Q3 2018 Limited Partner Update

December 5, 2018

Dear Merida Limited Partner:

This is an exciting time for Merida Capital Partners II, LP, as the cannabis industry begins shifting to a more normalized industrial/consumer industry on the heels of the Canadian recreational launch on October 17th and other legislative momentum that now has a federal U.S. solution looking probable in 2019. We have always articulated a vision of an ecosystem of investments that prepares us for eventual legalization in the U.S. and globally and we are just starting to see how powerful this approach can be. As our investment landscape continues to evolve, Merida itself continues to grow, explore incredibly compelling opportunities, and take steps to stay true to the path to becoming one of the first institutional investors in cannabis and, to many insiders, a thought leader with a broad focus on value creation.

This exposure and presence have greatly increased the volume and velocity of our daily activities. As a result, we have accelerated and broadened our access to information and data. Our overall workload and what we see as a unique value opportunity has necessitated bringing on additional team members. As examples of how our increased exposure creates value, we walk into meetings and can get right into the substance of a discussion without spending any time describing Merida, and the opportunities our partners refer to us are much more relevant and actionable, which saves time and money. With the increased opportunity, we now stand at twelve full time employees, one part-time analyst, two strategic partners, three independent investment committee members, and four part-time advisors, bringing our full team to 21 professionals. That is a big change from a year ago when we had three full time team members and five professionals total.

Since launching in February of 2018, we have updated our NAV twice, closed transactions in 19 companies, hosted two shareholder calls with a 3rd call scheduled for December 13th and grown our investment team four-fold. As we enter the final stretch of 2018, when Fund II is expected to hit 99 investors and close to new investment in December, Merida is slowly but confidently turning our investment ecosystem into a value-driver and a catalyst for innovative companies to approach us for strategic partnering and/or investment. This has greatly increased our efficiency in finding relevant opportunities and with the expanded team and intellectual horsepower of our full ecosystem, we are confident about our positioning going into 2019.

We announced recently that we elevated Daisy Mellet, our Chief Administrative Officer, to Partner, making her one of the few women executives in the cannabis investment world. Daisy's

previous experience at Seawolf Capital and FrontPoint Partners prepared her well for the key role she plays in our internal reporting and investment tracking as we now manage two funds, 19 investments, and nearly 200 unique investors. In addition, Daisy now leads our de-novo licensing focus, an area in which we see tremendous opportunity over the next few years. More on the de-novo licensing below.

Our other key team additions in Q3 include:

Kevin Fickle, a cannabis and consumer product entrepreneur and early investor in CannaRoyalty (now called Origin House- OH.C) and New Age Beverage (NBEV), joined Merida as its second West Coast Partner. Kevin is a small/mid-cap capital markets expert who played a pivotal role in our Freedom Leaf investment as well as bringing needed bandwidth to our West Coast efforts. With more exposure to California and branded products through our ecosystem, Kevin's consumer experience and Origin House relationships have already created significant opportunities for Merida. In addition, Kevin was a founding investor of MediaJel, an ad and marketing technology company in which Merida has already invested and to which we look to increase our exposure over the next few months.

Kevin holds a BA in finance from San Diego State University; and studied international business and politics at the University of Oxford in England.

Mina Mishrikey joined Merida as a Director, responsible for deal sourcing, due diligence, portfolio analysis and management. Mina previously spent nearly a decade at Deutsche Bank and was also involved in a company that participated in the Pennsylvania Cultivation and Dispensing licensing process. Mina adds significant financial analysis expertise to our investment team, enabling us to review more opportunities and dig deeper on their strategies and results, which ultimately creates value for our existing portfolio companies. Mina is a graduate of the University of Pennsylvania.

Max Gerard joined Merida as an Analyst. Previously, Max was an Associate at Greensill Capital focused on credit financing. Max's experience at Greensill, a well-regarded supply chain finance company, and his intellectual curiosity have added needed horsepower to our investment team's ability to cross-reference and synthesize diligence information. Max received a degree in Economics from Haverford College.

Danny Moses has joined us as the third independent member of Merida's Investment Committee. Danny is an investor in both Fund I and Fund II and has been working more closely with our investment team over the past three months. Known for his analysis and role in assessing the global housing crisis which was featured in the movie the "The Big Short", Danny brings an expertise in risk-management and macro-trend identification to our team which will help us narrow our investment funnel and hone our strategic focus.

Political Landscape

The most important outside influence on our potential success is the current and future regulatory environment in the U.S., Canada, and globally. As of Election Day 2018, the U.S., Canadian and global political landscapes could not be more positive for our investment thesis. Canada became the first G-7 country to implement adult-use legislation on October 17th which allows for the federal legalization of cannabis in all ways. That said, while Canadian national laws will strictly regulate the industry, provincial laws and an intricate patchwork of retail laws make it difficult to predict how the Canadian landscape will change. Nonetheless, we believe that the Canadian development in addition to the recent rumblings in Mexico will further pressure the United States to resolve the Federal/State dichotomy and do something substantial on cannabis. Whether that is through a de-scheduling, a defined decriminalization and deference to states, or a broader quasi-legalization is yet to be determined.

Nevertheless, the U.S. is finally starting to move aggressively in a similar direction to Canada. It helps that Pete Sessions (R-TX), who has largely blocked every cannabis bill from ever seeing a floor vote, was defeated. This, we believe, will greatly embolden cannabis advocates. The resignation of Jeff Sessions was a second important move for the cannabis industry and added momentum to the will of regulators at the federal level to lay the foundation for a federal framework. Along with that news comes the passage of adult use in Michigan, the second most populated state (behind California) to pass an adult-use mandate, several new state ballot measures passed on Election Day.

The momentum for legislative solutions to the state/federal dichotomy has never been so great and we are optimistic that a U.S. federal solution will pass in 2019. That optimism extends to Hemp/CBD, a close cousin to cannabis. The Farm Bill that passed on November 29 has effectively legalized hemp and we believe this will pave the way for the national decriminalization or de-scheduling of cannabis – either scenario creating the white space for a national legal framework that reserves the specific management of programs for each state. Should this occur, there are a variety of upside scenarios that we believe would greatly enhance the value of our portfolio.

We expect some short-term volatility in Canada as it adjusts to its new legal status. We recently covered the Canadian legalization in a commentary proving largely prescient in predicting supply disruption, long dispensary lines and an adjustment period where Canadians start to shift from online purchases to dispensary visits. Further complicating the Canadian roll out is the fact that most Canadian LPs had their stocks run up into October 17th. In the short term, all of the momentum Canada has created in its capital markets could significantly hurt market values over the next six months. By the end of Q1 2019, producers will start to understand just how profound the dislocating effect will be and will begin to quietly disclose this information.

While investors and institutions looked to October 2017 as a panacea to drive Canadian market caps to a new, higher plateau, some of us have observed how retail has not opened in many places, medical sales have declined in anticipation of coming adult-use legalization and how, in general, companies are simply frustrated by their lack of knowing exactly what the rules will be so they

can plan and execute their operations. California has shown us that uncertainty hurts sales while operators and consumers adjust to the new regulatory paradigm.

