in hemp companies looking to test for "hot hemp" (hemp with THC levels in excess of the 0.3% legal limit). As states like Texas, Kentucky, and South Carolina continue to liberalize on industrial hemp, IL stands to benefit regardless of which companies end up winning the hemp industrial/CBD consumer markets. This is a bet on testing, specifically a bet on the need for decision-useful testing results. This means results must be delivered same day, and accurately.

Ionization Labs fits nicely into the Merida Ecosystem. The Company currently works closely with Emerald Scientific and it is easy to envision future customers in Canndescent, Henry's, Green Skies (and affiliated brands), Three Boys, One Plant, Jushi, etc. Ionization Labs has been aggressively building its customer base. IL has recently seen a spike in hemp/CBD companies as well as e-vapor/nicotine companies that are looking to combine CBD with traditional nicotine vape.

We see two potential markets in the lab testing space: Regulatory Services (testing to comply with state regulations) and R&D Services (effectively any testing that is not a Regulatory Service). Hemp and cannabis producers both have incentives to pursue cost-effective R&D Services, whether to monitor "hot hemp" or to fine tune genetics. Ionization Labs will need to develop some

form of Regulatory Services, potentially developed in conjunction with Steep Hill, in order to tap into the entire testing market. The Company is lobbying some states to try and get its closed-end system approved as a form of Regulatory Service, but we see this as a low probability and have not modeled this into our projections.

We see potential integration with Ionization labs in California, Maryland, Pennsylvania, and Massachusetts. Steep Hill is also a Fund I and Fund II portfolio company. Steep Hill is well entrenched in the Regulatory Services market where market participants show nearly no brand loyalty, focusing solely on the price, accuracy, speed, and customer service provided. Regulatory Services customers often move between labs or use multiple labs, simply looking for accurate results delivered quickly. Ionization Labs could benefit from Steep Hill's existing customer network and Steep Hill could benefit from IL's innovative product offering. We believe that TaaS + Regulatory Services is a much stickier product than either on its own. In this vein, IL is looking to provide Steep Hill will mobile testing vans that Steep Hill can send to clients for R&D Services.

We believe that R&D Services, intra-harvest potency and cannabinoid profile testing, are going to be extremely valuable to cultivators, especially hemp cultivators. With the passing of the 2018 Farm Bill, hemp is classified as cannabis that has less than 0.3% THC. Near the end of hemp cultivation cycles, THC levels can spike for several reasons, including general plant stress. Missing the THC cutoff by even fractions of a percent can cost cultivators tens of thousands of dollars in revenue or more. For hemp cultivators, we see the IL solution as a type of insurance policy. Hemp cultivators often face an uphill battle in keeping their plants below the 0.3% THC barrier set by the Farm Bill; genetic impurity (strain not holding to its cannabinoid profile); too much time in the flowering stage ("Colorado Cowboys" known for harvesting high CBD strains several weeks early); specific nutrients or lighting may lead to spiking THC levels; or other plant stressors.

For cultivators who are growing non-hemp cannabis, the use-case is also intra-harvest testing, but for the exact opposite reason. Non-hemp cannabis cultivators are often looking to grow strains with potent THC profiles. For these cultivators, it is important to see how genetic profiles react to intra-harvest variables such as lighting, nutrients, etc. IL allows brands to test several times per harvest and receive decision useful results within hours (versus stale results from Regulatory Services providers).

Lastly, we envision this solution being utilized by dispensaries who want to test the products they receive to ensure product quality. This is especially true in gray-markets where "care-giver" product is allowed. Although these markets may not mandate testing, we think dispensaries would take advantage of a cost-effective option to ensure quality products are going to their patients/customers. And even in legal markets, we believe dispensaries would test a percentage of the products they buy wholesale. All this could add up to 50+ tests per month, the lowest package available.

IL will be collecting de-identified data from thousands of tests per month, and will have valuable data surrounding genetics & potency, growing conditions, as well as intra-harvest data. We envision this data being paired up with another of our data angles (New Frontier Data, CB2 Insights, etc.) and being monetized in the future.

Vapor Dosing Technology (Q3) ("VDT")

Vapor Dosing Technology is a delivery technology company that we invested in as a follow up to a Fund II investment. Our entry point at $10MM valuation has significant warrant coverage attached that provides us upside as VDT executes along the vision we have built with them for the past year. VDT has just released the first live version of their Mode device, with 30 units assembled for R&D and user testing. VDT has also developed new intellectual property around their dosing algorithm that adds nicotine cessation dosing as well. They will be updating their provisional patent application this month to include nicotine cessation.

As another example of our ecosystem connectivity, KushCo, who was part of our original investment and signed a large purchase order last year participated in our investment round and has facilitated meetings with MSOs as the distributor of Mode. KushCo will be making their first large payment for Mode units under their distribution agreement later this month and we expect to see Mode units in use over next 2 months. As the medicalization of cannabis accelerates, we believe delivery methods that are more medical in style with easy to understand usage feedback and data that patients want to closely dose their cannabis usage puts Mode in a position to sell a great deal of units over the coming years.

Licensing Efforts

Merida continues to look for opportunities to use our experience and expertise in state licensing to create value for the portfolio. Following our success with Jova Wellness and MCP Wellness, Merida has already made a down payment on one of the five Virginia licenses with Dharma Pharmaceuticals which we think offers tremendous upside as the state goes online in Q1 2020.

We also continue to look at new markets, like Missouri and New Jersey, where we are working towards applying for de novo licenses which would offer significant value accretion since the cost to apply is a fraction of a license's value. Merida should have 2 potential opportunities to win licenses in Missouri and is preparing a dispensary license for NJ which will cost Merida less than $100,000 to apply.

NAV Summary

Fund III - 2Q19 Investment & Gain by Position						
	Investment Type	Investment at Cost	% of Total Investment	Un-Realized P&L	Gross Return	% Total P&L
Henry's Original	Private	$ 1,000,000	16.6%	$ -	-	-
MCP Wellness Michigan	Public- Pending	500,000	8.3%	-	-	-
Grow Generation	Public	1,500,000	24.9%	430,899	29%	34.9%
Gabriella's Kitchen	Public	1,546,192	25.7%	691,141	45%	56.0%
Convectium	Public	333,333	5.5%	111,111	33%	9.0%
Freedom Leaf	Public	630,000	10.5%	-	-	-
Dharma - Virginia	Private	510,000	8.5%	-	-	-
Subtotal		$ 6,019,525	100.0%	$ 1,233,151	20%	100%

It is important to note that due to the fact that our public companies are booked pursuant to our LPA, and since our private investments are all recent, we have not reported any potential changes to their value, even in the case of MCP Wellness, which has already into a pending acquisition contract. Any NAV mark-ups required by our LPA will be reflected in your Q2 statement and in the NAV change we will submit for LP approval as we move to a first close and repricing of the LP units sold to new investors.

We are excited by the potential opportunities in front of Fund III and are grateful for the support and engagement of our shareholder base as we work towards establishing a standard of investment excellence, transparency and communication that is unmatched in the cannabis industry.

Please don't hesitate to reach out to a team member if you have any questions or concerns.

Very Truly Yours,

Mitchell Baruchowitz