

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MEDMEN ENTERPRISES INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of MedMen Enterprises Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MedMen Enterprises Inc. (the "Company") as of June 25, 2022 and June 26, 2021, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended June 25, 2022, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 25, 2022 and June 26, 2021, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended June 25, 2022, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations, is in violation of various debt covenants and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

MNP LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2018.
Calgary, Canada
September 8, 2022

MEDMEN ENTERPRISES INC.**Consolidated Balance Sheets****As of June 25, 2022 and June 26, 2021***(Amounts Expressed in United States Dollars, Except for Share Data)*

	2022	2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,795,999	\$ 11,575,138
Restricted Cash	-	730
Accounts Receivable and Prepaid Expenses	7,539,767	7,618,174
Inventory	10,010,731	16,014,431
Current Assets Held for Sale	123,158,751	132,763,631
Other Current Assets	9,990,992	7,869,974
Total Current Assets	161,496,240	175,842,078
Operating Lease Right-of-Use Assets	47,649,270	61,801,327
Property and Equipment, Net	64,107,792	107,059,485
Intangible Assets, Net	35,746,114	83,438,199
Goodwill	9,810,049	32,900,457
Other Assets	4,414,219	11,422,144
TOTAL ASSETS	\$ 323,223,684	\$ 472,463,690
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 38,905,818	\$ 45,264,815
Income Taxes Payable	58,646,291	61,301,044
Other Current Liabilities	16,704,283	17,088,693
Derivative Liabilities	6,749,563	6,935,520
Current Portion of Operating Lease Liabilities	17,750,863	8,073,692
Current Portion of Finance Lease Liabilities	4,061,273	205,595
Current Portion of Notes Payable	97,003,922	103,496,394
Current Liabilities Held for Sale	86,595,102	104,293,656
Total Current Liabilities	326,417,115	346,659,409
Operating Lease Liabilities, Net of Current Portion	44,091,509	62,136,044
Finance Lease Liabilities, Net of Current Portion	26,553,287	29,047,099
Other Non-Current Liabilities	3,082,277	3,648,904
Deferred Tax Liabilities	35,213,671	37,265,526
Senior Secured Convertible Credit Facility	132,005,663	170,821,393
Notes Payable, Net of Current Portion	74,372,898	76,518,934
TOTAL LIABILITIES	641,736,420	726,097,309
SHAREHOLDERS' EQUITY:		
Preferred Shares (no par value, unlimited shares authorized and no shares issued and outstanding)	-	-
Subordinate Voting Shares (no par value, unlimited shares authorized, 1,301,423,950 and 726,866,374 shares issued and outstanding as of June 25, 2022 and June 26, 2021, respectively)	-	-
Additional Paid-In Capital	1,057,228,873	908,992,686
Accumulated Deficit	(905,420,836)	(717,232,706)
Total Equity Attributable to Shareholders of MedMen Enterprises Inc.	151,808,037	191,759,980
Non-Controlling Interest	(470,320,773)	(445,393,599)
TOTAL SHAREHOLDERS' EQUITY	(318,512,736)	(253,633,619)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 323,223,684	\$ 472,463,690

The accompanying notes are an integral part of these Consolidated Financial Statements.

MEDMEN ENTERPRISES INC.
Consolidated Statements of Operations
Fiscal Years Ended June 25, 2022 and June 26, 2021
(Amounts Expressed in United States Dollars, Except for Share Data)

	2022	2021
Revenue	\$ 140,811,689	\$ 132,247,342
Cost of Goods Sold	<u>71,084,231</u>	<u>71,519,702</u>
Gross Profit	<u>69,727,458</u>	<u>60,727,640</u>
Expenses:		
General and Administrative	108,724,757	109,176,634
Sales and Marketing	3,205,697	1,006,079
Depreciation and Amortization	24,057,830	26,305,707
Realized and Unrealized Changes in Fair Value of Contingent Consideration	3,304,685	390,727
Impairment Expense	101,799,182	2,363,272
Other Operating Income	<u>(2,432,795)</u>	<u>(23,422,243)</u>
Total Expenses	<u>238,659,374</u>	<u>115,820,176</u>
Loss from Operations	<u>(168,931,916)</u>	<u>(55,092,536)</u>
Other Expense (Income):		
Interest Expense	32,383,954	31,069,011
Interest Income	(91,594)	(649,230)
Accretion of Debt Discount and Loan Origination Fees	10,688,872	21,680,282
Change in Fair Value of Derivatives	(26,187,075)	(838,767)
Loss on Extinguishment of Debt	<u>(10,274,932)</u>	<u>16,142,113</u>
Total Other Expense	<u>6,519,225</u>	<u>67,403,409</u>
Loss from Continuing Operations Before Provision for Income Taxes	(175,451,141)	(122,495,945)
Provision for Income Tax (Benefit) Expense	<u>9,896,186</u>	<u>(1,834,188)</u>
Net Loss from Continuing Operations	(165,554,955)	(124,330,133)
Net Loss from Discontinued Operations, Net of Taxes	<u>(45,338,954)</u>	<u>(33,267,626)</u>
Net Loss	(210,893,909)	(157,597,759)
Net Loss Attributable to Non-Controlling Interest	<u>(15,707,304)</u>	<u>(33,452,234)</u>
Net Loss Attributable to Shareholders of MedMen Enterprises Inc.	<u>\$ (195,186,605)</u>	<u>\$ (124,145,525)</u>
Loss Per Share - Basic and Diluted:		
From Continuing Operations Attributable to Shareholders of MedMen Enterprises Inc.	<u>\$ (0.13)</u>	<u>\$ (0.18)</u>
From Discontinued Operations Attributable to Shareholders of MedMen Enterprises Inc.	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>
Weighted-Average Shares Outstanding - Basic and Diluted	<u>1,153,538,255</u>	<u>530,980,011</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

MEDMEN ENTERPRISES INC.
Consolidated Statements of Changes in Shareholders' Equity
Fiscal Year Ended June 25, 2022
(Amounts Expressed in United States Dollars, Except for Share Data)

	<u>Units</u> <u>Subordinate</u> <u>Voting</u> <u>Shares</u>	<u>\$ Amount</u> <u>Subordinate</u> <u>Voting</u> <u>Shares</u>	<u>Additional</u> <u>Paid-In</u> <u>Capital</u>	<u>Accumulated</u> <u>Deficit</u>	<u>TOTAL EQUITY</u> <u>ATTRIBUTABLE</u> <u>TO</u> <u>SHAREHOLDERS</u> <u>OF MEDMEN</u>	<u>Non-</u> <u>Controlling</u> <u>Interest</u>	<u>TOTAL</u> <u>SHAREHOLDERS'</u> <u>EQUITY</u>
BALANCE AS OF JUNE 26, 2021	726,866,374	\$ -	\$ 908,992,686	\$ (717,232,706)	\$ 191,759,980	\$ (445,393,599)	\$ (253,633,619)
Net Loss	-	-	-	(195,186,605)	(195,186,605)	(15,707,304)	(210,893,909)
Controlling Interest Equity Transactions							
Shares Issued for Cash, Net of Fees	406,249,973	-	73,393,745	-	73,393,745	-	73,393,745
Shares Issued to Settle Debt and Accrued Interest	43,331,119	-	6,570,000	-	6,570,000	-	6,570,000
Shares Issued to Settle Accounts Payable and Liabilities	45,874,448	-	7,234,164	-	7,234,164	-	7,234,164
Issuance of Top-Up Warrants	-	-	4,498,882	-	4,498,882	-	4,498,882
Equity Component of Debt - New and Amended	8,021,593	-	42,392,351	-	42,392,351	-	42,392,351
Redemption of MedMen Corp Redeemable Shares	30,146,495	-	3,323,614	6,998,475	10,322,089	(10,322,089)	-
Shares Issued for Vested Restricted Stock Units and Cashless Exercise of Options	11,894,834	-	-	-	-	-	-
Shares Issued for Exercise of Warrants	8,807,605	-	1,273,679	-	1,273,679	-	1,273,679
Shares Issued for Conversion of Debt	16,014,665	-	2,371,100	-	2,371,100	-	2,371,100
Stock Grants for Compensation	4,216,844	-	1,828,153	-	1,828,153	-	1,828,153
Deferred Tax Impact on Conversion Feature	-	-	3,025,797	-	3,025,797	-	3,025,797
Share-Based Compensation	-	-	2,324,702	-	2,324,702	1,102,219	3,426,921
BALANCE AS OF JUNE 25, 2022	<u>1,301,423,950</u>	<u>\$ -</u>	<u>\$ 1,057,228,873</u>	<u>\$ (905,420,836)</u>	<u>\$ 151,808,037</u>	<u>\$ (470,320,773)</u>	<u>\$ (318,512,736)</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

MEDMEN ENTERPRISES INC.
Consolidated Statements of Changes in Shareholders' Equity
Fiscal Year Ended June 26, 2021
(Amounts Expressed in United States Dollars, Except for Share Data)

	Mezzanine Equity		Units Subordinate Voting Shares	\$ Amount Subordinate Voting Shares	Additional Paid-In Capital	Accumulated Deficit	TOTAL EQUITY ATTRIBUTABLE TO		Non- Controlling Interest	TOTAL SHAREHOLDERS' EQUITY
	Units Super Voting Shares	\$ Amount Super Voting Shares					SHAREHOLDERS OF MEDMEN			
BALANCE AS OF JUNE 27, 2020	<u>815,295</u>	<u>\$ 82,500</u>	<u>403,907,218</u>	<u>\$ -</u>	<u>\$ 791,172,613</u>	<u>\$ (631,365,896)</u>	<u>\$ 159,889,217</u>	<u>\$ (336,777,697)</u>	<u>\$ (176,888,480)</u>	
Net Loss	-	-	-	-	-	(124,145,525)	(124,145,525)	(33,452,234)	(157,597,759)	
Controlling Interest Equity Transactions										
Shares Issued for Cash	-	-	89,050,000	-	28,885,912	-	28,885,912	-	28,885,912	
Shares Issued to Settle Debt and Lender Fees	-	-	4,305,148	-	2,010,504	-	2,010,504	-	2,010,504	
Shares Issued to Settle Accounts Payable and Liabilities	-	-	17,872,181	-	3,610,650	-	3,610,650	-	3,610,650	
Equity Component of Debt - New and Amended	-	-	-	-	61,689,375	-	61,689,375	-	61,689,375	
Redemption of MedMen Corp Redeemable Shares	-	-	175,140,972	-	33,365,851	44,642,898	78,008,749	(78,008,749)	-	
Shares Issued for Vested Restricted Stock Units	-	-	11,658,293	-	1,782,993	-	1,782,993	-	1,782,993	
Shares Issued for Exercise of Warrants	-	-	8,807,605	-	1,622,377	-	1,622,377	-	1,622,377	
Shares Issued for Conversion of Debt	-	-	16,014,663	-	2,371,782	-	2,371,782	-	2,371,782	
Stock Grants for Compensation	-	-	110,294	-	55,163	-	55,163	-	55,163	
Deferred Tax Impact on Conversion Feature	-	-	-	-	(20,418,996)	-	(20,418,996)	(1,210,052)	(21,629,048)	
Share-Based Compensation	-	-	-	-	3,625,990	-	3,625,990	-	3,625,990	
Cancellation of Super Voting Shares	(815,295)	(82,500)	-	-	82,500	-	-	-	-	
Deemed Dividend - Down Round Feature of Warrants	-	-	-	-	6,364,183	(6,364,183)	-	-	-	
Warrants Issued Pursuant to Private Placements	-	-	-	-	(7,228,211)	-	(7,228,211)	-	(7,228,211)	
Non-Controlling Interest Equity Transactions										
Equity Component on Debt and Debt Modification	-	-	-	-	-	-	-	4,055,133	4,055,133	
BALANCE AS OF JUNE 26, 2021	<u>-</u>	<u>\$ -</u>	<u>726,866,374</u>	<u>\$ -</u>	<u>\$ 908,992,686</u>	<u>\$ (717,232,706)</u>	<u>\$ 191,759,980</u>	<u>\$ (445,393,599)</u>	<u>\$ (253,633,619)</u>	

The accompanying notes are an integral part of these Consolidated Financial Statements.

MEDMEN ENTERPRISES INC.
Consolidated Statements of Cash Flows
Fiscal Years Ended June 25, 2022 and June 26, 2021
(Amounts Expressed in United States Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss from Continuing Operations	\$ (165,554,955)	\$ (124,330,133)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Deferred Tax (Recovery)	(13,321,522)	(19,570,524)
Depreciation and Amortization	25,647,687	28,477,521
Non-Cash Operating Lease Costs	16,368,806	18,620,507
Accretion of Debt Discount and Loan Origination Fees	10,688,872	21,680,282
Loss on Disposals of Asset	4,452,376	669,601
Gain on Lease Terminations	(4,250,649)	(16,203,404)
Accretion of Deferred Gain on Sale of Property	(566,631)	(566,629)
Impairment of Assets	101,799,182	2,363,272
Gain on Disposal of Assets Held for Sale	-	(12,338,123)
Realized and Unrealized Changes in Fair Value of Contingent Consideration	3,304,685	390,727
Change in Fair Value of Derivative Liabilities	(26,187,075)	(838,767)
(Gain) Loss on Extinguishment of Debt	(10,274,938)	16,142,220
Share-Based Compensation	5,255,074	5,464,146
Interest Capitalized to Senior Secured Convertible Debt and Notes Payable	26,531,185	36,393,137
Interest Capitalized to Finance Lease Liabilities	1,567,534	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable and Prepaid Expenses	(257,330)	(2,093,338)
Inventory	4,613,460	1,960,304
Other Current Assets	(768,934)	2,147,239
Due from Related Party	-	3,109,718
Other Assets	26,612	2,765,640
Accounts Payable and Accrued Liabilities	8,939,776	3,022,559
Interest Payments on Finance Leases	(6,976,492)	(5,898,723)
Cash Payments - Operating Lease Liabilities	(10,035,716)	(16,059,492)
Income Taxes Payable	11,640,711	25,595,390
Other Current Liabilities	(1,584,619)	(1,716,979)
NET CASH USED IN CONTINUED OPERATING ACTIVITIES	(18,942,901)	(30,813,849)
Net Cash Used in Discontinued Operating Activities	(43,586,540)	(28,606,582)
NET CASH USED IN OPERATING ACTIVITIES	(62,529,441)	(59,420,431)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(9,040,193)	(2,687,627)
Additions to Intangible Assets	(616,263)	(1,175,252)
Proceeds from Sale of Assets Held for Sale and Other Assets	-	19,002,185
Restricted Cash	730	299
NET CASH (USED IN) PROVIDED BY CONTINUED INVESTING ACTIVITIES	(9,655,726)	15,139,605
Net Cash Used in Discontinued Investing Activities	(1,218,797)	(4,200,076)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(10,874,523)	10,939,529
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Subordinate Voting Shares for Cash	95,000,000	28,885,912
Payment of Stock Issuance Costs Relating to Private Placement	(5,352,505)	-
Exercise of Warrants for Cash	1,273,679	1,622,377
Payment of Loan Amendment Fee	-	(225,036)
Proceeds from Issuance of Senior Secured Convertible Credit Facility	(2,604,593)	-
Proceeds from Issuance of Senior Secured Convertible Credit Facility	-	14,577,000
Proceeds from Issuance of Notes Payable	5,000,000	15,830,279
Principal Repayments of Notes Payable	(20,215,864)	(742,860)
Principal Repayments of Senior Secured Convertible Credit Facility	-	(8,000,000)
Principal Repayments of Finance Lease Liability	(205,668)	(1,201,609)
NET CASH PROVIDED BY FINANCING ACTIVITIES	72,895,049	50,746,063

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(508,915)	2,265,161
Cash Transferred to Assets Held for Sale	(270,224)	-
Cash and Cash Equivalents, Beginning of Year	<u>11,575,138</u>	<u>9,309,977</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,795,999</u>	<u>\$ 11,575,138</u>

MEDMEN ENTERPRISES INC.
Consolidated Statements of Cash Flows
Fiscal Years Ended June 25, 2022 and June 26, 2021
(Amounts Expressed in United States Dollars)

	2022	2021
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 4,342,265	\$ 3,496,914
Non-Cash Investing and Financing Activities:		
Net Assets Transferred to Held for Sale	\$ 4,472,039	\$ 6,614,987
Receivable Recorded on Asset Held for Sale	\$ -	\$ 1,615,600
Lease Terminations and Amendments	\$ -	\$ 28,163,062
Redemption of MedMen Corp Redeemable Shares	\$ 10,322,089	\$ 78,008,749
Derivative Liability Incurred on Convertible Facility and Equity Financing	\$ 30,500,000	\$ 7,228,211
Conversion of Convertible Debentures	\$ 2,371,100	\$ 2,371,782
Shares Issued to Settle Debt and Lender Fees	\$ 6,570,000	\$ 2,010,504
Shares Issued to Settle Accounts Payable and Liabilities	\$ 7,238,467	\$ 3,610,650
Issuance of Top-Up Warrants	\$ 4,498,882	\$ -
Equity Component of Debt - New and Amended	\$ 41,388,047	\$ 61,734,380
Release of Investments for Liabilities	\$ -	\$ 750,000
Accrued Interest Added to Senior Secured Convertible Debt and Notes Payable	\$ -	\$ 4,614,291
Debt Discount Recognized on Modifications	\$ 1,000,000	\$ -
Deferred Tax Impact on Conversion Feature	\$ 3,025,797	\$ 21,629,048

The accompanying notes are an integral part of these Consolidated Financial Statements.

MEDMEN ENTERPRISES INC.

Notes to Consolidated Financial Statements

Fiscal Years Ended June 25, 2022 and June 26, 2021

(Amounts Expressed in United States Dollars, Except for Share and Per Share Data)

1. NATURE OF OPERATIONS

MedMen Enterprises Inc. and its subsidiaries over which the company has control (collectively, “MedMen”, the “Company”, “we” or “us”) is a premier cannabis retailer based in the U.S. with an operational footprint in California, Nevada, Illinois, Arizona, Massachusetts, Florida, and New York. MedMen offers a robust selection of high-quality products, including MedMen-owned brands – MedMen Red and LuxLyte – through its premium retail stores, proprietary delivery service, as well as curbside and in-store pick up. MedMen Buds, an industry-first loyalty program, provides exclusive access to promotions, product drops and content.

As of June 25, 2022, the Company owns 30 store locations across California (13), Nevada (3), Illinois (1), Arizona (1), Massachusetts (1), Florida (7) and New York (4). In December 2021, the Company opened its retail store in Boston’s Fenway Park area, and in March 2022, the Company opened its newest store location on Union Street in San Francisco’s Cow Hollow neighborhood. Beginning on October 1, 2021, the Company no longer operates the cultivation and production facilities in California and Nevada pursuant to its management agreement with an unrelated third party, AFB. In February 2021, the Company entered into an investment agreement to sell a controlling interest in MedMen NY, Inc. and thus classified all assets and liabilities and profit or loss allocable to its operations in the state of New York as discontinued operations. In January 2022, the investment agreement was terminated; however, it continues to meet the accounting criteria for assets held for sale and discontinued operations are shown apart from continuing operations. On February 28, 2022, the Company entered into an agreement to sell MME Florida, LLC, including license, dispensaries, inventory and cultivation operations, and thus classified all assets and liabilities and profit or loss allocable to its operations in the state of Florida as discontinued operations. The sale of the Florida-based assets was completed subsequent to the fiscal year ended June 25, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for annual financial information. The Consolidated Financial Statements include the accounts of MedMen Enterprises, its subsidiaries and variable interest entities (“VIEs”) where the Company is considered the primary beneficiary, if any, after elimination of intercompany accounts and transactions. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of June 25, 2022 and June 26, 2021, the consolidated results of operations and cash flows for the years ended June 25, 2022 and June 26, 2021 have been included. In accordance with the provisions of FASB ASC Topic 810, “Consolidation” (“ASC Topic 810”), the Company consolidates any VIE, of which the Company is the primary beneficiary.

Fiscal Year-End

The Company’s fiscal year is a 52/53-week year ending on the last Saturday in June. In a 52-week fiscal year, each of the Company’s quarterly periods will comprise 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter, making such quarter consist of 14 weeks. The Company’s first 53-week fiscal year will occur in fiscal year 2023. The Company’s fiscal years ended June 25, 2022 and June 26, 2021 included 52 weeks.