We have spoken with companies from ten different countries that are in some state of liberalizing their laws. Germany, leading other EU countries, is on the verge of a broad program expansion. Spain and Portugal are already considering some form of adult-use. Italy is also looking to put a broad medical program into effect in 2019. Our investment in MMP (see below) looks to be prescient given Italy's recent rumblings.

Outside of the EU, Australia (and Oceania more broadly) have 5-6 medical programs moving forward. **New Frontier's report on Oceania** is very informative and free.

African countries are moving towards both hemp and cannabis industries with Lesotho moving fast to establish leadership on the continent. While all of these developments are exciting, for Merida, our primary focus remains the movement towards legality in the U.S. and individual states.

Some significant state highlights:

California is emerging from the Q1/Q2 dislocation spawned by new regulations and the final implementation of those rules in July. While licensing has now picked up, California still has seen a drop of nearly 35% of its cultivation licenses. Dispensary licensing has proven particularly difficult as municipalities have put more stringent rules in place and caused adult-use dispensaries to delay opening in larger cities like Los Angeles, Sacramento, and San Diego, all of which have dozens of licenses pending. An interesting trend we are seeing are larger national players like Cresco Labs, Harvest Inc, GTI and others pursuing California opportunities as further evidence of a market stabilization. We also have strong data from Steep Hill Labs that the big operators in California have emerged from the 1H supply chain issues and have largely figured out the logistics of new BCC requirements.

Michigan, which finally has an established medical law, will also have an adult-use program sometime in 2019. With 250,000 medical patients, Michigan stands to be a substantial medical and adult-use market over the next 12 months. With a massive embedded base of consumers/patients, GrowGeneration's recent acquisition there seems fortuitous – much like its 2017 Las Vegas store openings, which have far outperformed their original Colorado stores. Michigan is the largest hub of Midwest cannabis usage outside of metro-Chicago which is why we keep a close eye on their industry and we expect to partner or invest with a cultivator/dispenser there over the next three months.

New Jersey has finally taken concrete steps to implementing an adult-use law while also doubling the count of licensed operators within the state. Patient count in New Jersey has just crossed 25,000, putting it alongside Minnesota and Illinois as states with the worst population adoption. With eight million residents, New Jersey should see strong patient adoption once it liberalizes its laws further and looks toward adult-use passage.

Missouri is also an interesting case to watch because a much more expansive medical bill and an adult-use bill were voted down in the same election. This seems to indicate that medical adoption is far more likely for dark red states that need the middle step of medical to normalize opinions on adult-use. Missouri also added a provision that prevents municipalities from banning dispensaries

from locating within their borders. Massachusetts is the only other state with anything resembling this provision within its medical program, and that provision required a lawsuit to enforce this there. This is a significant development because residents of a state who were not in favor of any type of cannabis legalization a few years ago just approved a bill that forces cities to accept medical dispensaries regardless of local sentiment. It also shows that even dark red states are moving to a deeper acceptance of medical programs and are willing to create far more expansive rules than could have been imagined in 2016.

New York continues to make tremendous progress in their medical program. The state recently crossed 80,000 patients, passed an Opioid Replacement bill allowing opioid prescriptions to be exchanged for a 90-day temporary medical card, and now requires that insurance companies reimburse patients for doctor's visits that result in a medical marijuana card. Recent proposals also suggest New York will try to force government-run health care programs (Medicaid being the largest) to allow for medical marijuana reimbursement or prescriptions (clarify). This would be a breathtaking move that would shake the industry in a positive way and is one reason why we remain dually focused on both medical and adult-use states and programs.

In addition to this movement, we hear from our government relations contacts that New York legislators expect to pass an adult-use bill out of its rules committees by March. Since we are an investor in both Valley Agriceuticals (which is being acquired by Cresco Labs) and Vireo Health, and as we are working on a third way to gain exposure to the NY program, a short revisit to we wrote in January about NY's program will determine if assessed the opportunity accurately and illustrate why we find it compelling.

Legislative wrangling gave the state an extract-only market, and terribly constraining product restrictions that makes NY the worst medical market in the U.S. from a patient adoption perspective. With a population of 20 million and only 35,000 registered cannabis patients, that translates into a ~.02% adoption rate. Just this month, NY added PTSD for veterans, police officers, firefighters, and domestic abuse victims. How they will determine the last category should prove very interesting. It will be interesting to see what the federal VA facilities and doctors in NY do as we believe veteran access to medicinal cannabis could be a game changer for insurance reimbursement due to the purchasing power of the VA and its effect on Medicare and Medicaid.

What we find most interesting is that NY is the only state to add limited licenses (5 additional vertical licenses) since their original grant of five licenses. We have done a fair amount of research to determine why they would do such a thing and it appears that regulators wanted to add dispensary coverage, but the current law only allows for vertical licenses, meaning they needed to add cultivators to add dispensaries. With only 20 licensed dispensaries currently, NY is clearly underserved by dispensaries and geographic coverage sorely lacking. Manhattan, an island of 8 million people has two dispensaries. One change that has further intrigued us is the August addition of chronic pain as a certifying condition and home delivery, both of which could have a very positive effect on the program over the next 12 months and really drive patient demand.

While it is unfortunate for the five operators that exist today who have collectively lost millions to establish businesses that now have double the competition, the 5 new licensees should be well-positioned to profit from the lessons learned over the first two years of the program. With home

delivery, chronic pain and non-smokable flower now approved in a case by case basis, we think NY could be one of the markets to watch for big growth in 2018 and potentially even getting to .05% penetration which would translate into almost 65,000 new patients over the next 12 months.

A few other intriguing, but minute elements others may have missed in NY: in April, the Department of Financial Services reiterated specific guidance that NY insurers must reimburse their members for doctor's visits that result in a medical marijuana recommendation if that recommendation was not the only (or sole) reason for the visit. In the guidance it explicitly says that insurers may not use the result of a medical marijuana recommendation to deny reimbursement. Coupled with proposals in NJ and Illinois, we now have significant indications about how states view the future of this. For NY insureds, this is essentially a $200 subsidy for MMJ program or roughly 1.5 months of medicine. NY has also added nurse practitioners and physician's assistants as those able to write recommendations and reduced restrictions on advertising and marketing by the 10 licensed organizations.

Florida continues to expand its program even though whole flower in any form is prohibited. At last count, the state has crossed 145,000 patients and a lawsuit by noted cannabis advocate John Morgan is set to go to trial shortly. Morgan's campaign, called "No Smoke is a Joke," seeks to add whole flower to the allowable forms of medicine. Success here would have a deep impact on operators in the state. Costs to patients would plummet, volume and usage would spike and companies in Florida that make their name on their formulations would face bigger headwinds since it is harder to differentiate flower products. We will provide an update on the status of the lawsuit when it resolves over the next few weeks/months.

Maryland has crossed 50,000 patients and there are still more than 25 licensed dispensaries set to open there. The program continues to look like one of the big winners on the East Coast with broad geographical dispensary coverage, a wide product set, broad categories of who can recommend treatment (NPs, PAs, podiatrists, dentists) more than 3,000 registered caregivers and 1,000 doctors signed on, and one of the broadest mandates from government to replace opioids with cannabis. Merida is working on several acquisitions in Maryland, which is why we are so focused on some of the nuances around patient/doctor friction and should have news on this front by the end of the year.

Ohio and its ~12MM people will usher in their medical program within the next two months. With tiered operators, wide dispensary coverage and lax operator requirements, we are watching Ohio on the political front with respect to recreational movement over the next six months. With Ohio launching, Texas remains the only state with more than 10MM residents that has not at minimum implemented a broad medical program.

Pennsylvania has seen rapid growth to 95,000 patients and has already given out the full complement of 25 cultivation licenses. New dispensary awards are imminent which will give Pennsylvanians broad dispensary coverage and further drive adoption there. The next leg of growth will come from the eight Clinical Registrant licenses which are operators partnered with medical schools/university hospitals. These medical systems will be able to drive patient count and should create a fast track to research and development that will lead the state forward. We are particularly interested in these licenses since Merida has an interest in one of the CR licensees and

will have an opportunity to expand our exposure to Pennsylvania if that applicant is successful in achieving its license there.

Oklahoma was able to move past the regulatory chaos that plagued its program and has now **implemented a broad egalitarian medical law** that will also allow for home growing and care giving. It's exciting to see a state that was once dead set against any cannabis legalization not only pass a medical law but also pass such an expansive, progressive law that should be a fairly large program over the next year.

Utah, like Oklahoma, was a state with very little chance to make medical cannabis available in 2016. That all changed in 2018, when Utah passed a medical ballot measure despite a campaign coordinated by the powerful Mormon Church to stop it. We will keep an eye on the development there since Utah is one of the few states that has seen a religious organization push against the medical side.

Connecticut is on the verge of doubling its dispensary count and with Ned Lamont as governor, adult-use bills that have already passed out of Appropriations in early 2018 are certain to be on the agenda in 2019. We expect patient counts to cross 30,000 in early 2019 and accelerate with the addition of new dispensaries.

Arkansas will finally launch its medical program after 12 months of legal wrangling. With opioid abuse rampant in the Ozarks, this is an interesting medical state to watch as a bellwether for **Missouri**, which just passed a medical law in this most recent election.

Q3 saw significant industrial developments that demonstrate the continuing evolution of the cannabis ecosystem.

The opioid epidemic continues to be on the mind of medical cannabis advocates and regulators. We believe that Merida's network has provided us with an asymmetric information advantage on this topic. It seems as though several of the largest workers' compensation providers are pushing for cannabis-based treatment because it would help patients injured in the manual trades (i.e., construction workers) move away from the typical treatment of opioids and rest – a combination that has shown to decrease worker productivity. Data indicates that those who were prescribed opioids for their injuries typically needed medicine for months after the initial injury. Given the prohibition of opioids during work hours, recovery was often painful and slow for the patient while productivity declined. Additionally, as expensive opioid treatments led to all kinds of related financial and human costs including drug abuse and the need for addiction treatment, impaired driving summonses, opioid toxicity and other opioid-related issues, reinsurers were pushing for an alternative for long term pain care. Low-THC cannabis has been considered a strong candidate as a solution to this dynamic, and Canada is far more liberal on cannabis research than the United States.

Quite significantly, administrative law judges in various states have mandated reimbursement for cannabis-based treatments in workers' compensation hearings rather than forcing manual laborers

who are injured to use opioids while several states have passed opioid replacement laws that allow any patient with an opioid prescription to opt for medical cannabis.

GW Pharma's Epidiolex achieved FDA approval in Q3 as the first synthetic cannabinoid medicine featuring CBD was approved. With this decision, the product label for Epidiolex will be finalized. The Company's development program represents the only well-controlled clinical evaluation of a cannabinoid medication for patients with LGS and Dravet syndrome. Both diseases, which develop in childhood, are rare, severe forms of epilepsy that are notoriously treatment-resistant. Most patients with LGS and Dravet syndrome require multiple seizure medications and the majority are resistant to currently approved AEDs. The day-to-day impact of these conditions is significant with high rates of early mortality.

The DEA's statement on the rescheduling of Epidiolex to Schedule V had some interesting tidbits. The DEA admitted that it wasn't entirely certain why hemp-derived CBD was a scheduled substance as it lacks any measurable THC. While they rescheduled FDA-approved CBD (kudos to GW Pharma for getting the DEA to restrict the available drugs rescheduled to their own), it seems like their dicta on CBD is sure to create momentum for the Farm Bill generally and CBD-derived medicines and nutraceuticals specifically.

The hottest vertical in cannabis is MSOs. We addressed much of why this is the case in our recent commentary. While we have always favored the multi state operators (MSOs) with limited licenses (as evidenced by Vireo/4Front investments), it is clear that MSOs are now getting valuation credit for their future growth. Merida is on the verge of some licensing success making this an area of high interest. H/T Alan Brochstein of 420 Invest for the chart below. Price to sales ratios border on insanity and while you cannot tell much about financial results (MedMen for instance lost nearly $100MM YTD), it is worth noting that the peer group is developing which will allow for apples to apples comparison. We think this bodes well for our own MSO investments.

Figure 20 – US Cannabis Peer Group

Company Name	Ticker	Last Qrt Sales (US$M)	Annualized Sales (C$M)	Market Cap. (C$M)	P/Sales
Trulieve Cannabis Corp	TRUL.CD	**28**	147	1,605	11x
Medmen Enterprises Inc	MMEN.CD	**21**	107	2,039	19x
Curaleaf Holdings Inc	CURA.CD	**15**	76	2,761	36x
Green Thumb Industries Inc	GTII.CD	**13**	69	2,366	34x
MPX Bioceutical Corp	MPX.CD	**11**	58	376	6x
Harvest Health & Recreation Inc	HARV.CD	**11**	55	1,009	18x
Planet 13 Holdings Inc	PLTH.CD	**5**	26	311	12x
MJardin Group Inc	MJAR.CD	**4**	23	597	26x
Acreage Holdings Inc	ACRGu.CD	**3**	15	3,038	198x
Origin House	OH.CD	**3**	14	502	36x
Ianthus Capital Holdings Inc	IAN.CD	**2**	10	362	37x
Average					**39x**
Charlotte's Web Holdings Inc	CWEB.CD	**17**	90	1,406	16x

** We used a CAD/USD rate of 1.30 to reflect currency conversion*

Source: PI Financial Corp. and Thomson EIKON

Another piece of significant news that we covered extensively earlier this quarter is Constellation's $5B investment in Canopy. Our commentary on that topic was so widely read that it was syndicated by Alan Brochstein on New Cannabis Ventures. **You can read a comprehensive analysis here.**

Canopy's investment represents both the largest investment in the space to-date, but it also realigns the orbits of larger MSOs as alcohol companies look for scale. While Canada remains the only federally legal market, these investments will skew there but we expect one of the larger alcohol companies to follow Heineken's lead, through their brand Lagunitas, and launch a THC-infused beverage in the U.S. Lagunitas HiFi Hops is a big winner in California thus far, but we tend to think that the CBD-infused beverages have the potential to be 5-10X bigger than THC-infused drinks.