Going Concern

As of June 25, 2022, the Company had cash and cash equivalents of \$10.8 million and a working capital deficit of \$164.9 million. The Company has incurred losses from continuing operations of \$165.5 million and \$124.3 million in fiscal year 2022 and 2021, respectively, used cash in continued operating activities of \$18.9 million and anticipates that the Company will continue to incur losses until such time as revenues exceed operating costs and the Company is able to complete its restructuring plan. As of June 25, 2022, the Company is in violation of minimum liquidity covenant of its term loans. The term loans require the Company to maintain \$15.0 million minimum cash. On July 31, 2022, these term loans of \$97.8 million became due and the Company was unable to meet this financial obligation and pay the lender, which constitutes an event of default. The moneys owed under its Lender and Landlord Support Agreement which allowed the Company to defer \$22.0 million of rent payment over three years beginning in 2020, will come due in July 2023. On August 22, 2022, the Company completed the sale of its Florida-based assets for \$63.0 million and the assumption of certain liabilities that the Company valued at approximately \$4.0 million, a reduction of \$16.0 million from the originally announced sales price of \$83.0 million. The purchase price was less than first negotiated due to factors that include changes in the market values of cannabis assets in Florida and the Company’s desire to close the transaction in a timely manner with a counterparty likely to achieve state regulatory approval. The buyer made a cash payment of \$40.0 million at closing and is required to make two additional installment payments of \$11.5 million each after the closing. The net proceeds to the Company at closing were \$14.5 million, with a \$25.0 million payment going to the Company’s secured senior lender. Proceeds of the transaction to the Company will be used to fund operations and pay interest to its secured senior lender while the term loans remain outstanding and in default. The conditions described above raise substantial doubt with respect to the Company’s ability to meet its obligations for at least one year from the issuance of these Consolidated Financial Statements, and therefore, to continue as a going concern.

The Company plans to continue to fund its operations through the implementation of its cost savings plan, and various strategic actions, including the successful negotiations of lower costs of occupancy with its master lease landlord and other landlords, divestiture of non-core assets including but not limited to the current asset groups held for sale, New York, as well continuing its on-going revenue strategy of market expansion and retail revenue growth. The Company also needs to obtain an extension or a refinancing of its debt-in-default with the unsecured senior lender. The annual operating plan for fiscal year 2023 estimates the Company will be able to manage ongoing operations. However, its cash needs are significant and not achievable with the current cash flow from operations. If the above strategic actions, for any reason, are inaccessible, it will have a significantly negative effect on the Company’s financial condition. Additionally, management expects to continue to manage the Company’s operating expenses and reduce its projected cash requirements through reduction of its expenses by delaying new store development, permanently or temporarily closing stores that are deemed to be performing below expectations, and/or implementing other restructuring activities. Furthermore, COVID-19 and the impact the global pandemic has had and will continue to have on the broader retail environment could also have a significant impact on the Company’s financial operations.

As of June 25, 2022, the accompanying Consolidated Financial Statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying Consolidated Financial Statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the Company’s ability to continue as a going concern.

COVID-19

The COVID-19 pandemic has promoted various recommendations and safety measures from governmental authorities to try and limit the pandemic. The response of governmental authorities continues having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. During the current reporting period, aspects of the Company's business continue to be affected by the COVID-19 pandemic, with the Company's retail stores operating within local rules and regulations. While the ultimate severity of the outbreak and its impact on the economic environment remains uncertain, the Company is monitoring this closely. In the event that the Company were to experience widespread transmission of the virus at one or more of the Company's store or other facilities, the Company could suffer reputational harm or other potential liability. Further, the Company's business operations may be materially and adversely affected if a significant number of the Company's employees are impacted by the virus.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Consolidated Balance Sheet and Consolidated Statements of Cash Flows for year ended June 26, 2021 to reclassify Due to Related Party.

Under ASC Subtopic 205-20, "*Presentation of Financial Statements - Discontinued Operations*" ("ASC Subtopic 205-20"), a component of an entity that is classified as discontinued operations is presented separately from continuing operations in the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows for all periods presented. All assets and liabilities related to such discontinued operations are classified as held for sale and presented separately in the Consolidated Balance Sheets for all periods presented. Accordingly, the presentation of prior period balances may not agree to prior issued financial statements.

During the fiscal third quarter ended March 26, 2022, the Company classified its operations in the state of Florida as discontinued operations. Consequently, assets and liabilities allocable to the operations within the state of Florida were reclassified as held for sale in the Consolidated Balance Sheets as of June 26, 2021. All revenue and expenses relating to the Florida operations are presented separately from continuing operations in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows for the year ended June 26, 2021.

Emerging Growth Company

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act (the "JOBS Act") under which emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies.

Functional Currency

The Company and its subsidiaries' functional currency, as determined by management, is the United States ("U.S.") dollar. These Consolidated Financial Statements are presented in U.S. dollars as this is the primary economic environment of the group. All references to "C\$" refer to Canadian dollars.

Consolidation of Variable Interest Entities (“VIE”)

ASC Topic 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. To determine whether or not a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of the Company’s involvement with the VIE. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary or the entity is not a VIE and the Company does not have effective control, but can exercise influence over the entity with respect to its operations and major decisions. The Company does not consolidate a VIE in which it is not considered the primary beneficiary. The Company evaluates its relationships with all the VIEs on an ongoing basis to reassess if it continues to be the primary beneficiary.

The following are the Company’s VIE that are included in these Consolidated Financial Statements as of and for the fiscal years ended June 25, 2022 and June 26, 2021:

Entity	Location	Purpose	Ownership	
			2022	2021
Nature’s Cure, Inc.	(1) (3) Los Angeles - LAX Airport	Dispensary	0%	0%
LAX Fund II Group, LLC	(1) (4)		0%	0%
Venice Caregiver Foundation, Inc.	(2) (3) Venice Beach - Abbot Kinney	Dispensary	0%	0%

(1) Nature’s Cure, Inc. is wholly-owned by MedMen Opportunity Fund II, LP, a related party, and under control of the Company through a management agreement. The Company does not hold any ownership interests in the entity.

(2) Venice Caregivers Foundation, Inc. is wholly-owned by MedMen Opportunity Fund II, LP, a related party, and under control of the Company through a management agreement. The Company does not hold any ownership interests in the entity.

(3) California Corporation

(4) California Limited Liability Company

Basis of Consolidation

These Consolidated Financial Statements as of and for the years ended June 25, 2022 and June 26, 2021 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in ASC Topic 810. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity. In assessing control, potential voting rights that are currently exercisable are taken into account.

The following are the Company’s subsidiaries over which the Company has control that are included in these Consolidated Financial Statements as of and for the years ended June 25, 2022 and June 26, 2021:

Corporate Entities

Entity		Location	Purpose	Ownership	
				2022	2021
MM CAN USA, Inc.	(1)	California	Manager of MM Enterprises USA, LLC	100%	100%
MM Enterprises USA, LLC	(4)	Delaware	Operating Entity	100%	100%

Management Entities

Subsidiaries		Location	Purpose	Ownership	
				2022	2021
LCR SLP, LLC	(4)	Delaware	Holding Company	100%	100%

The following are MM Enterprises USA's wholly-owned subsidiaries and entities over which the Company has control that are included in these Consolidated Financial Statements as of and for the fiscal years ended June 25, 2022 and June 26, 2021:

Retail Entities

Subsidiaries		Location	Purpose	Ownership	
				2022	2021
Manlin I, LLC	(2)	Los Angeles - West Hollywood	Payroll	100%	100%
Farmacy Collective	(3)	Los Angeles - West Hollywood	Dispensary	100%	100%
The Source Santa Ana	(2)	Orange County - Santa Ana	Dispensary	100%	100%
SA Fund Group RT, LLC		Orange County - Santa Ana	Payroll	100%	100%
MME CYON Retail, Inc.	(1)	Los Angeles - Beverly Hills	Dispensary	100%	100%
BH Fund II Group, LLC	(2)	Los Angeles - Beverly Hills	Payroll	100%	100%
MMOF Downtown Collective, LLC	(2)	Los Angeles - Downtown	Holding Company	100%	100%
Advanced Patients' Collective	(1)	Los Angeles - Downtown	Dispensary/ Distribution	100%	100%
DT Fund II Group, LLC	(1)		Payroll	100%	100%
MMOF San Diego Retail, Inc.	(2)	San Diego - Kearny Mesa	Dispensary	100%	100%
San Diego Retail Group II, LLC	(1)	San Diego - Kearny Mesa	Payroll	100%	100%
MMOF Venice, LLC	(2)	Venice Beach - Lincoln Blvd.	Holding Company	100%	100%
The Compassion Network, LLC	(1)	Venice Beach - Lincoln Blvd.	Dispensary	100%	100%
MMOF SM, LLC	(2)	Santa Monica	Dispensary	100%	100%
MMOF Santa Monica, Inc.	(1)			100%	100%
MMOF Fremont, LLC	(6)	Las Vegas - Downtown Arts District	Holding Company		
				100%	100%
MMOF Fremont Retail, Inc.	(5)	Las Vegas - Downtown Arts District	Dispensary		
				100%	100%
MME Union Retail, LLC	(2)	San Francisco	Dispensary	60%	60%
MME Sutter Retail, LLC	(1)	San Francisco	Dispensary	60%	60%
MMOF Vegas, LLC	(6)	Las Vegas - North Las Vegas	Holding Company	100%	100%
MMOF Vegas Retail, Inc.	(5)	Las Vegas - North Las Vegas	Dispensary	100%	100%
MMOF Vegas 2, LLC	(6)	Las Vegas - Cannacopia	Holding Company	100%	100%
MMOF Vegas Retail 2, Inc.	(5)	Las Vegas - Cannacopia	Dispensary	100%	100%
MME VMS, LLC	(3)	San Jose	Payroll	100%	100%
Viktoriya's Medical Supplies, LLC	(3)	San Jose	Dispensary	100%	100%
Project Compassion Venture, LLC	(4)	New York (Manhattan / Syracuse / Lake Success / Buffalo / Utica)	Holding Company		
				100%	100%
Project Compassion Capital, LLC	(4)	New York (Manhattan / Syracuse / Lake Success / Buffalo / Utica)	Holding Company		
				100%	100%
Project Compassion NY, LLC	(4)	New York (Manhattan / Syracuse / Lake Success / Buffalo / Utica)	Holding Company		
				100%	100%
MedMen NY, Inc.	(7)	New York (Manhattan / Syracuse / Lake Success / Buffalo / Utica)	Dispensary / Cultivation / Manufacturing		
				100%	100%
MME IL Group LLC	(11)	Oak Park, Illinois	Payroll	100%	100%
Future Transactions Holdings, LLC	(11)	Oak Park, Illinois	Dispensary	100%	100%
MME Sorrento Valley, LLC	(2)	San Diego - Sorrento Valley	Dispensary	100%	100%
Sure Felt, LLC	(2)	San Diego - Sorrento Valley	Dispensary	100%	100%
Rochambeau, Inc.	(1)	Emeryville, California	Dispensary	100%	100%
MME AZ Group, LLC	(9)	Mesa, Arizona	Payroll	100%	100%
EBA Holdings, Inc.	(10)	Scottsdale and Mesa, Arizona	Dispensary / Cultivation / Manufacturing		
				100%	100%
MattnJeremy, Inc.	(1)	Long Beach, California	Dispensary	100%	100%
MME 1001 North Retail, LLC	(11)	Chicago, Illinois	Dispensary	100%	100%
MME Evanston Retail, LLC	(11) (14)	Evanston, Illinois	Dispensary	0%	100%
MME Morton Grove Retail, LLC	(11)	Morton Grove, Illinois	Dispensary	100%	100%
MedMen Boston, LLC	(12)	Boston, Massachusetts	Dispensary	90%	90%
MedMen Newton Retail, LLC	(12)	Newton, Massachusetts	Dispensary	90%	90%

Cultivation Entities

Subsidiaries		Location	Purpose	Ownership	
				2022	2021
Project Mustang Development, LLC	(6) (13)	Northern Nevada	Cultivation and Production Facility	100%	100%
MMNV2 Holdings I, LLC	(6)			100%	100%
Manlin DHS Development, LLC	(6) (13)	Desert Hot Springs, California	Cultivation and Production Facility	100%	100%
Desert Hot Springs Green Horizon, Inc.	(3)			100%	100%
Project Compassion Venture, LLC	(4)	Utica, New York	Cultivation and Production Facility	100%	100%
EBA Holdings, Inc.	(10)	Mesa, Arizona	Cultivation and Production Facility	100%	100%
MME Florida, LLC	(8)	Eustis, Florida	Cultivation and Production Facility	100%	100%

(1) California Corporation

(2) California Limited Liability Company

(3) California Non-Profit Corporation

(4) Delaware Limited Liability Company

(5) Nevada Corporation

(6) Nevada Limited Liability Company

(7) New York Corporation

(8) Florida Limited Liability Company

(9) Arizona Limited Liability Company

(10) Arizona Corporation

(11) Illinois Limited Liability Company

(12) Massachusetts Limited Liability Company

(13) During the fiscal second quarter of 2022, the Company effectuated the Management Agreement with an unrelated third party and no longer has a controlling financial interest in previously consolidated entities, Manlin DHS Development, LLC (“DHS”) and Project Mustang Development, LLC (“Mustang”), and therefore these entities are no longer included in the Company’s financial statements. The deconsolidation did not have a material impact on the Consolidated Financial Statements.

(14) On August 10, 2020, all operational control and risk of loss was transferred and Evanston operates through a consulting agreement. See “Note 7 – Assets Held for Sale” for further information.

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. The Company regularly evaluates significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, stock-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations could be negatively impacted.

Cash and Cash Equivalents

Cash and cash equivalents comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Inventory

Inventory is comprised of raw materials, finished goods and work-in-process such as pre-harvested cannabis plants and by-products to be extracted. The costs of growing cannabis, including but not limited to labor, utilities, nutrition and supplies, are capitalized into inventory until the time of harvest. All direct and indirect costs related to inventory are capitalized when incurred, and subsequently recorded to cost of goods sold in the Consolidated Statements of Operations at the time the inventory is sold. Work-in-process is stated at the lower of cost or net realizable value, determined using the weighted average cost. Raw materials and finished goods inventory are stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method of accounting. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and reserves. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value. Packaging and supplies are initially valued at cost. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods. As of June 25, 2022 and June 26, 2021, the Company determined that no reserve was necessary.

Investments

Long-term investments are recorded in Other Assets and related to investments in equity and debt securities of entities over which the Company does not have a controlling financial interest or significant influence and are accounted for at fair value in accordance with ASC Topic 321, “*Investments—Equity Securities*” (“ASC Topic 321”), as well as investments and joint ventures in which the Company can exert significant influence but does not control.

Equity investments without readily determinable fair values (which are classified as Level 3 investments in the fair value hierarchy) are measured at cost with adjustments for observable changes in price or impairments (referred to as the “measurement alternative”). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in Other Expense (Income) in the Consolidated Statement of Operations.

Equity Method and Joint Venture Investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments in accordance with ASC Topic 323, “*Investments—Equity Method and Joint Ventures*” (“ASC Topic 323”). In accordance with ASC Topic 825, “*Financial Instruments*” (“ASC Topic 825”), the fair value option to measure eligible items at fair value on an instrument-by-instrument basis can be applied. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for under the equity method. These investments are recorded at the amount of the Company’s investment and adjusted each period for the Company’s share of the investee’s income or loss, and dividends paid.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings	39 Years
Right of Use Assets	Shorter of Lease Term or Economic Life
Furniture and Fixtures	3 – 7 Years
Leasehold Improvements	Shorter of Lease Term or Economic Life
Equipment and Software	3 – 7 Years
Construction in Progress	Not Depreciated

The assets’ residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively if appropriate. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the period the asset is derecognized.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at the end of each reporting period, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Dispensary Licenses	15 Years
Customer Relationships	5 Years
Management Agreement	30 Years
Intellectual Property	10 Years
Capitalized Software	3 Years

In accordance with ASC Topic 350, “*Intangibles—Goodwill and Other*” (“ASC Topic 350”), costs of internally developing, maintaining or restoring intangible assets are expensed as incurred. Inversely, costs are capitalized when certain criteria are met through the point at which the intangible asset is substantially complete and ready for its intended use.

Goodwill

Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired, and liabilities assumed in a business acquisition. In accordance with ASC Topic 350, goodwill and other intangible assets with indefinite lives are not subject to amortization. The Company reviews goodwill and other intangible assets allocated to each of the Company’s reporting units for impairment on an annual basis as of year-end or whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The carrying amount of each reporting unit is determined based upon the assignment of the Company’s assets and liabilities, including existing goodwill, to the identified reporting units. Where an acquisition benefits only one reporting unit, the Company allocates, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. The Company has seven reporting units which are the geographic states in which it operates. In order to determine if goodwill is impaired, the Company measures the impairment of goodwill by comparing a reporting unit’s carrying amount to the estimated fair value of the reporting unit. If the carrying amount of a reporting unit is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess. A goodwill impairment loss associated with a discontinued operation is included within the results of discontinued operations.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available (“asset group”). In accordance with ASC Topic 360, “*Property, Plant, and Equipment*” (“ASC Topic 360”), the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the long-lived asset is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset’s use and eventual disposition. If the carrying amount of the asset is less than the cash flows, the asset is recoverable and an impairment is not recorded. If the carrying amount of the asset is greater than the cash flows, the asset is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represents management’s best estimate, using appropriate and customary assumptions, projections and methodologies, at the date of evaluation. The reversal of impairment losses is prohibited.

Leased Assets

The Company leases land, buildings, equipment and other capital assets which it plans to use for corporate purposes and the production and sale of cannabis products. The majority of the Company's leases are operating leases for its company-operated retail store locations. The Company also leases cultivation facilities, distribution center and office space for corporate administrative purpose. In accordance with ASU 2016-02, "*Leases (Topic 842)*" ("ASC Topic 842"), the Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and accrued obligations under operating lease (current and non-current) liabilities in the Consolidated Balance Sheets. Finance lease ROU assets are included in property and equipment, net and accrued obligations under finance lease (current and non-current) liabilities in the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and are expensed in the Consolidated Statements of Operations on the straight-line basis over the lease term.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. A finance lease is a lease in which 1) ownership of the property transfers to the lessee by the end of the lease term; 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise; 3) the lease is for a major part of the remaining economic life of the underlying asset; 4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already included in the lease payments equals or exceeds substantially all of the fair value; or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company applies judgement in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. All relevant factors that create an economic incentive for it to exercise either the renewal or termination are considered. The Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the ROU asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

The Company also applies judgement in determining the incremental borrowing rate using estimates which are based on the information available at commencement date and determines the present value of lease payments if the implicit rate is unavailable. In accordance with ASC Topic 842, the Company initially measures the ROU asset at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company utilizes its secured borrowing rate. Measurement of the lease payments are comprised using 1) fixed lease payments less any incentives; 2) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; 3) the amount expected to be payable by the lessee under residual value guarantees; 4) the exercise of purchase options, if the lessee is reasonably certain to exercise the options; 5) payments of penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Most operating leases contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants. For finance leases, lease expenses are the sum of interest on the lease obligations and amortization of the ROU assets. Finance lease ROU assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the capital asset accounting policy. If ownership of the ROU assets transfers to the Company at the end of the lease term or if the Company is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset.

If a sale and leaseback transaction was accounted for as a sale and leaseback under ASC Topic 840, then the entity continues recognizing any deferred gain or loss under ASC Topic 842. Sale and leaseback transactions are assessed to determine whether a sale has occurred under ASC Topic 606, "*Revenue from Contracts with Customers*" ("ASC Topic 606"). If a sale is determined not to have occurred, the underlying "sold" assets are not derecognized and a financing liability is established in the amount of cash received. At such time that the lease expires, the assets are then derecognized along with the financing liability, with a gain recognized on disposal for the difference between the two amounts, if any. ROU assets and lease liabilities are recognized on the Company's Consolidated Balance Sheets and reflect the present value of the Company's current minimum lease payments over the lease terms, which include options that are reasonably certain to be exercised, discounted using the Company's incremental borrowing rate. Refer to "*Note 15 – Leases*" for further discussion.

Additionally, management monitors for events or changes in circumstances that may require a reassessment of one of its leases and determine if a remeasurement is required. During fiscal year 2022, and in connection with the Company's strategic initiatives to improve cash flow from operations, the Company shut down operations at its distribution center and moved to a drop-ship model.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or the tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon effective settlement.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC Topic 815, “*Accounting for Derivative Instruments and Hedging Activities*” (“ASC Topic 815”). ASC Topic 815 generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance ASC Topic 470, “*Accounting for Convertible Securities with Beneficial Conversion Features*”, as those professional standards pertain to “Certain Convertible Instruments”. Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. ASC Topic 815 provides that generally, if an event that is not within the entity’s control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Derivative Liabilities

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the Consolidated Statements of Operations. In calculating the fair value of derivative liabilities, the Company uses a valuation model when Level 1 inputs are not available to estimate fair value at each reporting date. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the Consolidated Balance Sheets as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the Consolidated Balance Sheets date. Critical estimates and assumptions used in the model are discussed in “*Note 14 – Derivative Liabilities*”.

Down-Round Features

The Company calculates down-round features under Accounting Standards Update (“ASU”) No. 2017-11, “*Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features*”, in which down round features do not meet the criteria for derivative accounting and no liability is to be recorded until an actual issuance of securities triggers the down-round feature.

Assets Held for Sale

The Company classifies assets held for sale in accordance with ASC Topic 360. When the Company makes the decision to sell an asset or to stop some part of its business, the Company assesses if such assets should be classified as an asset held for sale. To classify as an asset held for sale, the asset or disposal group must meet all of the following conditions: i) management, having the authority to approve the action, commits to a plan to sell the asset, ii) the asset is available for immediate sale in its present condition subject to certain customary terms, iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale, within one year, subject to certain exceptions, v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current value, and vi) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell ("FVLCTS"). FVLCTS is the amount obtainable from the sale of the asset in an arm's length transaction, less the costs of disposal. Once classified as held for sale, any depreciation and amortization on an asset cease to be recorded. For long-lived assets or disposals groups that are classified as held for sale but do not meet the criteria for discontinued operations, the assets and liabilities are presented separately on the balance sheet of the initial period in which it is classified as held for sale. The major classes of assets and liabilities classified as held for sale are disclosed in the notes to the Consolidated Financial Statements. See "Note 7 – Assets Held for Sale" and "Note 28 – Discontinued Operations".

Discontinued Operations

A component of an entity is identified as operations and cash flows that can be clearly distinguished, operationally and financially, from the rest of the entity. Under ASC Subtopic 205-20, "Presentation of Financial Statements - Discontinued Operations" ("ASC Subtopic 205-20"), a discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and represents a strategic shift that has or will have a major effect on the entity's operations and financial results, or a newly acquired business or nonprofit activity that upon acquisition is classified as held for sale. Discontinued operations are presented separately from continuing operations in the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows. See "Note 28 – Discontinued Operations".

Allocation of Interest to Discontinued Operations

Under ASC Subtopic 205-20, interest on debt that is to be assumed by the buyer and interest on debt that is required to be repaid as a result of a disposal transaction is allocated to discontinued operations. The amount of interest expense reclassified to discontinued operations is directly related to the amount of debt that will be repaid with funds received from the sale of discontinued operations. See "Note 28 – Discontinued Operations" for further information. The Company elected not to reclassify other interest expenses which are not directly attributable to discontinued operations as permitted under ASC Subtopic 205-20.

Revenue Recognition

Revenue is recognized by the Company in accordance with ASC Topic 606. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under ASC Topic 606, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues consist of wholesale, retail sales of cannabis and delivery, which are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of sales discounts. During the years ended June 25, 2022 and June 26, 2021, wholesale revenues were insignificant. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. During the years ended June 25, 2022 and June 26, 2021, sales discounts were \$22,936,092 and \$14,128,079, respectively.

Cost of Goods Sold

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles and concentrates, packaging and other supplies, fees for services and processing, and allocated overhead, such as allocations of rent, administrative salaries, utilities and related costs.

General and Administrative Expenses

General and administrative expenses comprised primarily of personnel costs, including salaries, incentive compensation, benefits, share-based compensation, professional service costs, including legal, accounting, consulting and other professional fees, and corporate insurance and other facilities costs associated with the Company's corporate offices.

Stock-Based Compensation

The Company has a stock-based compensation plan comprised of stock options, stock grants, restricted stock units ("RSU") and three classes of member units: 1) Common Units; 2) Appreciation Only Long-Term Incentive Performance Units ("AO LTIP Units"); and 3) Fair Value Long-Term Incentive Performance Units ("FV LTIP Units"). AO LTIP Units and FV LTIP Units are convertible into Long-Term Incentive Performance Units ("LTIP Units"). LTIP Units are convertible into Common Units on a one-for-one basis.

The Company accounts for its stock-based awards in accordance with ASC Topic 718, "*Compensation – Stock Compensation*" ("ASC Topic 718"), which requires fair value measurement on the grant date and recognition of compensation expense for all stock-based payment awards made to employees and directors, including RSUs. For stock options, the Company estimates the fair value using a closed option valuation (Black-Scholes) model. When there are market-related vesting conditions to the vesting term of the share-based compensation, the Company uses a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of RSUs is based upon the quoted market price of the common shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, net of estimated forfeitures, which is generally the performance period and the related amount is recognized in the Consolidated Statements of Operations.

The fair value models require the input of certain assumptions that require the Company's judgment, including the expected term and the expected stock price volatility of the underlying stock. The assumptions used in calculating the fair value of stock-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If the actual forfeiture rate is materially different from management's estimates, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

Loss per Share

The Company calculates basic loss per share by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting profit or loss attributable to common shareholders and the weighted-average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise convertible debentures, restricted stock units, warrants and stock options issued.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments. There have been no transfers between fair value levels during the year.

Financial instruments are measured at amortized cost or at fair value. Financial instruments measured at amortized cost consist of accounts receivable, due from and due to related party, other liabilities, and accounts payable and accrued liabilities wherein the carrying value approximates fair value due to its short-term nature. Other financial instruments measured at amortized cost include notes payable and senior secured convertible credit facility wherein the carrying value at the effective interest rate approximates fair value as the interest rate for notes payable and the interest rate used to discount the host debt contract for senior secured convertible credit facility approximate a market rate for similar instruments offered to the Company.

Cash and cash equivalents and restricted cash are measured at Level 1 inputs. Acquisition related liabilities resulting from business combinations are measured at fair value using Level 1 or Level 3 inputs. Investments that are measured at fair value use Level 3 inputs. Refer to “*Note 6 – Other Current Assets*” for assumptions used to value investments. Refer to “*Note 13 – Other Current Liabilities and Other Non-Current Liabilities*” for assumptions used to value the contingent consideration related to business combinations. Derivative liabilities are measured on quoted market prices in active markets at Level 1 inputs. Refer to “*Note 14 – Derivative Liabilities*” for assumptions used to value the derivative liabilities.

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market.

Receivable and Allowances for Credit Losses

The Company’s receivables are mainly comprised of receivables for wholesale product sales and promotional rebates provided by its vendors. The primary indicators of the credit quality of the Company’s receivables are aging, payment history, economic sector information and outside credit monitoring, and are assessed on a quarterly basis. The Company’s credit loss exposure is mainly concentrated in its uncollected vendor promotional rebates. The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For accounts receivable only, the Company applies the simplified approach as permitted by ASU 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*”. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, “*Simplifying the Accounting for Income Taxes*” (“ASU 2019-12”), which eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted ASU 2019-12 on June 27, 2021. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

In January 2020, the FASB issued ASU 2020-01, “*Investments — Equity Securities (Topic 321)*”, “*Investments—Equity Method and Joint Ventures (Topic 323)*”, and “*Derivatives and Hedging (Topic 815)*” (“ASU 2020-01”), which is intended to clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. ASU 2020-01 is effective for the Company for fiscal years beginning after December 15, 2020, and interim periods therein. The Company adopted ASU 2020-01 on June 27, 2021. The adoption of the standard did not have a material impact on the Company’s Consolidated Financial Statements.

Recently Issued Accounting Standards

In August 2020, the FASB issued ASU 2020-06, “*Debt — Debt With Conversion and Other Options (Subtopic 470-20)*” and “*Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*” (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. ASU 2020-06 is effective for the Company for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption is applied on a modified or full retrospective transition approach. The Company is currently evaluating the adoption date and impact, if any, adoption will have on its financial position and results of operations.

In May 2021, the FASB issued ASU 2021-04, “*Debt - Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*” (“ASU 2021-04”), which amends existing guidance for earnings per share (“EPS”) in accordance with Topic 260. ASU 2021-04 is effective for the Company beginning June 1, 2022. This update should be applied prospectively on or after the effective date of the amendments. The Company is currently evaluating the effect of adopting this ASU.

In October 2021, the FASB issued ASU 2021-08, “*Business Combinations (Subtopic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*” (“ASU 2021-08”), which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. ASU 2021-08 is effective for the Company beginning June 1, 2023. This update should be applied prospectively on or after the effective date of the amendments. The Company is currently evaluating the effect of adopting this ASU.

In March 2022, the FASB issued ASU 2022-02, “*Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*” (“ASU 2022-02”), which eliminates the accounting guidance on troubled debt restructurings (TDRs) for creditors and amends the guidance on “vintage disclosures” to require disclosure of current-period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under the current guidance and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. ASU 2022-02 is effective for the Company in fiscal year 2023. The Company is currently evaluating the effect of adopting this ASU.

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition and results of operations.

The Company provides credit in the normal course of business to customers located throughout the U.S. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information. There were no customers that comprised more than 10% of the Company's revenue for the years ended June 25, 2022 and June 26, 2021.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

As of June 25, 2022 and June 26, 2021, accounts receivable and prepaid expenses consist of the following:

	2022	2021
Accounts Receivable	\$ 1,150,599	\$ 916,715
Prepaid Expenses	4,141,568	4,499,662
Prepaid Insurance	2,247,600	2,201,797
Total Accounts Receivable and Prepaid Expenses	\$ 7,539,767	\$ 7,618,174

As of June 25, 2022 and June 26, 2021, an allowance for doubtful accounts of \$2,469,444 and \$1,676,249, respectively, was included as a component of accounts receivable.

5. INVENTORY

As of June 25, 2022 and June 26, 2021, inventory consists of the following:

	2022	2021
Raw Materials	\$ 521,777	\$ 544,219
Work-in-Process	671,541	2,884,354
Finished Goods	8,817,413	12,585,858
Total Inventory	\$ 10,010,731	\$ 16,014,431

During the years ended June 25, 2022 and June 26, 2021, the Company recognized an impairment of approximately nil and \$1,714,000, respectively, to write down inventory to its net realizable value. During the years ended June 25, 2022 and June 26, 2021, overhead expenses of approximately \$1,791,931 and \$3,190,422, respectively, were included in inventory, of which \$324,429 and \$1,003,446, respectively, remain in inventory as of each balance sheet date.

6. OTHER CURRENT ASSETS

As of June 25, 2022 and June 26, 2021, other current assets consist of the following:

	2022	2021
Investments	\$ 2,738,491	\$ 3,036,791
Excise Tax Receivable	1,469,622	-
Note Receivable ⁽¹⁾	1,189,284	1,339,000
Other Current Assets	4,593,595	3,494,183
Total Other Current Assets	\$ 9,990,992	\$ 7,869,974

⁽¹⁾ See "Note 7 – Assets Held for Sale" for further information.

During the year ended June 25, 2022, the Company recorded an impairment expense of \$38,569 for certain assets. There were no such impairments during the year ended June 26, 2021.

As of June 25, 2022 and June 26, 2021, investments included in other current assets consist of the following:

	<u>The Hacienda Company, LLC</u>	<u>Old Pal</u>	<u>Other Investments</u>	<u>TOTAL</u>
	(1)	(2)	(3)	
Fair Value as of June 27, 2020	\$ 750,000	\$ 1,970,000	\$ 1,066,791	\$ 3,786,791
Settlement of Liabilities	(750,000)	-	-	(750,000)
Fair Value as of June 26, 2021	\$ -	\$ 1,970,000	\$ 1,066,791	\$ 3,036,791
Dissolution of Investment	-	-	(287,000)	(287,000)
Transfer to Assets Held for Sale	-	-	(11,300)	(11,300)
Fair Value as of June 25, 2022	\$ -	\$ 1,970,000	\$ 768,491	\$ 2,738,491

(1) In July 2018, the Company purchased units of The Hacienda Company, LLC, a California limited liability company, which owns Lowell Herb Co., a California-based cannabis brand known for its pack of pre-rolls called Lowell Smokes, for an aggregate purchase price of \$1,500,000, amounting to 3.2% of the outstanding units. Pursuant to SEC guidance under ASC Topic 323, the application of equity method to investments applies to limited liability companies and are required unless the investor holds less than 3-5%. Accordingly, the Company was deemed to have significant influence resulting in equity method accounting. The Company has elected the fair value option under ASC Topic 825 and the investment was recorded at FVTPL as of June 27, 2020. As of June 25, 2022 and June 26, 2021, the Company did not hold any equity ownership or voting interests in this investment.

(2) In October 2018 and March 2019, the Company purchased an aggregate of 125.3 units of Old Pal, a California-based brand that provides high-quality cannabis flower for its customers, for an aggregate purchase price of \$2,000,000, amounting to approximately 10.0% of the outstanding units with 8.7% voting interests. Pursuant to SEC guidance under ASC Topic 323, the application of equity method to investments applies to limited liability companies and are required unless the investor holds less than 3-5%. Accordingly, the Company was deemed to have significant influence resulting in equity method accounting. The Company decreased their level of ownership in which Old Pal no longer qualified under equity method accounting and elected the fair value option under ASC Topic 825. The investment was previously recorded at FVTPL and the Company continues to measure Old Pal at the previously elected FVTPL under ASC Topic 323 as of June 25, 2022. As of June 25, 2022 and June 26, 2021, the Company holds 2.6% of the equity ownership and 1.4% of the voting interests in this investment.

(3) In July 2018, the Company purchased 9,000,000 common shares of ToroVerde Inc., an investment company focused on emerging international cannabis markets, for an aggregate purchase price of \$5,000,000, or \$0.56 per common share, amounting to 14.3% of the outstanding common shares. As the Company was not deemed to exert any significant influence, the investment was recorded at FVTPL of nil as of June 25, 2022 and June 26, 2021. As of June 25, 2022 and June 26, 2021, the Company holds 14.3% of the equity ownership and voting interests in this investment.

During the fiscal second quarter of 2022, the Company effectuated the Management Agreement with an unrelated third party and no longer has a controlling financial interest in previously consolidated entities, Manlin DHS Development, LLC (“DHS”) and Project Mustang Development, LLC (“Mustang”). As a result, the ownership interest in these entities are presented as other investments at fair value which the Company determined was nil as of the date of deconsolidation.

During the year ended June 26, 2021, the Company entered into an agreement to exchange all of its investment in The Hacienda Company, LLC to settle outstanding balances totaling approximately \$750,000. As of June 26, 2021, the Company’s investment balance in ToroVerde Inc. and The Hacienda Company, LLC was nil and nil, respectively. The Company determined that the fair value of its investment in Old Pal LLC was \$1,970,000 as of June 26, 2021.

The fair value of investments included in other current assets is considered a Level 3 categorization in the fair value hierarchy. Investments are measured at fair value using a market approach that is based on unobservable inputs.

7. ASSETS HELD FOR SALE

A reconciliation of the beginning and ending balances of assets held for sale for the year ended June 25, 2022 is as follows:

	Available for Sale Subsidiaries ⁽¹⁾	Discontinued Operations ⁽²⁾	Other Assets	TOTAL
Balance as of June 27, 2020	\$ 12,066,428	\$ 156,669,447	\$ 212,400	\$ 168,948,275
Transferred In	6,614,987	-	-	6,614,987
Gain on the Sale of Assets Held for Sale	12,338,123	-	-	12,338,123
Proceeds from Sale	(24,750,298)	-	-	(24,750,298)
Ongoing Activity from Continued and Discontinued Operations	(6,269,240)	(24,057,605)	-	(30,326,845)
Other	-	-	(60,611)	(60,611)
Balance as of June 26, 2021	\$ -	\$ 132,611,842	\$ 151,789	\$ 132,763,631
Transferred In	4,477,723	-	-	4,477,723
Deconsolidation of Subsidiary	(1,965,695)	-	-	(1,965,695)
Ongoing Activity from Discontinued Operations	(2,512,028)	(9,483,436)	-	(11,995,464)
Other	-	-	(121,444)	(121,444)
Balance as of June 25, 2022	\$ -	\$ 123,128,406	\$ 30,345	\$ 123,158,751

(1) Long-lived assets classified as held for sale that do not qualify as discontinued operation and classified as held for sale. Significant classes of assets and liabilities are presented in the notes to the consolidated financial in accordance with ASC Subtopic 360-10, "Property, Plant and Equipment - Impairment and Disposal of Long-Lived Assets" ("ASC Subtopic 360-10").

(2) See "Note 28 – Discontinued Operations" for further information.

Available for Sale Subsidiaries

Fiscal Year 2022

During the fiscal first quarter ended September 25, 2021, the Company was in negotiations to sublease (the "Sublease") and enter into a management agreement (the "Management Agreement") with the proposed sublessee to operate its cultivation facilities in California and Nevada (the "Cultivation Facilities"). The Company determined that as of the effective date of the Management Agreement, the Company would no longer have a controlling financial interest in the Cultivation Facilities under ASC Topic 810, "Consolidations" and that as of September 25, 2021, the activities of the Cultivation Facilities met the criteria of assets held for sale. As the Company has not been relieved of the primary obligations under the leases, all of the assets and liabilities related to the Cultivation Facilities, except for the right of use assets and related lease liabilities, were classified as held for sale on the Consolidated Balance Sheet. Upon effectiveness of the Management Agreement, the Company no longer had a controlling financial interest and deconsolidated the entities related to the Cultivation Facilities as of June 25, 2022. See "Note 15 – Leases" for further information.

During the year ended June 26, 2021, the Company agreed to transfer all outstanding membership interests in MME Evanston Retail, LLC (“Evanston”), for a dispensary operation located in Evanston, Illinois, to an unaffiliated third party (“Purchaser”). The Company received an aggregate consideration of \$20,000,000, of which, \$10,000,000 cash was received at closing on July 1, 2020 (“Closing Date”), an additional \$8,000,000 cash was received on November 17, 2020 and an additional \$2,000,000 in the form of a secured promissory note payable three months following the Closing Date in exchange for all of the Company’s membership interests in Evanston. As of March 12, 2021 (“Amendment Date”), the secured promissory note was amended to waive any default arising from non-payment of principal and interest prior to the Amendment Date if Purchaser pays principal of \$1,000,000 and all accrued interest of 2% per annum through the Amendment Date. Interest will accrue at 9% per annum following the Amendment Date. As of June 26, 2021, the Company received cash payment in accordance with the amended secured promissory note. On August 10, 2020 (“Effective Date”), all operational control and risk of loss was transferred to the Purchaser and the Company had no further obligation to fund operations of Evanston through a Consulting Agreement. Management performed an assessment and determined that the Company no longer has a controlling financial interest as of the Effective Date. The transfer of the cannabis license was completed in April 2022. The Company recognized a gain upon sale of membership interests of \$12,415,479 for the difference between the aggregate consideration and the book value of the assets as of the disposition date, less direct costs to sell, which is recognized in the Consolidated Statements of Operations during the year ended June 26, 2021. As of June 25, 2022 and June 26, 2021, the note receivable balance is \$1,117,500 and \$1,026,500, respectively, and is included as a component of other current assets in the Consolidated Balance Sheets.

During the year ended June 26, 2021, the Company decided to divest two cannabis licenses and entered into separate agreements to sell 100% of its membership interests in these two locations, located in California. On June 26, 2020, the Company entered into a non-binding term sheet for the retail location located in Seaside, California for an aggregate sales price of \$1,500,000 wherein \$750,000 is to be paid upon the date of close in addition to \$750,000 paid in equal monthly installments over twelve months through a promissory note. The transaction closed in October 2020 and the Company transferred all outstanding membership interests in PHSL, LLC. Upon deconsolidation, the Company will not have any continuing involvement with the former subsidiary. The Company recognized a loss upon sale of membership interests of \$332,747 for the difference between the aggregate consideration and the book value of the assets as of the disposition date, less direct costs to sell, which is recognized in the Consolidated Statements of Operations during the year ended June 26, 2021.

In December 2020, the Company entered into a purchase agreement for the sale of its membership interests in a retail operation located in Grover Beach, California. The Company received an aggregate consideration of \$3,750,000 in which \$3,500,000 cash was received thirty days following the closing on March 5, 2021, an additional equity consideration equal to \$250,000 was recognized as a gain upon sale of membership interests for a total gain of \$255,391 for the difference between the aggregate consideration and the book value of the assets as of the disposition date, less direct costs to sell, which is recognized in the Consolidated Statements of Operations during the year ended June 26, 2021.