With five Canadian companies on the New York Stock Exchange and Nasdaq (APHA, CRON, CGC, TLRY, and ACB), the window for ancillary companies like KushCo and GrowGen to join Nasdaq or NYSE has never been wider. With the MTEC space (which acquired ancillary co MJFreeway), we are hearing whispers that the Nasdaq has softened on uplists in the U.S. and we now feel confident that 5-10 U.S. ancillary companies will be able to uplist in 2019.

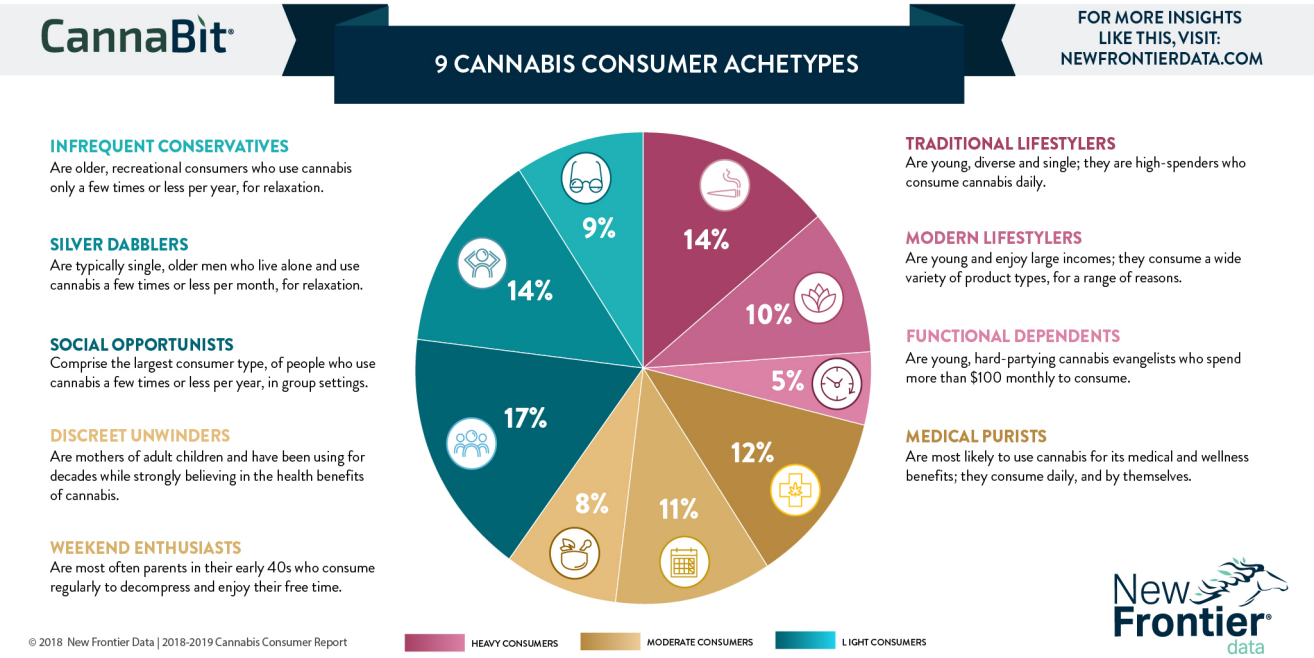
As a final point before we delve into the financial section of this update, I wanted to present an evolving insight that the Merida team has been discussing over the past few months. We have previously highlighted the large gap in the cannabis industry's information flow. Cannabis related consumer data and consumer metrics have not been studied anywhere close to the level at which they are scrutinized in other sectors of consumable goods industries (food being just one example). It would appear that this is on the verge of change and New Frontier is leading the way as it ramps up data collection efforts. This data provides insight and context on emerging consumer trends, which in turn gives us more breadth as we start to focus on the consumer-packaged goods space.

An early and effective product of New Frontier's work is the cross section of cannabis consumers as illustrated in the graph below. This and other insights uncovered by New Frontier's data help Merida identify usage nuances that other firms miss or simply neglect. Our team consumes information and data voraciously in order to refine our thesis and home in on new areas of investment that fall outside of general focus. Recently, our analysis of this consumer data has allowed us to pinpoint undervalued components within a vertical while widening the potential for us to focus on branded consumer products. We have been spending significant time on both that vertical and the supply chain elements that augment branded "warfare" on the shelves and expect

to have investments in both categories - brand families, or the supply chain around brand families - where we already have exposure in Kush and MediaJel (discussed below).

Several information nuggets New Frontier discovered:

- Frequency of use varies widely among the demographic range of cannabis consumer archetypes.
- Just over a third (36%) of cannabis consumers use it at least once per day, while nearly three-fifths (58%) do at least once per week.
- Among the heaviest-consuming archetypes (i.e., Traditional Lifestylers, Modern Lifestylers, or Functional Dependents), between 65%-79% use cannabis daily, and up to 93%-97% use it weekly.
- Men tend to use cannabis more frequently than do women: 64% of male consumers use cannabis at least once per week, compared to 53% of female consumers.
- Younger consumers generally use cannabis more often than do older ones: Two-thirds of those aged 18-34 use cannabis at least once per week, versus 44% of those aged 55 and older.



New Frontier has perfect timing in completing a consumer landscape survey to make more refined information available and provide insight into the evolving consumer mindset regarding cannabis. It is somewhat amazing that **articles like this one from the Washington Post** still take a "Gorillas in the Mist" approach to the fact that regular people do in fact enjoy cannabis when cannabis ballot measures have passed at an 80% clip since 2014. You can imagine that we may have some insight and analysis on this front. We do, and we expect our next commentary will explore a few analytical points we think we have identified well before much of our peer group and we hope to share those insights in late December.

Q3 Deployments

Moving to our Q3 deployments, we have been active in identifying and closing transactions that continue our ecosystem connectivity thesis. Fund II stands at 19 portfolio companies (the 19th being added in the third day of Q4). Please note that while we are reporting Q3 deployments here, we have deployed another ~$8MM in Q4 and still have another $8MM in cash on hand.

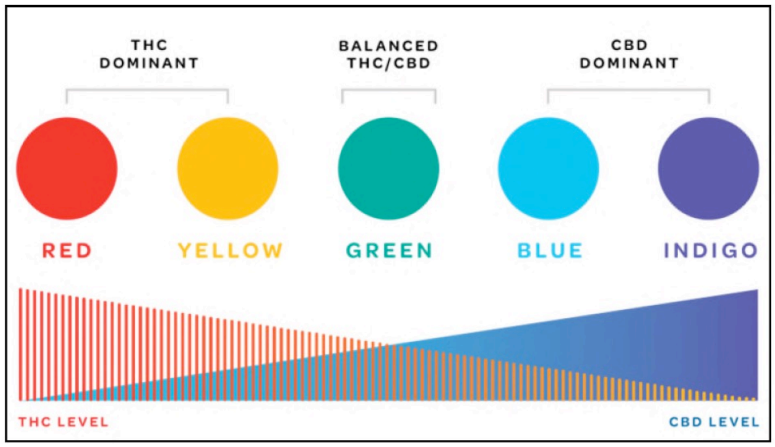
Vireo Health - $2MM

Vireo Health is a "physician-centric" multi-state operator, with a stated goal to build a medical brand that promotes health and wellness that can be as trusted as Tylenol or Advil. Vireo currently has licenses in NY, MN, MD and PA, which we consider the most attractive of the limited license states. Vireo is also looking to add other states opportunistically such as MA, NM and AZ. We are already working strategically to assist them in identifying assets which could earn us additional equity for our LPs.