In accordance with ASC Subtopic 360-10, the Company performed an analysis of any impairments prior to reclassifying certain assets as held for sale. During the year ended June 26, 2021, the Company recorded an impairment charge of \$789,709 which is included as a component of impairment expense in the accompanying Consolidated Statements of Operations.

8. PROPERTY AND EQUIPMENT

As of June 25, 2022 and June 26, 2021, property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Land and Buildings	\$ 29,933,999	\$ 35,788,150
Finance Lease Right-of-Use Assets	5,315,625	8,809,636
Furniture and Fixtures	9,718,378	11,174,351
Leasehold Improvements	32,128,140	46,375,867
Equipment and Software	16,897,649	21,773,287
Construction in Progress	6,828,923	22,006,259
Total Property and Equipment	100,822,714	145,927,550
Less Accumulated Depreciation	(36,714,922)	(38,868,065)
Property and Equipment, Net	<u>\$ 64,107,792</u>	<u>\$ 107,059,485</u>

Depreciation expense related to continuing operations of \$13,002,223 and \$14,700,029 was recorded for the years ended June 25, 2022 and June 26, 2021, respectively, of which \$1,589,857 and \$2,171,814, respectively, is included in cost of goods sold. The amount of depreciation recognized for the right of use assets for capital leases during the years ended June 25, 2022 and June 26, 2021 was \$1,069,253 and \$935,807, respectively, see “*Note 15 – Leases*” for further information.

During the year ended June 25, 2022, borrowing costs totaling \$1,310,733 were capitalized using an average capitalization rate of 12.0%. Borrowing costs were not capitalized during the year ended June 26, 2021 as there were no active construction projects in progress. In addition, during the years ended June 25, 2022 and June 26, 2021, total labor related costs of \$289,724 and \$456,163, respectively, were capitalized to Construction in Progress, of which \$289,724 and \$134,203, respectively, was share-based compensation.

During the year ended June 25, 2022, management noted indicators of impairment of its long-lived assets of asset groups in California and Nevada as well as certain long-lived assets relating to its discontinued operations, principally due to economic performance as compared to the high carrying basis of the underlying long-lived assets. Accordingly, the Company recorded an impairment of \$32,448,691 of its property of which \$32,309,044 and \$139,647 are included as a component of impairment expense from continuing operations and net loss from discontinued operations, respectively, in the accompanying Consolidated Statement of Operations. The Company used various Level 3 inputs and a discounted cash flow model to determine the fair value of these asset groups.

During the year ended June 26, 2021, management noted indicators of impairment of its long-lived assets of certain cultivation assets in California and Nevada. In accordance with ASC Subtopic 360-10, the Company performed an analysis of any long-lived asset impairment and recognized an impairment of nil during the year ended June 26, 2021.

9. INTANGIBLE ASSETS

As of June 25, 2022 and June 26, 2021, intangible assets consist of the following:

	2022	2021
Dispensary Licenses	\$ 49,253,452	\$ 76,303,452
Customer Relationships	17,849,600	17,747,600
Management Agreement	964,301	7,594,937
Capitalized Software	7,413,470	9,696,903
Intellectual Property	<u>4,016,597</u>	<u>6,276,959</u>
Total Intangible Assets	79,497,420	117,619,851
Dispensary Licenses	(16,876,912)	(18,742,446)
Customer Relationships	(17,310,284)	(6,799,371)
Management Agreement	(964,301)	(765,136)
Capitalized Software	(4,413,974)	(4,667,235)
Intellectual Property	<u>(4,185,835)</u>	<u>(3,207,464)</u>
Less Accumulated Amortization	<u>(43,751,306)</u>	<u>(34,181,652)</u>
Intangible Assets, Net	<u>\$ 35,746,114</u>	<u>\$ 83,438,199</u>

The Company recorded amortization expense related to continuing operations of \$12,645,464 and \$13,777,492 for the year ended June 25, 2022 and June 26, 2021, respectively.

During the year ended June 25, 2022, management noted indicators of impairment of its long-lived assets of certain asset groups in California and Nevada. The Company used various Level 3 inputs and a discounted cash flow model to determine the fair value of these asset groups. Accordingly, the Company recorded an impairment of \$35,531,877 which is included as a component of impairment expense in the accompanying Consolidated Statements of Operations.

During the year ended June 26, 2021, the Company recorded impairment on an intellectual property asset in the amount of \$1,573,563.

10. GOODWILL

As of June 25, 2022 and June 26, 2021, goodwill was \$9,810,050 and \$32,900,457, respectively. As of June 25, 2022 and June 26, 2021, the carrying amounts of goodwill were allocated to each group of reporting units as follows:

	California	Illinois	Nevada	Arizona	TOTAL
Balance as of June 27, 2020 and June 26, 2021	\$ 23,090,408	\$ 9,810,049	\$ -	\$ -	\$ 32,900,457
Impairment Losses	(23,090,408)	-	-	-	(23,090,408)
Balance as of June 25, 2022	\$ -	\$ 9,810,049	\$ -	\$ -	\$ 9,810,050

Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. Goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities. Goodwill is reviewed annually for impairment or more frequently if impairment indicators arise. The Company adopted ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350)" which eliminates Step 2 from the quantitative assessment of the goodwill impairment test wherein the goodwill impairment loss was measured by comparing the implied fair value of a reporting unit's goodwill with its carrying amount. The goodwill impairment test consists of one step comparing the fair value of a reporting unit with its carrying amount. The amount by which the carrying amount exceeds the reporting unit's fair value is recognized as a goodwill impairment loss.

The Company conducts its annual goodwill impairment assessment as of the last day of the year. For the purpose of the goodwill impairment test, the Company performed a quantitative assessment wherein the fair value of each reporting unit is determined using a discounted cash flow method (income approach). The earnings forecast for the reporting unit impaired was revised based on a decrease in anticipated operating profits and cash flows for the next five years as it relates to the current economic environment related to COVID-19. The fair value of that reporting unit was estimated using the expected present value of future cash flows.

As of June 25, 2022, the Company recorded a goodwill impairment loss in the amount of \$23,090,408 as a result of its assessment, which is recorded as a component of impairment expense in the Consolidated Statements of Operations. The goodwill impairment loss reflects the decline in expected operating cash flows coupled with a decline in market values of dispensaries primarily due to increase availability of cannabis licenses and lessening barriers to entry in the legal cannabis industry.

11. OTHER ASSETS

As of June 25, 2022 and June 26, 2021, other assets consist of the following:

	2022	2021
Long-Term Security Deposits for Leases	\$ 3,623,044	\$ 3,760,618
Loans and Other Long-Term Deposits	791,175	7,661,526
Total Other Assets	\$ 4,414,219	\$ 11,422,144

In fourth quarter of 2022, management recorded an impairment charge related to Loans and Other Long-Term Deposits. Management determined that the planned acquisition of a retail location in Long Beach, California was no longer viable and recorded an impairment charge of \$6,864,725. During the year ended June 26, 2021, management did not identify indicators of realizability. Accordingly, the Company recorded impairment of nil for other assets.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 25, 2022 and June 26, 2021, accounts payable and accrued liabilities consist of the following:

	2022	2021
Accounts Payable	\$ 20,496,577	\$ 23,621,316
Accrued Liabilities	9,464,567	11,249,200
Other Accrued Liabilities	8,944,674	10,394,299
Total Accounts Payable and Accrued Liabilities	\$ 38,905,818	\$ 45,264,815

13. OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

As of June 25, 2022 and June 26, 2021, other current liabilities consist of the following:

	2022	2021
Accrued Interest Payable ⁽¹⁾	\$ 628,251	\$ 685,281
Contingent Consideration	-	87,893
Other Current Liabilities	16,076,032	16,315,519
Total Other Current Liabilities	\$ 16,704,283	\$ 17,088,693

(1) See "Note 16 – Notes Payable" and "Note 17 – Senior Secured Convertible Facility" for further information on paid-in-kind interest.

Contingent consideration recorded relates to the September 2019 acquisition of One Love Beach Club and is based upon fair value of the additional shares required to be paid upon the expiration of the lock-up and the fair market value of the Company's trading stock, which is considered a Level 1 categorization in the fair value hierarchy. Contingent consideration is classified as a liability and measured at fair value in accordance with ASC Topic 480, "Distinguishing Liabilities from Equity". The contingent consideration is remeasured at fair value at each reporting period with changes recorded in profit and loss in the Consolidated Statements of Operations. During the year ended June 26, 2021, the lock-up period expired and the contingent consideration in the amount of \$9,254,635 was reclassified as other current liabilities on the Consolidated Balance Sheets. During the year ended June 25, 2022, the Company recorded a change in fair value of \$3,304,685.

As of June 25, 2022 and June 26, 2021, other non-current liabilities, net of current portion, consist of the following:

	2022	2021
Deferred Gain on Sale of Assets ⁽¹⁾⁽²⁾	\$ 3,082,277	\$ 3,648,904
Total Other Non-Current Liabilities	\$ 3,082,277	\$ 3,648,904

(1) See "Note 15 – Leases" for further information.

(2) The current portion of Deferred Gain on Sale of Assets of \$566,627 is recorded in Accounts Payable and Accrued Liabilities.

14. DERIVATIVE LIABILITIES

A reconciliation of the beginning and ending balance of derivative liabilities and change in fair value of derivative liabilities for the years ended June 25, 2022 and June 26, 2021 is as follows:

	2022	2021
Balance at Beginning of Year	\$ 6,935,520	\$ 546,076
Initial Recognition of Derivative Liabilities	30,500,000	7,228,211
Issuance of Top-Up Warrants	(4,498,882)	-
Change in Fair Value of Derivative Liabilities	(26,187,075)	(838,767)
Balance at End of Year	\$ 6,749,563	\$ 6,935,520

On August 17, 2021, in connection with the amended and restated senior secured convertible credit facility (the “Sixth Amendment”), the Company provided the note holders top-up and preemptive rights which were bifurcated from the related notes and classified as a derivative due to the variability of the number and price of shares issuable under these rights. See “*Note 17 – Senior Secured Convertible Credit Facility*” for further information. On February 2, 2022, the issuance of the Fee Shares in connection with the Sixth Modification of the Senior Secured Term Loan Facility triggered the issuance of top-up warrants. Refer to “*Note 16 – Notes Payable*” for further information.

On August 17, 2021, the Company completed an equity investment through a private placement of 416,666,640 units at a price of \$0.24 per unit (the “Private Placement”). Each unit consisted of one Subordinate Voting Share and one-quarter of one share purchase warrant of the Company. Certain investors also received a portion of the Short-Term Warrant with an exercise price of \$30,000,000 and an expiration date of December 31, 2021. At the option of the holder, the Short-Term Warrant was exercisable into equity or convertible promissory notes under the Convertible Facility, in which net cash settlement is outside of the Company’s control. See “*Note 18 – Shareholders’ Equity*” for further information. Accordingly, the Short-Term Warrant was accounted for as a derivative liability and measured at fair value, in the amount of \$19,400,000 on August 17, 2021, with changes in fair value recognized in the Consolidated Statements of Operations. On December 31, 2021, the Short-Term Warrant expired unexercised and resulted in a gain of \$19,400,000 equal to the balance of the derivative of liability at that time as a component on non-operating (income) expense in the Consolidated Statements of Operations.

The fair value of the top-up provision in connection with Sixth Amendment of the Convertible Facility was determined using the Black Scholes simulation model based on Level 3 inputs on the fair value hierarchy. The following assumptions were used at June 25, 2022:

	Top-Up Provision
Average Stock Price	\$ 0.06
Weighted-Average Probability	50.00%
Term (in Years)	5.00
Expected Stock Price Volatility	124.37%

The following are the warrants issued related to the bought deals that were accounted for as derivative liabilities:

	Number of Warrants	Exercise Price	Expiration Date
September Bought Deal Equity Financing	7,840,909	C\$ 6.87	September 27, 2021
December Bought Deal Equity Financing	13,640,000	C\$ 6.87	September 27, 2021
March 2021 Private Placement ⁽¹⁾	50,000,000	C\$ 0.50	March 27, 2024
	<u>71,480,909</u>		

(1) See "Note 18 – Shareholders' Equity" for further information.

The fair value of the September and December bought deal warrants was measured based on Level 1 inputs on the fair value hierarchy since there are quoted prices in active markets for these warrants. The Company used the closing price of the publicly-traded warrants at the time of grant to estimate fair value of the derivative liability. The fair value of the March 2021 private placement warrants was measured based on Level 3 inputs on the fair value hierarchy using the Black-Scholes Option pricing model using the following variables:

Expected Stock Price Volatility	124.37%
Risk-Free Annual Interest Rate	2.67%
Expected Life (in Years)	0.75
Share Price	\$ 0.06
Exercise Price	\$ 0.39

15. LEASES

The Company has various operating and finance leases for land, buildings, equipment and other assets that are used for corporate purposes as well as for the production and sale of cannabis products. These leases are subject to covenants and restrictions standard to the industry in which the Company operates.

During the year ended June 25, 2022, management noted indicators of impairment of its long-lived assets of certain assets in California which include right-of-use assets related to operating leases, and was a result of economic performance. In accordance with ASC Subtopic 360-10, the Company performed an analysis of any long-lived asset impairment and recognized an impairment of \$3,964,559 on its right-of-use assets related to operating leases during the year ended June 25, 2022.

During the year ended June 26, 2021, management noted indicators of impairment of its long-lived assets of certain cultivation assets in California and Nevada as well as certain long-lived assets relating to discontinued operations in Florida, which include right-of-use assets related to operating leases, and was a result of economic performance. In accordance with ASC Subtopic 360-10, the Company performed an analysis of any long-lived asset impairment and recognized an impairment of nil on its right-of-use assets related to operating leases during the year ended June 26, 2021.

In June 2022, the Company restructured the lease arrangements in two of its locations in California. The changes resulted in immaterial changes in the amortization of ROU.

The below are the details of the lease cost and other disclosures regarding the Company's leases as of June 25, 2022 and June 26, 2021:

	2022	2021
Finance Lease Cost:		
Amortization of Finance Lease Right-of-Use Assets	\$ 1,069,253	\$ 935,807
Interest on Lease Liabilities	6,976,492	5,898,633
Operating Lease Cost	16,368,806	27,700,475
Total Lease Expenses	\$ 24,414,551	\$ 34,534,915
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Financing Cash Flows from Finance Leases	\$ 205,668	\$ 1,201,609
Operating Cash Flows from Operating Leases	\$ 10,035,714	\$ 16,059,492
Weighted-Average Remaining Lease Term (Years) - Finance Leases		
	46	46
Weighted-Average Remaining Lease Term (Years) - Operating Leases		
	8	6
Weighted-Average Discount Rate - Finance Leases		
	24.33%	24.86%
Weighted-Average Discount Rate - Operating Leases		
	18.70%	13.79%

Future lease payments under non-cancellable operating leases and finance leases as of June 25, 2022 are as follows:

Fiscal Year Ending	Operating Leases	Finance Leases
July 1, 2023	\$ 13,753,282	\$ 5,836,273
June 29, 2024	17,297,914	10,961,495
June 28, 2025	13,037,436	7,087,736
June 27, 2026	13,312,723	-
June 26, 2027	13,464,871	-
Thereafter	33,808,603	1,067,719,897
Total Lease Payments	104,674,829	1,091,605,402
Less Interest	(42,832,457)	(1,060,990,842)
Present Value of Lease Liability	\$ 61,842,372	\$ 30,614,560

Finance leases noted above contain required security deposits, refer to "Note 11 – Other Assets".

The Company entered into a management agreement (the "Management Agreement") with a third party to operate its cultivation facilities in California and Nevada (the "Cultivation Facilities"). On September 30, 2021, the landlord approved the third party to operate the leased facilities which effectuated the Management Agreement. The Management Agreement provides the third party an option to acquire all the assets used in the Cultivation Facilities, including the cannabis licenses and equipment, for \$1 (the "Purchase Option"). The fee for the services under the Management Agreement is 100% and 30% of the California and Nevada Cultivation Facilities net revenue, respectively. The term of the Management Agreement remains in effect until the earlier of (a) the closing of any sale pursuant to the Purchase Option and (b) the expiration of the term, as applicable, of the master lease, at which time this Management Agreement shall automatically terminate without any further action of the Parties. As of June 25, 2022, the Management Agreement remains in effect as neither termination condition has occurred. During the year ended June 25, 2022, the Company recorded fees of services under the Management Agreement. See "Note 21 – Other Operating Income" for further information.

Sale and Leaseback Transactions

During the year ended June 27, 2020, the Company sold two properties and subsequently leased them back with the Treehouse Real Estate Investment Trust (the “REIT”) and other third parties for total proceeds of \$20,400,000. One of the transactions did not qualify for sale-leaseback accounting as the resulting lease was a finance lease under ASC Topic 842 and thus did not meet the criteria for transfer of control under ASC Topic 606. Accordingly, the asset remained on the Company’s Consolidated Balance Sheets as of June 27, 2020 at its cost basis and the Company recorded a financing liability for the amount of consideration received. The financing liability is included in notes payable on the Consolidated Balance Sheets. Refer to “*Note 16 – Notes Payable*” for further information. The other transaction qualified for sale-leaseback accounting and the Company recognized a gain immediately upon sale.

As of June 25, 2022 and June 26, 2021, the total deferred gain recorded for sale and leaseback transactions was as follows:

	2022	2021
Balance at Beginning of Year	\$ 4,164,715	\$ 4,731,340
Amortization	(566,631)	(566,625)
Balance at End of Year	3,598,084	4,164,715
Less Current Portion of Deferred Gain	(566,627)	(566,627)
Deferred Gain on Sale of Assets, Net of Current Portion	<u>\$ 3,031,457</u>	<u>\$ 3,598,088</u>

The current portion and non-current portion of deferred gains are included as a component of accounts payable and accrued liabilities and other non-current liabilities, respectively, in the Consolidated Balance Sheets.

Lease Deferral Arrangements

During the year ended June 26, 2021, the Company modified its existing lease arrangements with the REIT in which the REIT agreed to defer a portion of total current monthly base rent on certain cultivation facilities and ground leases for the 36-month period between July 1, 2020 through July 1, 2023 for a total of fourteen properties. Amendments for eight of the properties were accounted for as lease modifications in accordance with ASC Topic 842, whereas nine leases related to failed sales leaseback transactions in which the related finance obligation was modified and accounted for in accordance with ASC Topic 470, “*Debt*” (“ASC Topic 470”), see “*Note 16 – Notes Payable*”, for further discussion. The total amount of all deferred rent accrues interest at 8.6% per annum during the deferral period. As consideration for the rent deferral, the Company issued 3,500,000 warrants to the REIT, each exercisable at \$0.34 per share for a period of five years. Upon the analysis of the warrants issued under ASC Topic 815, the Company determined that the warrants are accounted for as a direct cost in relation to the lease and to be measured at fair value and accounted for as an equity instrument. During the year ended June 26, 2021, the Company recorded \$17,748,458 in gain on lease terminations of which, \$16,274,615 was recognized as a result of the modification to the leases discussed above and is included as a component of other operating income in the accompanying Consolidated Statements of Operations.

16. NOTES PAYABLE

As of June 25, 2022 and June 26, 2021, notes payable consist of the following:

	2022	2021
Financing liability incurred on various dates between January 2019 through September 2019 with implied interest rates ranging from 0.7% to 17.0% per annum.	\$ 72,300,000	\$ 72,300,000
Non-revolving, senior secured term notes dated between October 1, 2018 and October 30, 2020, issued to accredited investors, which mature on August 1, 2022 and July 31, 2022, and bear interest at a rate of 15.5% and 18.0% per annum.	97,162,001	109,318,116
Convertible debentures dated between September 16, 2020 through January 29, 2021, issued to accredited investors and qualified institutional buyers, which mature two years from issuance, and bear interest at a rate of 7.5% per annum.	-	2,500,000
Promissory notes dated between January 15, 2019 through March 29, 2019, issued for deferred payments on acquisitions, which mature on varying dates from July 31, 2021 to April 1, 2022 and bear interest at rates ranging from 8.0% to 9.0% per annum.	-	2,204,476
Promissory notes dated November 7, 2018, issued to Lessor for tenant improvements as part of sales and leaseback transactions, which mature on November 7, 2028, bear interest at a rate of 10.0% per annum and require minimum monthly payments of \$15,660 and \$18,471.	2,057,207	2,195,896
Other	15,691	15,418
Total Notes Payable	171,534,899	188,533,906
Less Unamortized Debt Issuance Costs and Loan Origination Fees	(158,079)	(8,518,578)
Net Amount	\$ 171,376,820	\$ 180,015,328
Less Current Portion of Notes Payable	(97,003,922)	(103,496,394)
Notes Payable, Net of Current Portion	\$ 74,372,898	\$ 76,518,934

A reconciliation of the beginning and ending balances of notes payable for the years ended June 25, 2022 and June 26, 2021 is as follows:

	2022	2021
Balance at Beginning of Period	\$ 180,015,328	\$ 157,898,601
Cash Additions	5,000,000	15,830,279
Non-Cash Addition - Debt Modification	-	1,877,439
Debt Discount Recognized on Modification	-	(2,002,544)
Extinguishment of Acquisition Promissory Note	-	(12,173,250)
Paid-In-Kind Interest Capitalized	8,169,286	19,046,232
Cash Payments	(20,215,864)	(742,860)
Derivative Liability Incurred on Settlement of Debt	(3,146,251)	-
Equity Component of Debt - New and Amended	(1,000,000)	(5,583,407)
Conversion of Convertible Debentures	(2,371,100)	(2,371,782)
Shares Issued to Settle Debt	(6,570,000)	(1,351,774)
Cash Paid for Debt Issuance Costs	-	(99,931)
Accretion of Debt Discount	364,000	687,937
Accretion of Debt Discount Included in Discontinued Operations	8,996,498	9,000,388
Non-Cash Loss on Extinguishment of Debt	2,134,923	-
Balance at End of Period	171,376,820	180,015,328
Less Current Portion of Notes Payable	(97,003,922)	(103,496,394)
Notes Payable, Net of Current Portion	\$ 74,372,898	\$ 76,518,934

Scheduled maturities of debt as of June 25, 2022 are as follows:

Fiscal Year Ending	Scheduled Maturity
July 1, 2023	\$ 97,177,693
June 29, 2024	-
June 28, 2025	-
June 27, 2026	-
June 26, 2027	-
Thereafter	<u>74,357,206</u>
Total Notes Payable	<u>\$ 171,534,899</u>

Non-Revolving Senior Secured Term Loan Facility

On October 1, 2018, the Company closed a \$73,275,000 senior secured term loan facility (the “Facility”) with funds managed by Hankey Capital and with an affiliate of Stable Road Capital (the “Lenders”). On October 3, 2018, the Company closed an additional tranche of the Facility, which increased the principal amount of the loan to \$77,675,000. The principal amount under the Facility will accrue interest at a rate of 7.5% per annum, paid monthly, with a maturity date of 24 months following the date of closing on October 1, 2018. The Company may repay the balance of the Facility at any time and from time to time, in whole or in part, with a prepayment penalty of 1% of the outstanding principal amount repaid if repaid before December 31, 2019. In connection with the Facility, the Company’s equity interests in MMOF SD LLC, MMOF VENICE LLC, MMOF DOWNTOWN COLLECTIVE LLC, MMOF BH LLC, and MMOF VEGAS 2 LLC were pledged as security.

Additionally, MM CAN issued to the Lenders 8,105,642 warrants, each being exercisable for one Class B Common Share of such company at a purchase price per share of \$4.97 for 30 months. Such Class B Common Shares are redeemable in accordance with their terms for Class B Subordinate Voting Shares of the Company. In connection with the increased principal under the Facility, MM CAN issued to the Lenders an additional 511,628 warrants, each being exercisable for one Class B Common Share of such affiliate at a purchase price per share of \$4.73 for a period of 30 months. Such Class B Common Shares are redeemable in accordance with their terms for Class B Subordinate Voting Shares of the Company.

In addition to providing a portion of the Facility, Stable Road Capital provided advisory services to the Company. Advisory services included introducing the Company to brands and various service providers, advice on the Facility and providing advice with respect to the Company’s planned structured sale of real estate assets. For its advisory services, MM CAN issued to Stable Road Capital 8,105,642 warrants at a purchase price per share of \$4.97 and 511,628 warrants at a purchase price per share of \$4.73, each being exercisable for one Class B Common Share of such company for a period of 30 months. Such Class B Common Shares are redeemable in accordance with their terms for Class B Subordinate Voting Shares of the Company.

On January 13, 2020, the Company completed an amendment of the Facility wherein the maturity date was extended from October 1, 2020 to January 31, 2022 and the interest rate was increased from a fixed rate of 7.5% per annum to 15.5% per annum. In addition, the Company may prepay the amounts outstanding, on a non-revolving basis, at any time and from time to time, in whole or in part, without penalty. The amendment secured the Facility by a pledge of 100% of the equity interest in Project Compassion NY, LLC, which includes MedMen NY, Inc. and MMOF NY Retail, LLC. The amendment to the term loan facility was not deemed to be a substantial modification under ASC Subtopic 470-50, “*Debt - Modifications and Extinguishments*” (“ASC Subtopic 470-50”).

Further, the Company cancelled the existing 16,211,284 and 1,023,256 warrants issued to the lenders exercisable at \$4.97 and \$4.73 per share, respectively, representing 100% of the loan amount. The Company issued new warrants to the lenders totaling 40,455,729 warrants exercisable at \$0.60 per share until December 31, 2022. The new warrants may be exercised at the election of their holders on a cashless basis. The warrants issued in connection with the term loan facility met the scope exception under ASC Topic 815, “*Derivatives and Hedging*” and are classified as equity instruments. The warrants are measured at fair value and recorded as a debt discount in connection with the term loan facility. See “*Note 19 – Share-Based Compensation*” for further information regarding the valuation method and assumptions used in determining the fair value of these equity instruments. As a result of the modification, the Company recorded an additional debt discount of \$5,331,969 related to the change in terms of the warrants during the fiscal year ended June 27, 2020.

On July 2, 2020, the Company completed an amendment of the Facility wherein the entirety of the interest at a rate of 15.5% per annum shall accrue monthly to the outstanding principal as payment-in-kind effective March 1, 2020 through July 2, 2021. Thereafter until maturity on January 31, 2022, one-half of the interest (7.75% per annum) shall be payable monthly in cash and one-half of the interest (7.75% per annum) shall be paid-in-kind. In addition, the Company may request an increase to the Facility through December 31, 2020 to be funded through incremental term loans. Certain reporting and financial covenants were added, and the minimum liquidity covenant was waived until September 30, 2020 wherein the amount of required cash balance thereafter was amended. The amendment to the Facility was not deemed to be a substantial modification under ASC Subtopic 470-50.

The Company incurred an amendment fee of \$834,000 that was added to the outstanding principal balance. As consideration for the amendment to the Facility, the Company issued approximately 20,227,863 warrants exercisable at \$0.34 per share until July 2, 2025. The Company also cancelled 20,227,863 existing warrants held by the lenders exercisable at \$0.60 per share until December 31, 2022. The warrants may be exercised at the election of their holders on a cashless basis. The warrants issued in connection with the term loan facility met the scope exception under ASC Topic 815 and are classified as equity instruments. The change in fair value of the warrants was recorded as a debt discount in connection with the Facility. As a result of the modification, the Company recorded an additional debt discount of \$906,436 related to the change in terms of the warrants during the year ended June 26, 2021. See “*Note 19 – Share-Based Compensation*” for further information regarding the valuation method and assumptions used in determining the fair value of these equity instruments.

On September 16, 2020, the Company entered into further amendments wherein the amount of funds available under the Facility was increased by \$12,000,000, of which \$5,700,000 was fully committed by the lenders through October 31, 2020. The additional amounts are funded through incremental term loans at an interest rate of 18.0% per annum wherein 12.0% shall be paid in cash monthly in arrears and 6.0% shall accrue monthly as payment-in-kind. In connection with each incremental draw under the amended Facility, the Company shall issue warrants equal to 200% of the incremental term loan amount, divided by the greater of (a) \$0.20 per share and (b) 115% multiplied by the volume-weighted average trading price (“VWAP”) of the shares for the five consecutive trading days ending on the trading day immediately prior to the applicable funding date of the second tranche, which shall be the exercise price of the issued warrant. Such warrants are subject to a down round feature wherein the exercise price would be decreased in the event of the exercise of a down-round price reset of select warrants under the senior secured convertible credit facility with Gotham Green Partners (“GGP”). Refer to “*Note 17 – Senior Secured Convertible Credit Facility*” for further information. In addition, certain covenants and terms were added or amended, and the minimum liquidity covenant was waived until December 31, 2020. The amendment to the Facility was not deemed to be a substantial modification under ASC Subtopic 470-50. As consideration for the amendment, the Company issued approximately 20,227,863 warrants exercisable at \$0.34 per share until September 16, 2025. The Company also cancelled 20,227,863 existing warrants held by the lenders exercisable at \$0.60 per share until December 31, 2022. The change in fair value of the warrants was recorded as a debt discount in connection with the Facility. Accordingly, the Company recorded an additional debt discount of \$542,986 related to the change in terms of the warrants during the fiscal year ended June 26, 2021.

On September 16, 2020, the Company closed on an incremental term loan of \$3,000,000 under the amended Facility and issued 30,000,000 warrants with an exercise price of \$0.20 per share until September 16, 2025. On October 30, 2020, the Company closed on an incremental term loan of \$7,705,279 under the amended Facility and issued 77,052,790 warrants with an exercise price of \$0.20 per share until September 14, 2025. The warrants may be exercised at the election of their holders on a cashless basis and are classified as equity instruments. See “*Note 18 – Shareholders’ Equity*” and “*Note 19 – Share-Based Compensation*” for further information.

On September 16, 2020 and September 28, 2020, the down round feature on the warrants issued in connection with the incremental term loan of \$3,000,000 on September 16, 2020 was triggered wherein the exercise price was adjusted to \$0.17 and \$0.15 per share, respectively. The value of the effect of the down round feature was determined to be \$405,480 and recognized as an increase in additional paid-in capital during the fiscal year ended June 26, 2021.

On May 11, 2021, the Company completed an amendment of the Facility wherein certain covenants were added and amended. Specifically, the minimum liquidity covenant was amended to which the covenant will not apply if the Company pays and has paid the cash portion of interest accrued under the Facility when such cash interest becomes due and payable. Such covenant will continue to be applied in the event the Company has failed to make payments. The minimum liquidity balance was not amended. In addition, application of payments was added wherein proceeds from the sale of the New York disposal group shall be applied to the amended and restated Facility as of the amendment on July 2, 2020 in the principal amount of \$83,123,291. As consideration for the amendment, the Company incurred a modification fee of \$1,000,000 which is due from the earliest of (a) receipt of Level-Up proceeds, (b) the date of the Investment Agreement, and (c) the earlier of January 31, 2022. Fees paid to the Lender in connection with the amendment totaled \$225,035. The amendment to the Facility was not deemed to be a substantial modification under ASC Subtopic 470-50.

On February 2, 2022, the Company executed the Sixth Modification extending the stated maturity date of January 31, 2022 of the Facility for a period of six months; specifically, July 31, 2022 with respect to Facility, and August 1, 2022 with respect to the incremental term loans (collectively, the “Term Loans”). The Sixth Modification makes no modification to the current interest rate. The Sixth Modification provides that the definitive documentation with respect to the conditional purchase of the Term Loans by Superhero Acquisition, L.P., an existing lender under the Company’s Senior Secured Convertible Purchase Agreement dated August 7, 2021, must be entered within 45 days or the stated maturity date of the Term Loans become due. The Sixth Modification requires that the Company make a mandatory prepayment of at least \$37,500,000 in the event the sale of certain assets and imposes covenants in regards strategic actions the Company must implement if it is unable to pay the Term Loans by the extended stated maturity date. The Company also agreed to prepay \$20,000,000 on the Term Loans and pay a fee of \$1,000,000 to the Term Loan lenders in consideration of the Sixth Modification, which fee will be paid in Class B Subordinate Voting Shares (“Shares”) with a deemed price of \$0.1247 (C\$0.1582) for a total of 8,021,593 Class B Subordinate Voting Shares (the “Fee Shares”), with any difference in realized net proceeds that is less than \$1,000 from the sale of the Fee Shares during a 30-day period, to the extent such Fee Shares are sold, reimbursed in cash. The Company agreed to file with the Securities and Exchange Commission a registration statement on Form S-1 registering for resale the Fee Shares. The amendment to the Facility was not deemed to be a substantial modification under ASC Subtopic 470-50.

The issuance of the Fee Shares as part of the Sixth Modification triggered the right of holders of convertible notes under the Convertible Facility to be issued five-year warrants in order to maintain their pro rata ownership interest (on a partially diluted basis) in the Shares. A total of 6,682,567 warrants (the “Top-up Warrants”), each entitling the holder to purchase one Class B Subordinate Voting Share at a purchase price of \$0.1247 (C\$0.1582), were issued to the holders of convertible notes under the Convertible Facility. Refer to “*Note 14 – Derivative Liabilities*” and “*Note 17 – Senior Secured Convertible Credit Facility*” for further information.

Unsecured Convertible Facility

On September 16, 2020, the Company entered into an unsecured convertible debenture facility for total available proceeds of \$10,000,000 wherein the convertible debentures shall have a conversion price equal to the closing price on the trading day immediately prior to the closing date, a maturity date of 24 months from the date of issuance and will bear interest at a rate of 7.5% per annum payable semi-annually in cash. The unsecured facility is callable in additional tranches in the amount of \$1,000,000 each, up to a maximum of \$10,000,000 under all tranches. The timing of additional tranches can be accelerated based on certain conditions. The Company has the right to prepay, in whole or in part, the outstanding principal amount and accrued interest prior to maturity, upon payment of 7.5% of the principal amount being repaid, less the amount of interest paid during the year of prepayment. The debentures provide for the automatic conversion into Subordinate Voting Shares in the event that the VWAP is greater than \$0.25 on the CSE for 45 consecutive trading days, at a conversion price per Subordinate Voting Share equal to \$0.17.

On September 16, 2020, the Company closed on an initial \$1,000,000 of the facility with a conversion price of \$0.17 per Subordinate Voting Share. In connection with the initial tranche, the Company issued 3,293,413 warrants with an exercise price of \$0.21 per share. On September 28, 2020, the Company closed on a second tranche of \$1,000,000 under its existing unsecured convertible facility with a conversion price of \$0.15 per Subordinate Voting Share. In connection with the second tranche, the Company issued 3,777,475 warrants with an exercise price of \$0.17 per Subordinate Voting Share. On November 20, 2020, the Company closed on a third tranche of \$1,000,000 under the facility with a conversion price of \$0.15 per Subordinate Voting Share. In connection with the third tranche, the Company issued 3,592,425 warrants with an exercise price of \$0.17 per share. On December 17, 2020, the Company closed on a fourth tranche of \$1,000,000 under the facility with a conversion price of \$0.15 per Subordinate Voting Share. In connection with the fourth tranche, the Company issued 3,597,100 warrants with an exercise price of \$0.18 per share. On January 29, 2021, the Company closed on a fifth tranche of \$1,000,000 under its existing unsecured convertible facility with a conversion price of \$0.16 per Subordinate Voting Share. In connection with the fifth tranche, the Company issued 3,355,000 warrants with an exercise price of \$0.19 per share. Under ASC Topic 815, the conversion option and warrants were recorded as an equity instrument. As of June 26, 2021, the relative fair value of the warrants with a value of \$799,949 has been recorded to equity.

On February 10, 2021, the Company entered into an agreement with Wicklow Capital to issue additional warrants for Subordinate Voting Shares within 12 months based on the borrowed amount of the unsecured convertible facility tranches. These warrants will consist of 644,068, 761,205, 775,510, 741,260, and 693,575 warrants with an exercise price of \$0.21, \$0.18, \$0.17, \$0.18, and \$0.19, respectively. The commitment to issue warrants related to the existing unsecured convertible facility was deemed to be a substantial modification of the facility under ASC Subtopic 470-50 and a loss on extinguishment of \$4,010,022 was recorded in the Consolidated Statements of Operations for the year ended June 26, 2021.

On June 14, 2021, a portion of the principal amount was automatically converted into 16,014,663 Class B Subordinate Voting Shares in the amount of \$2,371,782. In addition, 8,807,605 of the outstanding warrants under the unsecured convertible facility were exercised at varying prices for gross proceeds of \$1,622,377.

On June 28, 2021, the remaining principal amount of the unsecured convertible debenture facility of \$2,500,000 was automatically converted into 16,014,664 Class B Subordinate Voting Shares in the amount of \$2,007,620. In addition, 8,807,605 of the outstanding warrants under the unsecured convertible facility were exercised at varying prices for gross proceeds of \$1,622,377. As of June 25, 2022, the outstanding balance of the Unsecured Convertible Facility was nil.

Unsecured Promissory Note

On July 29, 2021, the Company entered into a short-term unsecured promissory note in the amount of \$5,000,000 with various investors led by Serruya Private Equity Inc. (“SPE”) wherein the note bears interest at a rate of 6.0% per annum payable quarterly in arrears with a maturity date of August 18, 2021.

In connection with the equity investment on August 17, 2021, the Company settled the promissory note by the issuance of 20,833,333 units, consisting of 20,833,333 Subordinate Voting Shares and 5,208,333 warrants, based on an issue price of \$0.24 and the relative portion of the Short-Term Warrant. Refer to “*Note 18 – Shareholders’ Equity*” for further information on the equity investment through private placement. The fair value of the equity instruments allocated to the settlement of debt was \$4,030,000 and the fair value of the derivative liability allocated was \$3,146,251. Accordingly, the Company recorded a loss on extinguishment of debt of \$2,176,251 during the year ended June 25, 2022.

Acquisition Promissory Note

On January 30, 2020, the Company amended the secured promissory note issued in connection with the acquisition of Kannaboost Technology Inc. and CSI Solutions LLC (collectively referred to as “Level Up”) wherein the principal amount was amended from \$12,000,000 to \$13,000,000 and the maturity date was extended to April 8, 2020. On February 10, 2020, the secured promissory note was amended in which the Company was required to pay a \$500,000 extension fee wherein the amendment was deemed to be a substantial modification under ASC Subtopic 470-50. Accordingly, the Company recorded a loss on extinguishment of debt of \$571,897. The loss was recorded as a component of other expense in the Consolidated Statements of Operations for the fiscal year ended June 27, 2020.

On April 8, 2020, the Company entered into a third amendment of the Level Up secured promissory note wherein the maturity date was extended to the earlier of December 31, 2020 or in the event of default. No payments shall be due prior to the maturity date unless certain events occur. The balance of the secured promissory note will bear interest at a rate of 9.0% per annum until paid in full. The effectiveness of the amendment on April 8, 2020 is currently in dispute with the counterparty. The Company disputes the claims filed by the counterparty. The Company also disputes any default of the promissory note, has entered into a counterclaim and continues to seek resolution of the undisputed portion of the promissory note.

During the year ended June 26, 2021, as a result of the legal proceedings and decisions by the applicable governing bodies, the Company derecognized the acquisition promissory note and the related accrued interest in the amount of \$12,173,250 and \$1,202,180, respectively, and recorded as a component discontinued operations on the Consolidated Statements of Operations for the year ended June 26, 2021. Refer to the May 2020 litigation disclosed in “*Note 23 – Commitments and Contingencies*”.

Amendments to Promissory Note

On March 31, 2020, the Company completed the first amendment of its existing promissory note in the principal amount of \$3,500,000 issued in connection with the acquisition of Viktoriya’s Medical Supplies LLC d/b/a Buddy’s Cannabis wherein the Company paid \$400,000 in partial satisfaction of the outstanding debt and accrued interest. The amendment was deemed to be a substantial modification under ASC Subtopic 470-50 and the Company recorded a loss on extinguishment of debt of \$400,000 in the Consolidated Statements of Operations for the fiscal year ended June 26, 2021.

On February 25, 2021, the Company completed the second amendment of the promissory note wherein the maturity date was amended to the earlier of April 1, 2022 or in the event of default. Pursuant to the amendment, the Company issued Subordinate Voting Shares in the aggregate amount of \$2,000,000 to the lender to settle a portion of the debt in which the difference in fair value on the date the shares were settled by the seller was recorded as a fee. The remaining balance of the promissory note will bear interest at a rate of 9.0% per annum and be paid monthly commencing on May 1, 2021 until the amended maturity date. The second amendment to the existing promissory note was deemed to be a substantial modification under ASC Subtopic 470-50 and a loss on extinguishment of debt of \$658,730 was recorded in the Consolidated Statements of Operations for the fiscal year ended June 26, 2021. In April 2022, the Company issued 22,497,786 Subordinate Voting Shares totaling \$2,540,000 and extinguished the promissory note.