Management is focused intently on patient/physician education and outreach, building strategic relationships with health care practitioners by utilizing licensed physicians (with expertise in medical-cannabis) to serve as an educational resource for their colleagues. Additionally, Vireo has partnered with Ligand Pharmaceutical (LGND with a $4.7b equity market capitalization) on solubility. Vireo has an exclusive license and supply agreement for LGND's Captisol formulation technology for the delivery of CBD medications. This is far more advanced than other license holders who are simply producing basic products for their markets.

The company also offers educational materials, seminars and other programs designed to respond to the needs of physicians interested in recommending cannabis to their patients. Vireo further enhances its credibility and scientific capabilities by engaging physicians to serve on its Scientific Advisory Board, pursuing research collaborations with local universities and health care institutions, and by actively participating in conferences. In August 2017, the NIH awarded $3.8MM research grant to Albert Einstein College of Medicine and Montefiore Health System for medical marijuana research – a study with which Vireo NY will collaborate (the grant represents the first long-term study to investigate whether treatment with medical marijuana can lead to a reduction in opioid use in adults with chronic pain).

Vireo is currently operating in medical license states only and their expertise is converting cannabis into extract used to manufacture a wide array of pharmaceutical grade, cannabis-based products with proprietary formulations with varying combinations of THC and CBD. Based on recent MN patient data, the vast majority of medical patients purchase product to address chronic pain (~65%), followed by muscle spasms (~15%), PTSD (~13%), Cancer (10%), and seizures (5%). Like our portfolio company Canndescent, Vireo's concentration is a spectrum of feelings rather than strains due to their focus on pharmaceutical formulations rather than raw flower.



Our Vireo investment is consistent with our belief that New York is one of the real upside opportunities of the limited license states. One aspect of Vireo's operation that also attracted us was their sophisticated home delivery operation in NY, led by a former FedEx executive due to logistics required of delivering in Manhattan. We look forward to applying what we learn about that aspect of Vireo's business to other operations in which we are involved.

Maryland is another state with tremendous upside. Due to complications with their Maryland license when granted, Vireo is just ramping up its Maryland operation and we are excited for the inception of revenues there.

With our recent acquisition of majority interest in Jova Wellness, a Maryland dispensary, our Vireo investment adds exposure to our Maryland cultivation and processing and allows us to lock in a diversified supply of products.

Our investment was made at a valuation of just over $100MM and Vireo plans to RTO sometime in early 2019, which we believe will occur at somewhere north of $600MM market capitalization.

Cresco Labs (through Valley Ag Acquisition)

Through its pending acquisition of Valley Ag, Cresco Labs will become a Merida portfolio company shortly. When we first invested in Valley Ag, we deployed a modest amount of capital to finance a limited-license grower in New York, a rapidly growing market which had been much-maligned until recently.

Valley Ag's model, its status as one of the last remaining independent operators and mature management team attracted much buyer attention, and we decided on approving the Cresco transaction after much deliberation. Cresco is a fast-growing MSO that have shown an ability to execute in tightly regulated markets and develop well-received products for each market they are in. We had previously looked at the misunderstood New York market and its seemingly underestimated potential as one of those informational asymmetries we could not ignore. We believe Cresco will do a great job in a New York market that has seen strong growth in patient counts as state rules have liberalized. Furthermore, the addition of opioid replacement as a qualifying condition is a key driver and the metrics around its impact on patient count are highly compelling.

Should the transaction close, which we are confident of, we will be receiving cash and Cresco stock at an $850MM valuation, which is far below what we think it will trade at, given the comparables that exist in the MSO vertical. There are also significant earn-outs that can be earned based on milestones met over the next 18 months. When factoring in potential earn-outs at cost, the deal value is nearly $85MM. If the stock rises from its pre-RTO level, the deal value will likely cross $100MM-the largest sum ever paid for a pre-operational license. Based on the monitoring fee proposed by Cresco and their stated desire to work with us across platform (Fund I's Manna is a partner of Cresco), we feel like our involvement in the largest deal of its kind is more a reflection of the role we play in our portfolio companies rather than simple coincidence.

4Front Ventures - $500,000

Like Vireo and Cresco, 4Front is an MSO with a more defined focus on retail through their Mission dispensaries. Originally a consultant for other grow operations, 4Front has a deep network of relationships that gives them certain tactical advantages over other MSOs. They are smaller in scale than GTI, or Acreage. We have a fair amount of experience with them from their early operation in Illinois. They now operate in MD, PA, IL and MA. Our modest investment will increase our exposure to states where we have existing connectivity, while expanding the network of potential buyers for opportunistic assets we may acquire over the next six months.

We were also attracted to 4Front due to their excess capacity in their cultivation operations, where they are running at less than 25% of max production. At a valuation of ~$130MM, our investment of $500,000 has significant upside should they complete a go-public transaction as envisioned in our discussions with them.

Jova Wellness - $325,000 Note, ($500,000 Stock Purchase) - Majority Control

Jova Wellness is a dispensary in Prince George's County Maryland. We originally lent the company money for its dispensary build out with equity attached. We followed that loan with an outright purchase of 48% of the equity for a total position of 51%. We have seen dispensary prices in Maryland go as high as $4.5MM and a typical purchase is in the $3MM range. When the loan matures, we will have paid only $500,000 for a majority position of the dispensary. Additionally, Maryland has certain rules for dispensaries that are advantageous for profitability. We will be able to create high margin products at the dispensary such as pre-rolls and Manna patches while tapping our local networks and connection to growers like GTI, Grow West, and Vireo for consistent raw and finished products.

Prince George County currently has one of the lowest patient penetration rates in Maryland and is poised for upside growth as Jova opens over the next month. The county also has restrictive zoning requirements that are partly driving the low penetration rates as there are two unopened dispensaries within its boundaries (we are in discussions to acquire one of those through a management contract that converts to equity). As Jova launches and educates local populations, we expect the county to normalize at other county patient rates, creating an immediate base of patients for Jova to serve.

Freedom Leaf - $250,000 ($1.75MM in Q4)

Freedom Leaf (FRLF) is a public company primarily engaged in the formulation and production of hemp-derived CBD for the retail and wholesale markets in the U.S. and Europe. Management has spent the past several years building a portfolio of brands - most of which were acquired in 2018 - with the goal of becoming one of the leading hemp-derived CBD extraction, formulation and manufacturing players in the space with a focus on health and wellness, vitality and anti-aging products for all age groups. This is a particularly important investment for us because it is a public company but also because we see it as a platform for rolling up complimentary companies like the acquisition of Hemp2o beverage company, which should close before the end of the year.

As part of Merida's investment, senior partner David Goldburg became Chairman of the Freedom Leaf Board of Directors.

FRLF's objective is to look like a pharmaceutical company, with best in class testing standards worldwide and the ability to produce high quality organic and natural herbal products for its customers, many of whom have impaired immune systems, making extraction purity a critical element of their differentiation. And because these products contain virtually no THC, they can be legally and safely marketed to children and pets - both of which will be major market opportunities for FRLF as the consumer is educated on the health and wellness benefits of hemp oil in combination with natural herbs. We see the pet vertical as particularly attractive due to the wide variety of pet owners who ordinarily avoid giving their pets any type of opioid-based medicine or anti-anxiety medicine.

The company has four complimentary business verticals: (a) hemp-derived CBD brands, including Irie, HempOLOGY and Freedom Leaf; (b) an extraction facility in Las Vegas that will be expanded

to a full distillation and formulation lab; (c) a greenhouse facility in Spain, and (d) media properties in the cannabis and hemp space. In the U.S., FRLF does not intend to purchase or lease land for the cultivation of the hemp, which is currently sourced from third-party farmers primarily in Oregon and Nevada. With the tremendous amount of raw hemp production going online in the U.S., we don't think it will be difficult to source high quality raw hemp plants. In particular, we have seen 14 individual hemp-based opportunities in just the past month and each one highlighted large tracts of land going into production. None of these opportunities are focused solely on products, which gives FRLF a big advantage in avoiding capex and streamlining company efforts without having to deal with growing hemp or the agricultural elements of the business.

FRLF represents Merida's first investment in a U.S. hemp-derived CBD business. We believe that the hemp-derived CBD market is poised for substantial growth as consumers become educated to the tremendous general health benefits of CBD as a daily supplement and its ability to treat specific medical and psychological conditions. If the Senate version (or a similar version coming out of conference) of the 2018 Farm Bill is sent to the President for signature, we expect the hemp sector to explode – both in terms of supply and the ability of hemp companies to sell their products across multiple channels and in every state as an agricultural commodity and health supplement.

The company will need to purchase equipment and supplies, many of which can come from the Merida eco-system: Kush Bottles (which they have used in the past) for packaging supplies and industrial gases, Emerald Scientific for reagents and labs supplies, Steep Hill for third-party testing. And the company is looking to introduce new product lines, including a CBD transdermal patch and is in discussions with Manna Molecular to purchase a MannaBot One 3D printer and license the patches, initially in the U.S. and down the road in Europe.

The other exciting opportunity is to place the Company's products on traditional marijuana dispensary shelves, which is not currently the case today for nearly every hemp-derived CBD company. Given Merida's extensive relationships with individual and multi-state license operators from Florida to Massachusetts to California, we intend to aggressively seek out new markets for FRLF's products. There is also an opportunity to use the company's CBD to combine with THC products in production operations we have relationships with to achieve optimal formulations in states like NY, PA, MD, and Minnesota.

Through our investment in FRLF, there is an incredible opportunity to build a European platform as well. The hemp-derived CBD and medical marijuana opportunity in Europe could be much bigger than the U.S. The Company purchased an indoor cultivation facility in Spain and plans to add extraction capabilities and market its products throughout the continent. As in the U.S., the company will need access to packaging and supplies, much of which can be supplied by our portfolio companies.

The Hemp CBD Portfolio

IRIE

Irie, acquired in April 2018, is formulator and manufacturer of retail hemp-derived CBD products located in Oakland, CA. Irie is a Jamaican noun that has several meanings, including "it's all good," "pleasing" and "excellent quality." Irie was founded by Rick Potts, who is a chemist, and

previously co-founded Bluebird Botanicals, a top-ten U.S. hemp-derived CBD player that will generate an estimated $10mm of revenue in 2018.

Irie's main product is hemp oil (ingested orally) sold under the following labels: Daily, Calm, Balance, Pain, Feminine, Kids, and Lifeline. Each of these oils has a unique blend of natural herbs meant to treat specific conditions and include lavender, peppermint, vitamin E oil, monk fruit, basil, Devil's Claw (an herb native to Africa to treat arthritis and pain), Skullcap (a staple for treating pain in Chinese medicine), and curcumin (a key component of turmeric, known for anti-inflammatory properties). Other products include hemp oil capsules, pain cream, face serum for every type of skin condition, and CBD infused honey and coconut stick snacks.

For its products, Irie uses full spectrum organic hemp CBD - which includes other compounds found in the hemp plant such as CBG, CBN, CBC, Terpenes, Phenols & Flavonoids - which in various formulations has the most beneficial impact (the "entourage effect") for whatever condition is being addressed. Irie uses organic hemp seed oil and a coconut oil medium-chain triglyceride (MCT) as the base blends for its products.

Oregon suppliers provide ~75% of Irie's hemp extract requirements, with the remaining coming from FRLF's LV extraction facility. The standards for Oregon hemp are high, with the crops subject to Oregon Department of Agriculture limits on pesticides and contaminants and many of the farmers also pay for USDA soil testing. Distillation is performed by a third-party Maryland lab with the extract shipped to Oakland (this function will be brought in-house when the Las Vegas lab is completed by year-end).

For each batch of hemp purchased, Irie receives a certificate of analysis (COA) from the hemp grower, indicating THC levels and other cannabinoids, the presence of pesticides and other contaminants. Irie then sends the samples for independent third-party testing and also has the capability for limited in-house testing. They also hold back samples from every batch for future testing. Quality control is critical for several reasons. First, contaminants negatively impact the efficacy of the product and second, many of Irie's customers have weakened immune systems that are quite sensitive, so providing a pure clean product is critical.

Irie is in over 200 retail outlets today, including specialty stores and grocery stores (including 17 of 23 stores of pilot program at ShopRite in New Jersey). Direct retail sales account for ~65% of revenue, with the remaining ~35% internet. The company is in discussions with a Canadian distributor, with the potential to gain access to 1,700 new retail outlets.

HempOLOGY

This is FRLF's Ayurveda focused hemp CBD product line, which was introduced in limited form in 2Q18. The company offers four herbal vaporizers, all produced from whole plant hemp extract and organic Ayurvedic herbs harvested in India (from farms owned by the developer/owner of NuAxon extractors).

The four lines are: Herbal (energy boost), Movement (joint and muscle pain), Clarity (stress reduction), and Relaxation. Each of these vape cartridges contain unique combinations of saffron, flaxseed, turmeric, ginger, nutmeg, and several Indian leaves and flowers. All the vape extracts are produced in India locally.

Other products include full-spectrum mint hemp extract, full spectrum pain balm, hemp oil CBD dog treats and full spectrum pet oil. The company is also testing a CBD equine treat, which is expected to come to market this year. Both of these lines are produced by a third-party (Custom Vet Services) in Florida and sent to Las Vegas for fulfillment. Management believes the pet and equine lines are a $1MM annual revenue opportunity. Oils and creams are formulated and packaged by Irie and the vapes are produced in India. Both are then shipped to Las Vegas for fulfillment.