Financing Liability

In connection with the Company’s failed sale and leaseback transactions described in “*Note 15 – Leases*”, a financing liability was recognized equal to the cash proceeds received upon inception. The cash payments made on the lease less the portion considered to be interest expense, will decrease the financing liability. The financing liability was modified due to an amended lease agreement during the year ended June 26, 2021 in which the new terms of the amended agreement do not qualify as a substantial modification under ASC Subtopic 470-50.

17. SENIOR SECURED CONVERTIBLE CREDIT FACILITY

As of June 25, 2022 and June 26, 2021, senior secured convertible credit facility consists of the following:

	Tranche	2022	2021
Senior secured convertible notes dated April 23, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	1A	\$ 22,880,556	\$ 21,112,530
Senior secured convertible notes dated May 22, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	1B	98,542,422	91,185,378
Senior secured convertible notes dated July 12, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	2	32,043,996	29,580,445
Senior secured convertible notes dated November 27, 2019, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	3	12,408,091	11,454,144
Senior secured convertible notes dated March 27, 2020, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	4	14,594,985	13,496,906
Amendment fee converted to senior secured convertible notes dated October 29, 2019, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	23,424,438	21,623,561
Senior secured convertible notes dated April 24, 2020, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	1A-1	3,275,857	3,027,003
Senior secured convertible notes dated September 14, 2020, issued to accredited investors, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	1A-2	6,334,980	5,847,933
Restatement fee issued in senior secured convertible notes dated March 27, 2020, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	9,888,919	9,104,665
Second restatement fee issued in senior secured convertible notes dated July 2, 2020, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	2,190,380	2,021,984
Third restatement fee issued in senior secured convertible notes dated January 11, 2021, which mature on August 17, 2028 and bear interest at LIBOR plus 6.0% per annum.	-	12,320,154	11,372,828
Total Drawn on Senior Secured Convertible Credit Facility		237,904,778	219,827,377
Less Unamortized Debt Discount		(105,899,115)	(49,005,984)
Senior Secured Convertible Credit Facility, Net		\$ 132,005,663	\$ 170,821,393

A reconciliation of the beginning and ending balances of senior secured convertible credit facility for the years ended June 25, 2022 and June 26, 2021 is as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Incremental Advance - 1	Incremental Advance - 2	3rd Advance	Amendment Fee Notes	Restatement Fee Notes	2nd Restatement Fee Notes	TOTAL
Balance as of June 27, 2020	\$ 102,833,447	\$ 25,352,687	\$ 9,680,433	\$ 286,691	\$ 2,168,540	\$ -	\$ -	\$ 18,964,600	\$ 7,082,065	\$ -	\$ 166,368,463
Cash Additions	-	-	-	-	-	5,420,564	10,937,127	-	-	-	16,357,691
Repayments	(8,000,000)	-	-	-	-	-	-	-	-	-	(8,000,000)
Principal Reallocation	585,058	(3,276)	(1,277)	(404,451)	(340)	(589)	-	(2,395)	(24,084)	(148,646)	-
Fees Capitalized to Debt Related to Debt Modifications	-	-	-	-	-	(468,564)	(937,127)	-	-	-	(1,405,691)
Paid-In-Kind Interest Capitalized	11,925,650	3,012,776	1,166,607	1,401,357	290,061	427,165	435,701	2,202,363	928,886	170,630	21,961,196
Net Effect on Debt from											
Extinguishment	4,812,996	962,750	497,175	2,167,870	(453,979)	-	-	455,792	630,758	2,000,000	11,073,362
Equity Component Debt - New and Amended	(23,562,662)	(6,147,968)	(2,480,673)	(2,839,499)	(1,296,844)	(3,239,507)	(7,694,405)	(4,337,438)	(4,551,977)	-	(56,150,973)
Cash Paid for Debt Issuance Costs	-	-	-	-	-	(175,000)	(200,000)	-	-	-	(375,000)
Amortization of Debt Discounts	9,306,004	2,089,165	854,194	1,794,998	684,720	1,231,345	1,539,902	1,690,108	1,800,653	1,256	20,992,345
Balance as of June 26, 2021	\$ 97,900,493	\$ 25,266,134	\$ 9,716,459	\$ 2,406,966	\$ 1,392,158	\$ 3,195,414	\$ 4,081,198	\$ 18,973,030	\$ 5,866,301	\$ 2,023,240	\$ 170,821,393
Paid-In-Kind Interest Capitalized	9,278,324	2,498,848	967,614	1,114,155	244,132	472,233	918,515	1,826,681	831,571	209,826	18,361,899
Net Effect on Debt from											
Extinguishment	730,188	1,036,340	463,655	(6,023,142)	(1,634,070)	(1,528,691)	(3,386,103)	175,528	(2,243,726)	160	(12,409,861)
Equity Component Debt - New and Amended	(25,909,107)	(6,956,945)	(2,693,872)	3,709,995	218,454	(1,684,086)	(805,481)	(5,085,586)	(2,181,419)	-	(41,388,047)
Net Effect on Debt from Derivative	(5,665,272)	(1,495,087)	(578,928)	(680,963)	(152,843)	(295,573)	(574,825)	(1,092,922)	(461,390)	(102,197)	(11,100,000)
Cash Paid for Debt Issuance Costs	(1,331,576)	(351,408)	(136,072)	(160,055)	(35,924)	(69,472)	(135,108)	(256,882)	(108,446)	(19,650)	(2,604,593)
Amortization of Debt Discounts	5,175,536	1,220,474	478,223	684,871	192,678	343,773	744,785	972,560	508,820	3,152	10,324,872
Balance as of June 25, 2022	\$ 80,178,586	\$ 21,218,356	\$ 8,217,079	\$ 1,051,827	\$ 224,585	\$ 433,598	\$ 842,981	\$ 15,512,409	\$ 2,211,711	\$ 2,114,531	\$ 132,005,663

On March 22, 2019, the Company signed a binding term sheet for a senior secured convertible credit facility (the “Convertible Facility”) of up to \$250,000,000 from funds managed by Gotham Green Partners (“GGP”), an investor in the global cannabis industry. The Company subsequently entered into a definitive agreement on April 23, 2019 and closed on a portion of the initial funding tranche.

Under the definitive terms, Notes were issuable in up to five tranches, with each tranche being issuable at the option of the Company, subject to certain conditions and, in certain cases, price thresholds for the Class B Subordinate Voting Shares of the Company. The initial tranche, which the Company and MM CAN drew down on April 23, 2019 and May 22, 2019, was for gross proceeds of \$100,000,000 (“Tranche 1”).

All Notes have a maturity date of 36 months from the Closing Date (the “Maturity Date”), with a 12-month extension feature available to the Company on certain conditions, including payment of an extension fee of 1.0% of the principal amount under the outstanding Notes. All Notes will bear interest from their date of issue at LIBOR plus 6.0% per annum. During the first 12 months, interest was paid-in-kind (“PIK”) at the Company’s option such that any amount of PIK interest was added to the outstanding principal of the Notes. The Company had the right after the first year, to prepay the outstanding principal amount of the Notes prior to maturity, in whole or in part, upon payment of 105% of the principal amount in the second year and 103% of the principal amount thereafter.

The Notes (including all accrued interest and fees thereon) is convertible, at the option of the holder, into Subordinate Voting Shares at any time prior to the close of business on the last business day immediately preceding the Maturity Date. The conversion price for each tranche of Notes is determined based upon a predefined formula as defined in the agreement immediately prior to funding of each tranche.

The Company may force the conversion of up to 75% of the then outstanding Notes if the volume weighted average price (“VWAP”) of the Subordinate Voting Shares (converted to U.S. dollars) is at least \$8.00 for any 20 consecutive trading day period, at a conversion price per Subordinate Voting Share equal to \$8.00. If 75% of the then outstanding Notes are converted by the Company, the term of the remaining 25% of the then outstanding Notes will be extended by 12 months (if such extended period is longer than the maturity date of such Notes), subject to an outside date of 48 months from the Closing Date.

Upon issuance of Notes pursuant to any tranche, the lenders were issued share purchase warrants of the Company (“Warrants”), each of which would be exercisable to purchase one Subordinate Voting Share for 36 months from the date of issue. The number of Warrants issued represented an approximate 50% Warrant coverage for each tranche. The exercise prices for each tranche of Warrants are determined based upon a predefined formula as defined in the agreement immediately prior to funding of each tranche.

In connection with Tranche 1, the Company issued to the lenders 10,086,066 Warrants with an exercise price per share equal to \$3.72 and 42,913,752 Warrants with an exercise price per share equal to \$4.29. Under ASC Topic 815, the conversion option and warrants were recorded as an equity instrument. In addition, the Company paid cash financing fees of \$2,276,757 and issued 1,748,251 Subordinate Voting Shares valued at an aggregate price of \$3,979,119 using the trading share price of the Company at the issuance date. The cash consideration and Subordinate Voting Shares issued were allocated between debt and equity.

As additional consideration for the purchase of the Notes, at the time of each Tranche closing, the lenders were paid an advance fee of 1.5% of the principal amount of the Notes purchased in such Tranche. While the Notes are outstanding, the lenders are entitled to the collective rights (a) to nominate an individual to the board of directors of the Company, and (b) to appoint a representative to attend all meetings of the board of directors in a non-voting observer capacity. The Notes and the Warrants, and any Subordinate Voting Shares issuable as a result of a conversion of the Notes or exercise of the Warrants, were subject to a four-month hold period from the date of issuance of such Notes or such Warrants, as applicable, in accordance with applicable Canadian securities laws.

Amendments to Senior Secured Convertible Credit Facility

On August 12, 2019, the Company amended certain provisions of the Convertible Facility led by GGP (the “First Amendment”). The Company agreed to pay GGP 15% of the \$125,000,000 drawn down prior to entering into the amendment as an amendment fee, which was calculated at \$18,750,000 and was subsequently converted into convertible notes on October 29, 2019 at a conversion price of \$1.28 per Class B Subordinate Voting Share (the “Amendment Fee Notes”). The Amendment Fee Notes may be cancelled in the event that either: the obligations, excluding the amendment fee, are paid in full, whether by prepayment or when due; or the lender elects to convert a portion of the obligations and the price per share is greater than \$2.95. Tranche 1 and Tranche 2 had been fully drawn down as of May 22, 2019 and July 12, 2019, respectively. The amount of funds available to the Company in Tranche 3 and Tranche 4 was amended to \$50,000,000 and \$75,000,000, respectively. The aggregate amount available to be borrowed remained the same. The new terms of the First Amendment were deemed to be substantial modifications under ASC Subtopic 470-50. Accordingly, the Company recorded a loss on extinguishment of debt of \$31,816,659. The loss was recorded as a component of loss on extinguishment of debt in the Consolidated Statements of Operations for the fiscal year ended June 27, 2020.

On October 29, 2019, the Company completed the second amendment of the Convertible Facility with GGP (the “Second Amendment”) wherein certain reporting and financial covenants were modified. The Amendment removed the senior debt to market capitalization ratio covenant. The conversion of any portion of the obligations into shares became restricted until on or after October 29, 2020. As a result of the Second Amendment, the Company obtained the right to repay, in whole or in part, the outstanding principal amount of the Note together with accrued and unpaid interest and fees, plus the applicable premium which is five percent (5%) of the principal amount being repaid before the second anniversary of the date of issuance of each convertible note, and three percent (3%) of the principal amount being repaid thereafter. The amount of available credit in the remaining tranches was amended to \$10,000,000 for Tranche 3 and \$115,000,000 for Tranche 4, of which the full amount of Tranche 3 was funded on November 27, 2019. The aggregate amount available to be borrowed remained the same. Further, the Second Amendment provided that the funding of Tranche 4 will require the consent of both the Company and the lenders under the Convertible Facility. The new terms of the Second Amendment did not qualify as a substantial modification under ASC Subtopic 470-50.

On March 27, 2020, the Company amended and restated the securities purchase agreement with GGP (the “Third Amendment”) wherein GGP committed to fund up to \$150,000,000 through Tranche 4 and subsequent tranches (each such subsequent tranche, an “Incremental Advance”) subject to the funding requirements of the Company and certain other conditions. The maximum funding capacity under the Convertible Facility, as amended on March 27, 2020 is \$285,000,000 of which \$135,000,000 had been drawn down in prior tranches. The final \$25,000,000 is subject to acceptance by the Company. Certain financial covenants were also modified which include a reduction in the required go-forward minimum cash balance and the removal of the fixed charge coverage ratio requirement that was to become effective in calendar 2021. The Third Amendment removed the accelerated and forced conversion rights previously held by GGP under the agreement as amended on August 12, 2019.

As part of the Third Amendment, the Company agreed to pay GGP 10% of the existing Notes outstanding prior to Tranche 4, including paid-in-kind interest accrued on such Notes (the “Existing Notes”), or \$163,997,255, as a restatement fee (the “Restatement Fee”), of which the first 50% of the Restatement Fee was paid through the issuance of additional Notes in an aggregate principal amount equal to \$8,199,863 at a conversion price of \$0.26 (the “Restatement Fee Notes”). The remaining 50% of the Restatement Fee, or \$8,199,863, will be due upon each Incremental Advance on a pro-rata basis of \$87,500,000. As additional consideration for the purchase of the Tranche 4 Notes, the lenders participating in Tranche 4 Advance were paid an advance fee of 1.5% (the “Advance Fee”) of the aggregate principal amount, or \$187,500, which was withheld from the Tranche 4 funding amount. The 1.5% Advance Fee will also be paid in respect of any Incremental Advances.

Under the Amended and Restated SPA, each Incremental Advance will be issued at a conversion price per Subordinate Voting Share equal to the five (5) day VWAP of the Subordinate Voting Shares as of the trading day immediately preceding the date of completion of such Incremental Advance, subject to a minimum price of \$0.20 and maximum price of \$0.40 (in respect of each Incremental Advance, a “Restatement Conversion Price”), provided that the first Incremental Advance (the “Tranche 4 Advance”) will have a Restatement Conversion Price of \$0.26. In addition, as any Incremental Advances are funded, the conversion price of the relative portion of the Existing Notes will be amended to the Restatement Conversion Price.

In connection with each Incremental Advance, the Company will also issue share purchase warrants (“Incremental Warrants”) representing 100% coverage on the aggregate principal amount of such Incremental Advance, each of which will be exercisable to purchase one Subordinate Voting Share for a period of five (5) years from the date of issuance, at an exercise price per Subordinate Voting Share equal to the Restatement Conversion Price for such Incremental Advance. In addition, as any Incremental Advances are funded, the relative portion of the existing share purchase warrants issued under the Convertible Facility and outstanding prior to Tranche 4 (the “Existing Warrants”) will be cancelled and replaced by new share purchase warrants of the Company (the “Replacement Warrants”), each of which will be exercisable to purchase one Subordinate Voting Share for a period of five (5) years from the date of issuance at an exercise price equal to the Restatement Conversion Price for such Incremental Advance. The Incremental Warrants, including the Tranche 4 Warrants, and the Replacement Warrants will be exercisable on a cashless (net exercise) basis. In addition, if the Company’s retail operations achieve two (2) consecutive three-month periods of positive after-tax free cash flow during any time prior to the expiry date for the Replacement Warrants, then all outstanding Replacement Warrants will be automatically cancelled upon achieving the milestone.

The principal amount of the Existing Notes that will be repriced and the number of Existing Warrants that will be cancelled and replaced upon an Incremental Advance will be based on the percentage that the amount of such Incremental Advance is of a total funding target of \$100,000,000 (the “Funding Target Percentage”). The applicable Existing Notes will be repriced to the Restatement Conversion Price for such Incremental Advance. The Incremental Replacement Warrants issued as a part of such Incremental Advance will represent 50% coverage on the amount determined by multiplying the Funding Target Percentage by \$135,000,000. The Third Amendment was a substantial modification in accordance ASC Subtopic 470-50. As a result of the Third Amendment, the Company recorded a loss on extinguishment of debt in the amount of \$10,706,883. The loss was recorded as a component of other expense in the Consolidated Statements of Operations for the fiscal year ended June 27, 2020.

On July 2, 2020, the Company amended and restated the securities purchase agreement with GGP under the Convertible Facility (the “Fourth Amendment”) wherein the minimum liquidity covenant was waived until September 30, 2020 and resetting at \$5,000,000 thereafter with incremental increases on March 31, 2021 and December 31, 2021. The payment-in-kind feature on the Convertible Facility was also extended, such that 100% of the cash interest due prior to June 2021 will be paid-in-kind and 50% of the cash interest due thereafter will be paid-in-kind. The Fourth Amendment released certain assets from its collateral to allow greater flexibility to generate proceeds through the sale of non-core assets. The Fourth Amendment allows for immediate prepayment of amounts under the Convertible Facility with a 5% prepayment penalty until 2nd anniversary of the Fourth Amendment and 3% prepayment penalty thereafter. As part of the Fourth Amendment, holders of notes under the Convertible Facility were provided down-round protection where issuances of equity interests (including securities that are convertible or exchangeable for equity interests) by the Company at less than the higher of (i) lowest conversion price under the amended and restated notes of the Convertible Facility amendment dated March 27, 2020 and (ii) the highest conversion price determined for any incremental advances, will automatically adjust the conversion/exercise price of the previous tranches and incremental tranche 4 warrants and the related replacement warrants to the price of the newly issued equity interests. Certain issuances of equity interests are exempted such as issuances to existing lenders, equity interests in contemplation at the time of Fourth Amendment and equity interests issued to employees, consultants, directors, advisors or other third parties, in exchange for goods and services or compensation. Pursuant to ASU 2017-11, the down-round protection was not considered a derivative and was recognized when the down-round protection adjustments were triggered.

As consideration for the amendment, the conversion price for 52% of the tranches 1 through 3 and the first amendment fee notes outstanding under the Convertible Facility were amended to \$0.34 per share. An amendment fee of \$2,000,000 was also paid through the issuance of additional notes at a conversion price of \$0.28 per share. The Fourth Amendment to the Convertible Facility was deemed to be a substantial modification under ASC Subtopic 470-50 and a loss on extinguishment of \$10,129,655 was recorded in the Consolidated Statements of Operations for the year ended June 26, 2021.

On September 14, 2020, the Company closed on an incremental advance in the amount of \$5,000,000 under its existing Convertible Facility with GGP at a conversion price of \$0.20 per share. In connection with the incremental advance, the Company issued 25,000,000 warrants with an exercise price of \$0.20 per share. In addition, 1,080,255 existing warrants were cancelled and replaced with 16,875,001 warrants with an exercise price of \$0.20 per share. Pursuant to the terms of the Convertible Facility, the conversion price for 5.0% of the existing Notes outstanding prior to Tranche 4 and Incremental Advance (including paid-in-kind interest accrued on such Notes), being 5.0% of an aggregate principal amount of \$170,729,923, was amended to \$0.20 per share. As consideration for the additional advance, the Company issued convertible notes as consideration for a \$468,564 fee with a conversion price of \$0.20 per share.

On September 16, 2020 and September 28, 2020, the down round feature on the convertible notes and warrants issued in connection with Tranche 4, Incremental Advances and certain amendment fees was triggered wherein the exercise price was adjusted to \$0.17 and \$0.15 per share, respectively. The value of the effect of the down round feature on convertible notes and warrants was determined to be \$32,744,770 and \$6,723,954, respectively, for the year ended June 26, 2021. The effect related to convertible notes was recognized as additional debt discount and an increase in additional paid-in-capital. The effect related to warrants was recognized as a deemed distribution and an increase in additional paid-in capital.

On November 1, 2020, the Company repaid \$8,000,000 of borrowings under the Convertible Facility and recorded a loss \$943,707 on the partial extinguishment of debt and is included in the net effect on equity component of new and amended debt in the reconciliation of the beginning and ending balances of senior secured convertible credit facility for the year ended June 26, 2021.

On January 11, 2021, the Company amended and restated the securities purchase agreement under the Convertible Facility (the “Fifth Amendment”) wherein the minimum liquidity covenant was waived until June 30, 2021 and resetting at \$7,500,000 effective on July 1, 2021 through December 31, 2021, and \$15,000,000 thereafter, and waiver of the minimum liquidity covenant if the Company is current on cash interest. Furthermore, covenants with regards to non-operating leases, capital expenditures and corporate SG&A will now be tied to a board of directors approved budget. In conjunction with the Fifth Amendment, the Company received an additional advance of \$10,000,000 under its existing Convertible Facility with GGP with a conversion price of \$0.16 per share. The Company also issued 62,174,567 warrants exercisable for five years at a purchase price of \$0.16 per share. The notes, restatement fee notes and warrants are subject to down round adjustment provisions, with certain exceptions, if the Company issues securities at a lower price. The Fifth Amendment to the Convertible Facility was not deemed to be a substantial modification under ASC Subtopic 470-50.