This product line is being marketed primarily to spas, boutiques, and salons. HempOLOGY has three full time staff (including sales and fulfilment) and works with third-party brokers (N. England, Indiana, Michigan, Nevada, California) on a non-exclusive basis, all of whom are paid on commission. Management expects ~75% of revenue to be generated from the retail channel. The company is "likely" to get placement on Walmart.com and is in discussions with Whole Foods, Rite Aid, NCAP (association of convenience stores), and the Hackney Group (East Coast based food service and convenience stores).

Steep Hill Labs - $3,800,000

While we remain bullish on lab testing and the quality control aspects of the industry, Steep Hill's weak performance amid the challenges of California's legislative changes led us to take governance steps to stabilize the company. Merida took the rare step of instituting a proxy action by which we led a group of shareholders in enforcing certain rights that led to significant management changes that we believe were essential to the company's success. Merida has since made material progress in re-shaping Steep Hill's management, lab operations and corporate governance and democratizing the way that Steep Hill shareholders receive information and participate in company decisions.

In August, Merida increased its stake in the company at a modest valuation and selected Dr. Andrew Rosenstein to assume the role of interim CEO. Rosenstein is a highly respected physician from Maryland, with experience building cannabis testing laboratories in two of the most regulated states in the U.S., operating Steep Hill Maryland and Steep Hill Pennsylvania licensed-labs. As part of Merida's increased investment, senior partner Jeff Monat became Chairman of the Steep Hill Board of Directors. I also joined the Board along with Brett Finkelstein from cannabis fund Phyto Partners and entrepreneur and Steep hill shareholder Stephen Finfer.

Rosenstein's mandate as CEO is straightforward: (1) create a focused and leaner company that is ready to adjust to the rapidly evolving challenges of the cannabis testing space; and (2) maximize value for the company's shareholders. To this end, Rosenstein has restructured the company's management team and hired scientific experts to build and run a compliant testing lab. The lab has recently restarted operations after several months of scientific development that was required to meet California's stringent regulations. Merida remains excited about the prospect of Steep Hill becoming a leader in the California lab testing space, as well as the potential to monetize global business opportunities from the company's valuable R&D efforts.

Ionization Labs - $230,000

Merida invested $230,000 in the seed round of Ionization Labs, a technology company that provides real-time, decentralized lab testing services for cannabis and hemp producers. Similar to our thesis with Steep Hill Labs, as the industry evolves, tools and services that provide quality control and quality assurance are in high demand. Those tools that can be sold without large hardware purchases even more so. The company's flagship testing solution, which is currently launching in commercial accounts across the United States, is a hardware and software platform that collects real-time data that is processed in the cloud for fast chemical analysis and advanced analytics reporting. The $2,500 base cost per month for 100 tests is both affordable and a compelling value for high volume producers. We are also excited that Emerald Scientific will exclusively sell Ionization Labs' core calibration kit and service its accounts with their monthly needs – thus further driving connectivity value to our portfolio.

The attractiveness of Ionization's testing solution to customers is readily apparent: their technology is fast, accurate, mobile, cost-effective, and simple to operate. The company's founders and scientists are leaders in their fields and have extensive experience in analytical device technology design, miniaturization, software development and big data in addition to prior experience in highly regulated testing markets. Ionization will utilize a subscription-based SAAS model, and hardware is leased to clients with a recurring revenue

model. Every sample that is processed will create a unique, traceable data ID that will be saved, creating a valuable library of sample results for the company.

Ionization's impressive data collection efforts, as well as potential connectivity with complementary investments like Steep Hill, should yield incremental value to Merida as a lead investor. We believe our pre-money entry valuation of $7.7 million should prove to be extremely attractive and will help build a dominant testing services company in North America and beyond.

VividGro - $2,750,000

Vividgro (VG) is an Agtech roll up by which we are partnering with an LED lighting company originally owned by Pegasus, a $2B PE firm in NY. Vividgro has a small base of existing business that can be scaled over time but the primary thrust of our investment is to quickly acquire four to five Agtech companies (control system Agrilyst is already under LOI) that can partner synergistically to compress the sales cycle and adoption of cutting-edge technologies. Over time, we can use the footprint of these technologies to acquire other complimentary businesses to run through the VG platform. VG will be an enterprise solution for vertical operators who need efficiency to compete with VG providing much of the technology once its footprint is established.

Merida is the lead merger partner for VG and we currently have a pipeline of ten businesses we are assessing for acquisition, with another three to four already working directly with VG on partnering or outright acquisition. We believe if we build the type of ERP system (Enterprise Resource Planning) we ourselves need in our operations, it will be a good candidate to go public in late 2019. Along with our cash investment, Merida has received both Founders Shares and a strong package of warrants for our M&A work.

MediaJel/YoCanna - $250,000

Merida made a modest investment of $250,000 in MediaJel (MJ), a marketing services company with two primary businesses: (1) MJ - marketing campaigns for cannabis brands and (2) YoCanna - an online discovery tool for cannabis consumers. We will also be leading their Series A round in December. The company has developed solid traction in gaining marketing customers, with a current revenue run-rate in excess of $1.5 million. Additionally, Marc Lustig, former CEO of Origin House (formerly called CannaRoyalty), Merida partner Kevin Fickle and several early Origin House investors are also seed investors in MediaJel. This is notable because Origin House has quickly become one of California's largest distributors of branded cannabis products. We are excited to plug our connected ecosystem into MediaJel's brand representation engine along with distribution leaders like Origin House.

MediaJel is essentially a digital ad agency that services retail dispensaries and branded cannabis cultivators. The company has created highly-differentiated intellectual property that increases the efficacy of digital ads purchased by its clients. Much like traditional advertising businesses, MJ's overarching goal is to help build ubiquitous cannabis brands in geographies across North America. They plan to accomplish this by reaching new customers to the cannabis industry through "mainstream" mobile ad placement. These ads reach a desired population through geospatial targeting and other proprietary technologies.

Our entry valuation for the investment was approximately $3.2 million on a pre-money basis. At this valuation, we paid a highly-attractive multiple of 2x run-rate revenue for a high-margin services company that is growing its top-line in excess of 100% per year. We also took advantage of MediaJel's digital capabilities recently, recording 8 interviews with leading industry CEOs called "3 Deep Questions with Merida Capital".

Materia Medica Processing (MMP) – ($500,000 in Q4)

This is technically a Q4 investment, closing in the first week of October. Merida acquired 25% of MMP, a start-up engaged in the processing and formulation of CBD (Cannabidiol) extract derived from hemp. The company is headquartered in Bolzano, Italy and the CBD processing lab is located in Sienna, Italy for the purification and formulation of CBD extract from Hemp. In the first year of operations, the company will sell CBD extract (with different levels of CBD and terpene profiles) into the wholesale market. In year two, MMP will sell retail products - oils (tincture), pure extract (resin), crystal, patches, gel caps (subject to more regulatory clarity) – direct to the consumer. Down the road, the company intends to white label products for third-parties (Merida is already working on a joint venture with a pharmaceutical company located in Spain).

MMP purchases raw non-GMO hemp directly from European certified growers (Spain and Italy being the highest quality), which is then sent to a third-party in Germany (90% of supply, with the remaining 10% extracted in Italy) for extraction (MMP also has a partner for terpene processing). MMP is implementing a rigorous testing process to insure its supply meets the maximum THC limits and has the CBD content the company is looking for. After the raw extract is delivered to the Siena facility, the MMP chemists – who have years of experience in the pharmaceutical extraction and purification of full spectrum CBD - begin the purification process. The raw extract is put through an advanced technological process of short-path/thin film evaporation and distillation in order to remove impurities and chlorophyll while isolating select cannabinoids and terpenes. Flash chromatography is then performed to remove all traces of THC, resulting in a final product that is completely THC-free. After the purification process is complete, cannabinoids and terpenes are added back to the finished product to produce a unique CBD blend that delivers consistent and effective results.

MMP represents Merida's first investment in Europe, where we believe the hemp-derived CBD and medical cannabis opportunity is tremendous. Unlike the U.S., medical cannabis is legal across most of the EU with consumers able to purchase product in the neighborhood pharmacy and medical reimbursement is becoming the norm given the single-payer regimes across the continent. Despite these dynamics, the EU is short product in every market.

Starting with MMP, Merida's objective is to build a best in class CBD processor that can produce and distribute the highest quality products - first in Italy and then throughout the EU. We have additional upside optionality if Italy or other EU countries legalize recreational use. The MMP lab has the capability to process THC/CBD from cannabis as well as hemp-derived CBD.

MMP is a greenfield project and once up and running, the company will need to purchase lab equipment, reagents and packaging, among many other items. As the Merida ecosystem expands to Europe, Emerald and Kush will be in a position to supply these products to MMP. MMP is also

interested in making Manna patches for retail sale to pharmacies. We also acquired an option to acquire another 15% of the company at a compelling valuation.

Merida Capital Cultivation/De Novo Licensing - $350,000

Merida is lucky to have roots in the de novo licensing vertical, essentially positioning us to compete for licenses on an opportunistic basis. While this has become an expensive vertical to play in, we continue to find ways to pursue a few isolated licenses with very little capital expended. There are two distinct positives from these efforts: i) we connect with local applicants who end up owning licenses which allows us to potentially partner or buy into licenses at early stages (like Valley Ag); and ii) we can potentially win licenses that create tremendous value across our platform and directly to investors. Due to confidentiality restrictions, we cannot reveal pending efforts until licensing decisions are made but we expect to have news on this front by early Q1 2019.

NAV Calculation

To date, our NAV valuations have been:

Inception (February): $1.00 - $6MM deployed

March 16th: $1.24 - $9.1MM deployed

June 16: $1.31- $8.2MM (as of September 28)

Please note that the NAV tracker reflected in the chart below shows only investments up to September 28, while our deployments described above reflect early Q4 activity as well.

One of the challenges of running a private equity fund in a fast-evolving landscape is booking the private components of our portfolio. When we began to create a portfolio of top ancillary companies 16 months ago, it was hard to anticipate what might be in the portfolio. One of the difficult aspects of constructing a portfolio is the risk of extended illiquidity. We have booked the portfolio for purposes of recalculating the NAV of the Fund based on two simple premises. Public companies are booked at their trading level at the close and private companies are booked at cost unless there has been an arms-length transaction of more than $500K since our investment. In many cases, like Mainstem, MediaJel, or Simplifya, later rounds led by Merida do not change the NAV for an investment unless at least $500K of outside money comes in alongside our capital. While that often means that our P&L is significantly understated as companies grow in value without outside price validation, we view it as the only way to consistently book our portfolio without constantly needing to spend time and resources rebooking the NAV just to show paper gains.

We believe that several of our private companies have significantly increased in value due to progress within a specific company's sales, or its strategic achievements. However, until there is

a transaction against which we can measure the company's value, our private investments are booked at cost. One such example would be Vireo, a multistate operator (MSO).

If you read our commentaries, you are undoubtedly aware that MSOs are currently valued at metrics that are far above our "cost" method. We invested nearly 10% of our capital at the time in Vireo at a ~$100MM valuation. Given their size and the market comps, we believe our $2MM is worth several multiples of that. Regardless, to date Vireo remains on our books at cost. 4Front Ventures and our Cresco transition from Valley Ag, are similarly booked at cost. When these companies price their next round or file to go public, which we expect in a somewhat prompt timeline, we expect to see accretive gains to the NAV.

Fund II - Investment & Gain by Position *As of:* 9/28/2018

	Current Investment	Gain	**Gross** Return	% Total P&L
Grow Generation	$ 2,427,140	$ 2,450,210	101%	22%
Kush + Summit	5,276,000	4,150,917	79%	38%
Valley Ag/Cresco	730,000	858,373	118%	8%
MCCP	551,163	-	0%	0%
Jushi	125,000	533,750	427%	5%
New Frontier	2,000,004	487,489	24%	4%
Simplifya	500,000	-	0%	0%
Mainstem	1,600,000	-	0%	0%
Steep Hill	2,799,991	1,356,535	48%	12%
Canndescent	3,000,000	148,225	5%	1%
Emerald Scientific	100,000	-	0%	0%
Vireo	2,000,025	-	0%	0%
VividGro	1,250,000	1,000,000	80%	9%
YoCanna	250,000	-	0%	0%
Vapor Dosing Technology	250,000	-	0%	0%
Ionization Labs	230,000	-	0%	0%
Freedom Leaf	250,000	35,417	14%	0%
Subtotal	$ 23,339,324	$ 11,020,916		

The effect of our ecosystem approach on the portfolio is profound and, we believe, one of our key differentiators. Quite simply, we generate excess yield for our investors through our expertise and work with our portfolio companies. There are several other companies like Kush, Jushi, Emerald, Mainstem and Freedom Leaf where we could see additional equity for any strategic introductions we foster. It takes a significant amount of time to generate value from these efforts and in many cases we are just starting to see the fruits of these efforts. We believe over time a moderate portion of our returns will be the value of this additional equity and the gains on both our core investments and this additional equity. What we find most exciting is that as we generate business development

opportunities for our portfolio, particularly on the public side, this influence clearly impacts our companies' results as demonstrated by the one-year stock appreciation of both GrowGen and Kush.

Merida was founded in August of 2016. We remember hearing from many investors around that time that the vision and strategy would seem to be an ideal way to play the cannabis space. As we evolved into a small fund throughout 2017, we continued to stay true to our vision, even though raising capital was challenging. When we tripled in size over a two-month period in early 2018 as we launched Fund II, we started to see the result of our strategic focus. As we now turn the page on 2018, and the closure of Fund II and the preparation of Fund III, we continue to see the positive effects of our tireless work in collecting data and information, turning those into analysis and thought pieces which are now widely distributed, and communicating our vision more broadly.

While much has changed in our size and scope, our efforts and grit are the same as they were in 2016. We have been lucky to find talented individuals to join us who share the characteristic of hard work and intelligent debate. We grind through information as we challenge each other on each transaction and we simply do not have the gene for complacency. That relates to our investors too as we never take your support for granted.

You have our promise that one other thing that has not and will never change is that we know our investors deserve the utmost consideration. We will be relentless in pursuing value on your behalf because without you, there is no Merida.

On behalf of the Merida team, I wish you and your families a safe and happy holiday season.

Very Truly Yours,

Mitchell Baruchowitz
Managing Partner