As a result of the amendments during fiscal year ended June 27, 2020, all convertible notes had a maturity date of 36 months from April 23, 2019 (the “Maturity Date”), with a twelve-month extension feature available to the Company on certain conditions, including payment of an extension fee of 1.0% of the principal amount under the outstanding Convertible Facility, provided that if the Tranche 4 Notes and Funding Commitments reach at least \$100,000,000 in the aggregate, GGP will have certain options to extend the Maturity Date up to April 23, 2027. The Convertible Facility will bear interest from their date of issue at LIBOR plus 6.0% per annum. During the first twelve months, interest may be PIK at the Company’s option such that any amount of PIK interest will be added to the outstanding principal of the Convertible Facility. The Company had the right after the first year, to prepay the outstanding principal amount of the Convertible Facility prior to maturity, in whole or in part, upon payment of 105% of the principal amount in the second year and 103% of the principal amount thereafter. The Notes (including all accrued interest and fees thereon) were then convertible, at the option of the holder, into Subordinate Voting Shares at any time prior to the close of business on the last business day immediately preceding the Maturity Date.

On May 11, 2021, the Company entered into an agreement letter (the “Letter”) with GGP. Pursuant to the Letter with GGP, the Company received reprieve from certain potential non-compliance with certain covenants under the Fifth Amendment dated January 11, 2021, such as potential non-compliance with certain reporting and notice requirements, pay certain liabilities when due, deliver control agreements for certain bank accounts, obtain consent from the lenders prior to hiring certain executives, obtain consent from the lenders for certain matters and related items. No amounts were paid by the Company for the Letter.

On August 17, 2021, the Company announced that Tilray Brands, Inc. (“Tilray”) acquired a majority of the outstanding senior secured convertible notes (the “Notes”) under the Convertible Facility with GGP. Under the terms of the transaction, a newly formed limited partnership (the “SPV”) established by Tilray and other strategic investors acquired an aggregate principal amount of approximately \$165,800,000 of the Notes and warrants issued in connection with the Convertible Facility, representing 75% of the outstanding Notes and 65% of the outstanding warrants under the Convertible Facility. Specifically, Tilray’s interest in the SPV represents rights to 68% of the Notes and related warrants held by the SPV, which are convertible into, and exercisable for, approximately 21% of the outstanding Subordinate Voting Shares of MedMen upon closing of the transaction. Tilray also has the right to appoint two non-voting observers of the Company’s Board of Directors.

In connection with the sale of the Notes, the Company amended and restated the securities purchase agreement with GGP (“A&R 4”, or the “Sixth Amendment”) to, among other things, extend the maturity date to August 17, 2028, eliminate any cash interest obligations and instead provide for PIK interest, eliminate certain repricing/down-round provisions, and eliminate and revise certain restrictive covenants. All or a portion of the Notes and unpaid accrued interest are convertible into Subordinate Voting Shares at the option of the Note holder prior to the Notes repayment. The conversion price of the Notes and unpaid and accrued PIK interest prior to A&R 4 ranges from \$0.1529 to \$0.3400. Accrued payment-in-kind interest on the Notes incurred after A&R 4 will be convertible at price equal to the higher of 1) the trailing 30-day volume weighted average price of the Subordinate Voting Shares, and 2) lowest discounted price available pursuant to the pricing policies of the CSE. A&R 4 PIK was classified as a liability in accordance with ASC Topic 480. The Notes may not be prepaid until the federal legalization of cannabis. Under A&R 4, the Company is subject to certain financial covenants including minimum liquidity and maintenance of the annual budget, and certain negative covenants, including restrictions on incurring liens, debt and contingent obligations, sale of assets, conducting mergers, investments and affiliate transactions, making certain payments, organizational changes, and sale-leaseback transactions. The Sixth Amendment was deemed to be a substantial modification under ASC Subtopic 470-50 and the Company recorded a gain on extinguishment of debt in the amount of \$12,409,861 for the year ended June 25, 2022.

The Notes also provide the holders with a top-up (“Top-up”) right to acquire additional Subordinate Voting Shares and a preemptive (“Preemptive”) right with respect to future financings of the Company, subject to certain exceptions, upon the issuance by MedMen of certain Subordinate Voting Shares or Subordinate Voting Share-linked securities. Top-up rights provides the Note holders warrants for the number of Subordinate Voting Shares that maintains the Note holders their as-if converted ownership percentage of Subordinate Voting Shares (the “Top-up Warrants”). The Top-up Warrants exercise price is equal to the issue or conversion price of the Subordinate Voting Shares that triggered the Top-up Warrants. The Top-up Warrants expire at the earlier of five years or the date cannabis possession is federally legal. Preemptive rights allow the Note holders a first right to acquire its pro rata portion of certain future Subordinate Voting Share issuances at the price proposed by the Company. The Top-up and Preemptive rights were bifurcated from the Notes and classified as derivatives due to the variability in the number of shares and price in accordance with ASC Topic 815, “*Derivatives and Hedging*”. See “*Note 14 – Derivative Liabilities*” for further discussion.

In connection with A&R 4, GGP has the ability to nominate an individual to serve on the Company’s Board of Directors for so long as GGP’s diluted ownership percentage is at least 10%.

Warrants Issued for the Senior Secured Convertible Credit Facility

Upon funding of Tranche 2 in the amount of \$25,000,000 on July 12, 2019, the Company issued 2,967,708 and 857,336 warrants to the lenders at an exercise price of \$3.16 and \$3.65 per share, respectively. Upon funding of Tranche 3 in the amount of \$10,000,000 on November 27, 2019, the Company issued 3,708,772 and 1,071,421 warrants to the lenders at an exercise price of \$1.01 and \$1.17 per share, respectively.

Upon funding of the Tranche 4 Advance in the amount of \$12,500,000 on March 27, 2020, the Company issued 48,076,923 Warrants with an exercise price of \$0.26, representing 100% coverage of the Tranche 4 Advance. Additionally, in accordance with the Third Amendment, the Company cancelled 2,700,628 of the 21,605,061 Existing Warrants issued under Tranche 1, Tranche 2 and Tranche 3 and reissued 32,451,923 Replacement Warrants with an exercise price per share equal to \$0.26. Upon funding of the Tranche 4 Advance on March 27, 2020, the conversion price for \$20,499,657 of the convertible notes, representing 12.5% of each under Tranche 1, Tranche 2 and Tranche 3 was amended to \$0.26 per Subordinate Voting Share. Upon funding of the incremental advance in the amount of \$2,500,000 on April 24, 2020, the Company issued 9,615,385 warrants with an exercise price of \$0.26. In addition, 540,128 Existing Warrants were cancelled and replaced with 6,490,385 warrants with an exercise price of \$0.26 in accordance with the Third Amendment.

Pursuant to the terms of the Convertible Facility, the conversion price of \$47,100,000 of the existing Notes outstanding prior to Tranche 4 and Incremental Advance (including paid-in-kind interest accrued on such Notes), of an aggregate principal amount of \$168,100,000, was amended to \$0.17 per share, of which \$16,800,000 of the Notes outstanding will continue to be subject to down round adjustment provisions. In addition, the Company cancelled an aggregate of 2,160,507 warrants that were issued with such notes and, in exchange, issued 41,967,832 warrants with an exercise price of \$0.16 per share. In connection with the Fifth Amendment, the Company issued convertible notes as consideration for a \$937,127 fee with a conversion price of \$0.16 per share.

On April 21, 2021, the Company cancelled existing warrants issued to GGP pursuant to the Fifth Amendment of the Senior Secured Credit Facility. The following warrants were immediately and automatically cancelled in the amounts of 32,451,923, 6,490,385, 16,875,000 and 41,967,832 which were exercisable at \$0.26, \$0.26, \$0.20 and \$0.16, respectively.

Warrants issued pursuant to the Third Amendment may be exercised at the election of their holders on a cashless basis. All Existing and Replacement Warrants issued in connection with the Convertible Facility met the scope exception under ASC Topic 815 and classified as equity instruments. The warrants are measured at fair value and recorded as a debt discount in connection with the Convertible Facility. See “*Note 19 – Share-Based Compensation*” for further information regarding the valuation method and assumptions used in determining the fair value of these equity instruments.

While the Notes are outstanding, the lenders were entitled to the collective rights to (a) nominate an individual to the Board of Directors of the Company, and (b) appoint a representative to attend all meetings of the Board of Directors in a non-voting observer capacity. Pursuant to the Side Letter executed on October 29, 2019 in conjunction with the Third Amendment, GGP had the right to nominate a majority of the Company’s Board of Directors while the aggregate principal amount outstanding under the Notes being more than \$25,000,000. The Side Letter was superseded by the terms and arrangements entered into in conjunction with the Sixth Amendment. The Notes are secured by substantially all assets of the Company.

The Notes and the Warrants, and any Subordinate Voting Shares issuable as a result of a conversion of the Notes or exercise of the Warrants, were subject to a four-month hold period from the date of issuance of such Notes or such Warrants, as applicable, in accordance with applicable Canadian securities laws. Closing of any tranche of the Convertible Facility subsequent to Tranche 1 is subject to certain conditions being satisfied including, but not limited to, there is no event of default, reconfirmation of representations and warranties and compliance with applicable covenants and agreements.

18. SHAREHOLDERS' EQUITY

Authorized

The authorized share capital of the Company is comprised of the following:

Unlimited Number of Class B Subordinate Voting Shares

Holders of Class B Subordinate Voting Shares ("Subordinate Voting Shares" or "Class B Shares") are entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held. As long as any Subordinate Voting Shares remain outstanding, the Company will not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Subordinate Voting Shares. Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders, the holders of Class B Subordinate Voting Shares shall, subject to the prior rights of the holders of any shares of the Company ranking in priority rights of the holders of any shares of the Company ranking in priority to the Class B Shares (including without restriction the Class A Super Voting Shares) be entitled to participate ratably along with all other holders of Class B Shares.

Unlimited Number of Class A Super Voting Shares

The Company is authorized to issue unlimited Class A Super Voting Shares. Holders of Super Voting Shares are entitled to 1,000 votes in respect of each Super Voting Share held. The Company has the option to redeem the Super Voting Shares at a fixed rate of \$0.10119 per share. As of June 25, 2022 and June 26, 2021, there are no Super Voting Shares outstanding.

Unlimited Number of Preferred Shares

The Preferred Shares may be issued at any time or from time to time in one or more series. The board of directors of the Company may, by resolution, alter its Notice of Articles of the Company to create any series of Preferred Shares and to fix before issuance, the designation, rights, privileges, restrictions and conditions to attach to the Preferred Shares of each series, including the rate, form, entitlement and payment of preferential dividends, the dates and place for payment thereof, the redemption price, terms, procedures and conditions of redemption, if any, voting rights and conversion rights, if any, and any sinking fund, purchase fund or other provisions attaching to the Preferred Shares of such series; provided, however, that no Preferred Shares of any series shall be issued until the Company has filed an alteration to its Notice of Articles with the British Columbia Registrar of Companies. Preferred shares shall be entitled to preference over other classes of shares, dividends when declared and any distribution of assets in event of liquidation, dissolution or winding up the Company, whether voluntary or involuntary.

2,000,000,000 Units of MM CAN USA Redeemable Shares

The Company's subsidiary, MM CAN USA, Inc. has two authorized classes of units, Class A and Class B Redeemable Stock with a \$0.001 USD par value, having an authorized limit of 1,000,000,000 units each. Class A Units are not redeemable, while Class B Redeemable Units are redeemable into shares of the Company's Class B Subordinate Voting Shares. Holders of Class B Redeemable Units can redeem at their election. There are no mandatory redemption features. Class A Units are entitled to vote per unit held while Class B Redeemable Units are non-voting. Each Class recognizes on a pro-rata basis dividends when declared. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Class B Redeemable Units, together with holders of Class A Units on a pro-rata basis, will be entitled to receive all assets of the Corporation available for distribution to its shareholders.

Unlimited Number of MM Enterprises USA Common Units

The Company's subsidiary, MM Enterprises USA has one authorized class of units being Common Units. Common Units contain no voting rights and are redeemable into Class B Redeemable Units of MM CAN USA, Inc. or of the Company's Class B Subordinate Voting Shares. Distributions to members, upon the dissolution or liquidation of the Company, whether voluntary or involuntary may be declared by out of distributable cash or other funds or property legally available therefor in such amounts and on such terms as the Company shall determine using such record date as the Company may designate on a pro-rata basis in accordance with each member's percentage interest in the Company.

Issued and Outstanding

A reconciliation of the beginning and ending issued and outstanding shares is as follows:

	Subordinate Voting Shares	Super Voting Shares	MM CAN USA Class B Redeemable Units	MM Enterprises USA Common Units
Balance as of June 27, 2020	403,907,218	815,295	236,123,851	725,016
Cancellation of Super Voting Shares	-	(815,295)	-	-
Shares Issued for Cash	89,050,000	-	-	-
Shares Issued to Settle Debt and Accrued Interest	4,305,148	-	-	-
Shares Issued to Settle Accounts Payable and Liabilities	17,872,181	-	-	-
Redemption of MedMen Corp Redeemable Shares	175,140,972	-	(175,140,972)	-
Shares Issued for Vested Restricted Stock Units	11,658,293	-	-	-
Shares Issued for Exercise of Warrants	8,807,605	-	34,229,722	-
Shares Issued for Conversion of Debt	16,014,663	-	-	-
Stock Grants for Compensation	110,294	-	-	-
Balance as of June 26, 2021	726,866,374	-	95,212,601	725,016
Shares Issued for Cash, Net of Fees	406,249,973	-	-	-
Shares Issued to Settle Debt and Accrued Interest	43,331,119	-	-	-
Shares Issued to Settle Accounts Payable and Liabilities	45,874,448	-	-	-
Equity Component of Debt - New and Amended	8,021,593	-	-	-
Redemption of MedMen Corp Redeemable Shares	30,146,495	-	(30,146,495)	-
Shares Issued for Vested Restricted Stock Units and Cashless Exercise of Options	11,894,834	-	-	-
Shares Issued for Exercise of Warrants	8,807,605	-	-	-
Shares Issued for Conversion of Debt	16,014,665	-	-	-
Stock Grants for Compensation	4,216,844	-	-	-
Balance as of June 25, 2022	1,301,423,950	-	65,066,106	725,016

Cancellation of Super Voting Shares

Effective as of December 10, 2020, the Company cancelled the remaining 815,295 Class A Super Voting Shares that were granted via proxy to Benjamin Rose wherein no consideration was paid. The effect of the cancellation was recognized as a reduction in the mezzanine equity for the book value of \$82,500 and the difference over the repurchase price of nil was recorded to additional paid-in capital. There was no effect on total shareholders' equity as a result of this cancellation. As of June 25, 2022 and June 26, 2021, there are no outstanding Class A Super Voting Shares.

Private Placements

Fiscal Year 2021

Effective as of February 16, 2021, the Company executed the sale of 7,800,000 units through an investor agreement for a purchase price of \$0.37 per share or aggregated total proceeds of approximately \$2,866,000. Each unit consisted of one Class B Subordinate Voting Share and one share purchase warrant. Each warrant permits the holder to purchase one additional Class B Subordinate Voting Share at an exercise price of \$0.46 per share for a period of five years from the date of issuance. The warrants were classified within shareholders' equity as additional-paid-in-capital in accordance with ASC Subtopics Topic 815-10, "Derivatives and Hedging - Overall" ("ASC Subtopic 815-10") and recorded at fair value.

Effective as of March 18, 2021, the Company executed the sale of 50,000,000 units ("Private Placement Units") and 50,000,000 warrants that were granted through a separate private placement for a purchase price of C\$0.40 per Private Placement Unit for aggregated total proceeds of approximately C\$20,000,000 (or \$16,019,597 U.S. dollars). Each Private Placement Unit consisted of one Class B Subordinate Voting Share and one share purchase warrant of the Company ("Private Placement Warrant"). Each Private Placement Warrant entitles the holder to purchase one Subordinate Voting Share at an exercise price of C\$0.50 for a period of three years following the closing of the transaction. See "Note 14 – Derivative Liabilities" for further information.

Effective as of May 17, 2021, the Company executed the sale of 31,250,000 units and 31,250,000 warrants that were granted through a subscription agreement for a purchase price of \$0.32 or aggregated total proceeds of approximately \$10,000,000. Each unit consisted of one Class B Subordinate Voting Share and one share purchase warrant of the Company. Each warrant entitles the holder to purchase one Subordinate Voting Share at an exercise price of \$0.35 for a period of three years following the closing of the transaction. The warrants were classified within shareholders' equity as additional-paid-in-capital in accordance with ASC Subtopic 815-10 and recorded at fair value.

Fiscal Year 2022

Effective as of August 17, 2021, the Company entered into subscription agreements with various investors led by Serruya Private Equity Inc. ("SPE") to purchase \$100,000,000 units (each, a "Unit") of the Company at a purchase price of \$0.24 per Unit (the "Private Placement") wherein each Unit consisted of one Class B Subordinate Voting Share and one-quarter share purchase warrant. Each warrant permits the holder to purchase one additional Subordinate Voting Share at an exercise price of \$0.288 per share for a period of five years from the date of issuance. The warrants were classified within shareholders' equity as additional paid-in capital in accordance with ASC Subtopic 815-10 and recorded at fair value. The Company issued a total of 416,666,640 Subordinate Voting Shares and 104,166,660 warrants for gross proceeds of \$100,000,000, including the settlement of the unsecured promissory note of \$5,000,000. Refer to "Note 16 – Notes Payable" for further information on the promissory note. The Company incurred stock issuance costs of \$5,352,505, excluding the Backstop Commitment fee noted below, which were recorded as reductions in additional paid-in capital. Accordingly, the Company received proceeds in connection with the private placement totaling \$89,647,495 net of fees during the fiscal year ended June 25, 2022. In connection with private placement, S5 Holdings LLC, an entity controlled by Michael Serruya, has the ability to nominate an individual to serve on the Company's Board of Directors for so long as their diluted ownership percentage is at least 9%.

Each Unit issued to certain funds associated with SPE consisted of one Class B Subordinate Voting Share and one-quarter of one share purchase warrant, plus a proportionate interest in a short-term warrant (the "Short-Term Warrant"). At the option of the holders and upon payment of \$30,000,000, the Short-Term Warrant entitled the holders to acquire (i) an aggregate of 125,000,000 Units at an exercise price of \$0.24 per Unit, or (ii) \$30,000,000 principal amount of notes at par, convertible into 125,000,000 Subordinate Voting Shares at a conversion price of \$0.24 per share under the terms of the Convertible Facility. The proceeds from the exercise of the Short-Term Warrant, less fees and expenses, must have been used to repay the senior secured term loan with Hankey Capital if any indebtedness is then outstanding. The Short-Term Warrant was classified as a liability in accordance with ASC Subtopic 815-10 and recorded at fair value in the amount of \$19,400,000. See "Note 14 – Derivative Liabilities" for further information. The Short-Term Warrant expired unexercised on December 31, 2021. The previously recorded derivative liability was reversed with the offsetting adjustment recorded in Non-Operating (Income) Expense in the Consolidated Statements of Operations.

Certain investors associated with SPE agreed to backstop the Private Placement (the "Backstop Commitment"). In consideration for providing the Backstop Commitment, the Company paid a fee of \$2,500,000 in the form of 10,416,666 Class B Subordinate Voting Shares at a price of \$0.24 per share. The shares issued were recorded as a reduction in additional paid-in capital.

Cashless Exercise of Warrants

During the fiscal year ended June 26, 2021, 50,078,058 warrants were exercised on a cashless basis for 34,229,722 MM CAN USA Class B Redeemable Shares, of which 30,697,023 were redeemed for Class B Subordinate Voting Shares. During the fiscal year ended June 25, 2022, there were no such issuances.

Non-Controlling Interests

Non-controlling interest represents the net assets of the subsidiaries that the holders of the Subordinate Voting Shares do not directly own. The net assets of the non-controlling interest are represented by the holders of MM CAN USA Redeemable Shares and the holders of MM Enterprises USA Common Units. Non-controlling interest also represents the net assets of the entities the Company does not directly own but controls through a management agreement. As of June 25, 2022 and June 26, 2021, the holders of the MM CAN USA Redeemable Shares represent approximately 4.76% and 11.58%, respectively, of the Company and holders of the MM Enterprises USA Common Units represent approximately 0.05% and 0.09%, respectively, of the Company.

Variable Interest Entities

The below information are entities the Company has concluded to be variable interest entities (“VIEs”) as the Company possesses the power to direct activities through management services agreements (“MSAs”). Through these MSAs, the Company can significantly impact the VIEs and thus holds a controlling financial interest. The following table represents the summarized financial information about the Company’s consolidated VIEs. VIEs include the balances of Venice Caregiver Foundation, Inc., LAX Fund II Group, LLC, and Natures Cure, Inc. This information represents amounts before intercompany eliminations.

As of and for the year ended June 25, 2022, the balances of the VIEs consists of the following:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	TOTAL
Current Assets	\$ 1,735,304	\$ 1,067,636	\$ 23,557,168	\$ 26,360,108
Non-Current Assets	11,081,880	3,379,412	4,973,459	19,434,751
Total Assets	\$ 12,817,184	\$ 4,447,048	\$ 28,530,627	\$ 45,794,859
Current Liabilities	\$ 8,736,278	\$ 16,425,013	\$ 5,899,771	\$ 31,061,062
Non-Current Liabilities	9,614,164	2,269,784	1,146,320	13,030,268
Total Liabilities	\$ 18,350,442	\$ 18,694,797	\$ 7,046,091	\$ 44,091,330
Non-Controlling Interest	\$ (5,533,258)	\$ (14,247,749)	\$ 21,484,536	\$ 1,703,529
Revenues	\$ 8,732,449	\$ 1,857	\$ 16,157,388	\$ 24,891,694
Net (Loss) Income Attributable to Non-Controlling Interest	\$ (1,384,751)	\$ (4,868,632)	\$ 7,190,809	\$ 937,426

As of and for the year ended June 26, 2021, the balances of the VIEs consists of the following:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	TOTAL
Current Assets	\$ 1,365,867	\$ 500,648	\$ 13,260,675	\$ 15,127,190
Non-Current Assets	12,596,223	2,864,806	4,957,685	20,418,714
Total Assets	\$ 13,962,090	\$ 3,365,454	\$ 18,218,360	\$ 35,545,904
Current Liabilities	\$ 8,760,561	\$ 10,302,246	\$ 2,778,312	\$ 21,841,119
Non-Current Liabilities	9,350,037	2,442,330	1,146,320	12,938,687
Total Liabilities	\$ 18,110,598	\$ 12,744,576	\$ 3,924,632	\$ 34,779,806
Non-Controlling Interest	\$ (4,148,508)	\$ (9,379,122)	\$ 14,293,728	\$ 766,098
Revenues	\$ 9,247,506	\$ -	\$ 14,620,618	\$ 23,868,124
Net (Loss) Income Attributable to Non-Controlling Interest	\$ 1,776,677	\$ (3,308,795)	\$ 7,514,101	\$ 5,981,983

The net change in the consolidated VIEs and other non-controlling interest are as follows for the year ended June 25, 2022:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	Other Non- Controlling Interests	TOTAL
Balance as of June 26, 2021	\$ (4,148,508)	\$ (9,379,122)	\$ 14,293,728	\$ (446,159,697)	\$ (445,393,599)
Net Income (Loss)	(1,384,751)	(4,868,632)	7,190,809	(16,644,730)	(15,707,304)
Share-Based Compensation	-	-	-	1,102,219	1,102,219
Redemption of MedMen Corp Redeemable Shares	-	-	-	(10,322,089)	(10,322,089)
Balance as of June 25, 2022	\$ (5,533,259)	\$ (14,247,754)	\$ 21,484,537	\$ (472,024,297)	\$ (470,320,773)

The net change in the consolidated VIEs and other non-controlling interest are as follows for the year ended June 26, 2021:

	Venice Caregivers Foundation, Inc.	LAX Fund II Group, LLC	Natures Cure, Inc.	Other Non- Controlling Interests	TOTAL
Balance as of June 27, 2020	\$ (5,925,185)	\$ (6,070,327)	\$ 6,779,627	\$ (331,561,812)	\$ (336,777,697)
Net Income (Loss)	1,776,677	(3,308,795)	7,514,101	(39,434,217)	(33,452,234)
Deferred Tax Impact on Conversion Feature	-	-	-	(1,210,052)	(1,210,052)
Equity Component on Debt and Debt Modification	-	-	-	4,055,133	4,055,133
Redemption of MedMen Corp Redeemable Shares	-	-	-	(78,008,749)	(78,008,749)
Balance as of June 26, 2021	\$ (4,148,508)	\$ (9,379,122)	\$ 14,293,728	\$ (446,159,697)	\$ (445,393,599)

Le Cirque Rouge, LP (the “OP”) is a Delaware limited partnership that holds substantially all of the real estate assets owned by the REIT, conducts the REIT’s operations, and is financed by the REIT. Under ASC Topic 810, “Consolidation”, the OP was determined to be a variable interest entity in which the Company has an implicit variable interest based on the leasing relationship and arrangement with the REIT. However, the Company is not the primary beneficiary under ASC Topic 810. Accordingly, Le Cirque Rouge, LP is not consolidated as a variable interest entity within the Consolidated Financial Statements. As of and during the fiscal years ended June 25, 2022 and June 26, 2021, the Company continues to have a variable interest in the OP and did not provide any financial or other support to the REIT other than the completion of the sale and leaseback transactions and the REIT being a lessor on various leases as described in “Note 15 – Leases”.

19. SHARE-BASED COMPENSATION

The Company has a stock and equity incentive plan (the “Incentive Plan”) under which the Company may issue various types of equity instruments to any employee, officer, consultant, advisor or director. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, stock grants, and restricted stock units (together, “Awards”). Stock based compensation expenses are recorded as a component of general and administrative to the extent that the Company has not appointed a Compensation Committee, all rights and obligations under the Incentive Plan shall be those of the full Board of Directors. The maximum number of Awards that may be issued under the Incentive Plan shall be determined by the Compensation Committee or the Board of Directors in the absence of a Compensation Committee. Any shares subject to an Award under the Incentive Plan that are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations, shall again be available for Awards under the Incentive Plan. Vesting of Awards will be determined by the Compensation Committee or Board of Directors in absence of one. The exercise price for Awards (if applicable) will generally not be less than the fair market value of the Award at the time of grant and will generally expire after 10 years.

A summary of share-based compensation expense for the years ended June 25, 2022 and June 26, 2021 is as follows:

	2022	2021
Stock Options	\$ 2,209,992	\$ 2,092,273
Stock Grants for Services	754,238	55,163
Restricted Stock Grants	2,290,844	2,197,255
Total Share-Based Compensation	\$ 5,255,074	\$ 4,344,691

On February 1, 2020, Adam Bierman resigned as Chief Executive Officer of the Company and surrendered all Class A Super Voting Shares to the Company. See “*Note 18 – Shareholders’ Equity*” for further information on Mr. Bierman’s Super Voting Shares. As payment of severance to Mr. Bierman, the Company will compensate Mr. Bierman in the form of securities, of which the number of issued securities and the aggregate amount is approximately 3,700,000 of which half are in Class B Subordinate Voting Shares and half are in RSUs. The RSUs have a term of 10 years and vest when the Company’s Class B Subordinate Voting Shares have a daily VWAP of at least \$2.05 for 25 consecutive days. As of June 25, 2022 and June 26, 2021, \$475,650 was accrued in current liabilities for the amount owed to Adam Bierman related to the Super Voting Shares cancelled. This liability is to be settled in Class B Subordinate Voting Shares and RSUs. In addition, the Company amended the terms of the 9,661,939 LTIP Units held by Mr. Bierman wherein the vesting period was extended to 10 years from February 1, 2020.

Stock Options

A reconciliation of the beginning and ending balance of stock options outstanding is as follows:

	Number of Stock Options	Weighted- Average Exercise Price
Balance as of June 27, 2020	8,618,204	\$ 2.78
Granted	7,858,643	\$ 0.17
Forfeited	(1,723,887)	\$ (2.73)
Balance as of June 26, 2021	14,752,960	\$ 1.40
Granted	4,084,005	\$ 0.28
Exercised	(1,473,534)	\$ (0.17)
Forfeited and Expired	(8,713,758)	\$ (0.28)
Balance as of June 25, 2022	8,649,673	\$ 1.35

The following table summarizes the stock options that remain outstanding as of June 25, 2022:

Security Issuable	Exercise Price	Weighted Average Remaining Life in Years	Stock Options Outstanding	Stock Options Exercisable
Subordinate Voting Shares	\$5.71	6	218,923	205,588
Subordinate Voting Shares	\$4.03 - \$4.05	6	759,186	759,186
Subordinate Voting Shares	\$3.06 - \$3.84	5	943,922	892,887
Subordinate Voting Shares	\$2.02 - \$2.79	6	1,160,807	982,206
Subordinate Voting Shares	\$1.38 - \$1.99	7	202,228	139,926
Subordinate Voting Shares	\$0.11 - \$0.53	4	5,364,607	5,262,656
Total			8,649,673	8,242,449

For the years ended June 25, 2022 and June 26, 2021, the fair value of stock options granted with a fixed exercise price was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	2022	2021
Weighted-Average Risk-Free Annual Interest Rate	0.97%	1.05%
Weighted-Average Expected Annual Dividend Yield	0.0%	0.0%
Weighted-Average Expected Stock Price Volatility	131.7%	116.5%
Weighted-Average Expected Life in Years	5.00	7.50

Stock price volatility was estimated by using the historical volatility of the Company's Subordinate Voting Shares and the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies and beginning March 28, 2021, was solely based on the historical volatility of the Company's Subordinate Voting Shares. The expected life represents the period of time that stock options granted are expected to be outstanding. The risk-free rate was based on Bank of Canada zero coupon bond with a remaining term equal to the expected life of the options.

The fair value of stock options granted during the year ended June 27, 2020 with vesting contingent upon achievement of certain price targets was determined using a Monte Carlo simulation model taking into account the fair value of the Company's Subordinate Voting Shares on the date of grant and into the future encompassing a wide range of possible future market conditions. The following assumptions were used at the time of grant:

	2020
Weighted-Average Stock Price	C\$2.65
Weighted-Average Probability	6.0%
Weighted-Average Term in Years	3.0
Weighted-Average Volatility	83.3%

During the years ended June 25, 2022 and June 26, 2021, the weighted-average fair value of stock options granted was \$0.28 and \$0.17, respectively, per option. As of June 25, 2022 and June 26, 2021, stock options outstanding have a weighted-average remaining contractual life of 4.6 years and 5.4 years, respectively.

LTIP Units and LLC Redeemable Units

A reconciliation of the beginning and ending balances of the LTIP Units and LLC Redeemable Units issued for compensation outstanding is as follows:

	<u>LTIP Units Issued and Outstanding</u>	<u>LLC Redeemable Units</u>	<u>Weighted Average Grant Date Fair Value</u>
Balance as of June 26, 2021 and June 25, 2022	19,323,878	725,016	\$ 0.52

(1) LTIP Units and LLC Redeemable Units will vest as follows:

- 19,323,878 of the LTIP Units will vest contingent upon achievement of certain price targets in respect of the Subordinate Voting Shares, whereby one third of such aggregate LTIP Units will vest when the price of the Subordinate Voting Shares reaches C\$10 in the open market, another third will vest when such share price reaches C\$15 in the open market and the final third will vest when such share price reaches C\$20 in the open market. Such share price will be determined as a 5-day volume weighted-average trading price on any exchange on which the Subordinate Voting Shares are traded. 9,661,939 of the LTIPs were modified to extend the vesting periods to 10 years from the modification date of February 1, 2020.

Restricted Stock Units

During the years ended June 25, 2022 and June 26, 2021, the Company granted an entitlement to 19,288,397 and 31,632,112, respectively, of restricted Subordinate Voting Shares to certain officers and directors. A reconciliation of the beginning and ending balance of restricted stock units outstanding is as follows:

	<u>Issued and Outstanding</u>	<u>Vested ⁽¹⁾</u>	<u>Weighted- Average Fair Value</u>
Balance as of June 27, 2020	7,159,164	192,459	\$ 0.68
Granted	31,632,112	-	\$ 0.17
Forfeiture of Restricted Stock ⁽²⁾	(6,244,589)	-	\$ 0.19
Redemption of Vested Stock	(11,658,293)	(11,658,293)	\$ (0.21)
Vesting of Restricted Stock	-	12,363,128	\$ 0.24
Balance as of June 26, 2021	20,888,394	897,294	\$ 0.24
Granted	19,288,397	-	\$ 0.32
Forfeiture of Restricted Stock ⁽²⁾	(17,564,682)	-	\$ 0.27
Redemption of Vested Stock	(11,613,626)	(11,613,626)	\$ (0.42)
Vesting of Restricted Stock	-	14,746,792	\$ 0.35
Balance as of June 25, 2022	10,998,483	4,030,460	\$ 0.20

(1) Restricted stock units will vest as follows:

- *3,000,000 of the restricted stock units will vest as follows: one-fourth upon the 12-month employment anniversary, with the remaining three-fourths vesting in amounts of one third each when the trading price of the Subordinate Voting Shares on the then current stock exchange at any time during the term of employment reaches a minimum of C\$10, C\$15 and C\$20, respectively.*
- *46,331 of the restricted stock units on July 11, 2018 will vest in four (4) equal quarterly installments on each three-month anniversary of the Date of Grant.*
- *131,859 of the restricted stock units on August 29, 2018 will vest in four (4) equal quarterly installments on each three-month anniversary of the Date of Grant.*
- *918,785 of the restricted stock units will vest ratably as follows: one-fourth within 30-days of the grant date, with the remaining three-fourths in three equal installments on every anniversary of the grant date, beginning on December 18, 2018 and concluding with all restricted stock units being fully vested on December 18, 2021.*
- *23,082 of the restricted stock units will vest on a straight-line basis, beginning on January 3, 2019, and concluding with all restricted stock units being fully vested on August 28, 2019.*
- *162,455 of the restricted stock units will vest as follows: one-fourth of the total number of restricted stock shall vest on March 26, 2019. Thereafter, 1/36 of the remainder shall vest on the first day of each month over a period of three years until all restricted stock shall have vested.*
- *72,202 of the restricted stock units will vest as follows: one-fourth of the total number of restricted stock shall vest on May 7, 2019. Thereafter, 1/36 of the remainder shall vest on the first day of each month over a period of three years until all restricted stock shall have vested.*
- *5,458,749 of the restricted stock units will vest as follows on the first anniversary of the grant date, December 10, 2020.*
- *1,885,408 of the restricted stock units will vest as follows: on the second anniversary of the grant date, July 30, 2021.*
- *50,181 of the restricted stock units will vest as follows: on the first anniversary of the grant date, August 26, 2020.*
- *49,616 of the restricted stock units will vest as follows: on August 1, 2021.*
- *28,210,512 of restricted stock units vest 37.5%, 12.5%, 37.5%, 12.5% on the 1st, 2nd, 3rd and 4th anniversary, respectively.*
- *19,288,397 of the restricted stock units will vest 37.5% on the first anniversary, 12.5% on the second anniversary, 37.5% on the third anniversary, and 12.5% on the fourth anniversary of the grant date.*

(2) 17,564,682 and 6,244,589 of the restricted stock units were forfeited upon resignation of certain employees prior to their vesting for the fiscal years ended June 25, 2022 and June 26, 2021, respectively.

For restricted stock units that have no market condition vesting, the fair value was determined using the trading value of the Subordinate Voting Shares on the date of grant. During the year ended June 25, 2022 and June 26, 2021, there were no restricted stock units with a market vesting condition.

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding is as follows:

	Number of Warrants Outstanding			Weighted-Average Exercise Price
	Subordinate Voting Shares	MM CAN USA Redeemable Shares	TOTAL	
Balance as of June 27, 2020	114,998,915	40,455,729	155,454,644	\$ 0.71
Issued	260,852,951	147,508,516	408,361,467	\$ 0.21
Exercised	(8,807,607)	(50,078,066)	(58,885,673)	\$ 0.20
Cancelled	(107,581,650)	(40,455,723)	(148,037,373)	\$ 0.23
Balance as of June 26, 2021	259,462,609	97,430,456	356,893,065	\$ 0.33
Issued	111,149,227	-	111,149,227	\$ 0.28
Exercised	(8,807,607)	-	(8,807,607)	\$ (0.18)
Expired	(9,099,874)	-	(9,099,874)	\$ (3.85)
Balance as of June 25, 2022	352,704,355	97,430,456	450,134,811	\$ 0.25

The following table summarizes the warrants that remain outstanding as of June 25, 2022:

Security Issuable	Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years	Warrants Exercisable
MM CAN USA Redeemable Shares	\$0.34	40,455,732	3.1	40,455,732
MM CAN USA Redeemable Shares	\$0.20	38,345,772	3.3	38,345,772
MM CAN USA Redeemable Shares	\$0.15	18,628,952	3.2	18,628,952
Total MM CAN USA Redeemable Shares		97,430,456		97,430,456
Subordinate Voting Shares	\$5.27	299,999	4.3	299,999
Subordinate Voting Shares	\$3.16 - \$3.65	2,677,535	0.1	2,677,535
Subordinate Voting Shares	\$1.01 - \$1.17	3,346,161	0.4	3,346,161
Subordinate Voting Shares	\$0.15 - \$0.46	346,380,660	3.3	346,380,660
Total Subordinate Voting Shares		352,704,355		352,704,355
Total Warrants Outstanding		450,134,811		450,134,811

The fair value of warrants exercisable for MM CAN USA Redeemable Shares was determined using the Black-Scholes option-pricing model with the following assumptions on the date of issuance:

	2021
Weighted-Average Risk-Free Annual Interest Rate	0.13%
Weighted-Average Expected Annual Dividend Yield	0%
Weighted-Average Expected Stock Price Volatility	92.06%
Weighted-Average Expected Life of Warrants	1 year

The fair value of warrants exercisable for the Company's Subordinate Voting Shares was determined using the Black-Scholes option-pricing model with the following assumptions:

Weighted-Average Risk-Free Annual Interest Rate	0.06% - 1.65%
Weighted-Average Expected Annual Dividend Yield	0%
Weighted-Average Expected Stock Price Volatility	126.28% - 175.50%
Weighted-Average Expected Life of Warrants	1 - 5 year(s)

Stock price volatility was estimated by using the historical volatility of the Company's Subordinate Voting Shares and the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies and beginning March 28, 2021, was solely based on the historical volatility of the Company's Subordinate Voting Shares. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate was based on U.S. Treasury bills with a remaining term equal to the expected life of the warrants. 97,785,140 of warrants are cancellable if the Company meets certain cash flow metrics for nine consecutive months. The effects of contingent cancellation feature were included in determining the fair value of the related warrants. On April 21, 2021, the contingent cancellation feature was met and the related warrants were cancelled.

As of June 25, 2022 and June 26, 2021, warrants outstanding have a weighted-average remaining contractual life of 38.4 and 44.7 months, respectively.

20. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share for the years ended June 25, 2022 and June 26, 2021:

	2022	2021
Net Loss from Continuing Operations Attributable to Shareholders of MedMen Enterprises, Inc.	\$ (149,847,651)	\$ (90,877,899)
Less Deemed Dividend - Down Round Feature of Warrants	-	(6,364,183)
Net Loss from Continuing Operations Available to Shareholders of MedMen Enterprises, Inc.	(149,847,651)	(97,242,082)
Net Loss from Discontinued Operations	(45,338,954)	(33,267,626)
Total Net Loss	\$ (195,186,605)	\$ (130,509,708)
Weighted-Average Shares Outstanding - Basic and Diluted	<u>1,153,538,255</u>	<u>530,980,011</u>
Loss Per Share - Basic and Diluted:		
From Continuing Operations Attributable to Shareholders of MedMen Enterprises Inc.	<u>\$ (0.13)</u>	<u>\$ (0.18)</u>
From Discontinued Operations Attributable to Shareholders of MedMen Enterprises Inc.	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>

Diluted loss per share is the same as basic loss per share as the issuance of shares on the exercise of convertible debentures, LTIP share units, warrants and share options is anti-dilutive.

21. OTHER OPERATING INCOME

During the years ended June 25, 2022 and June 26, 2021, other operating income consisted of the following:

	2022	2021
Loss on Disposals of Assets	\$ 4,452,376	\$ 308,348
Restructuring and Reorganization Expense	2,324,266	5,038,182
(Gain) Loss on Settlement of Accounts Payable	(177,990)	579,265
Gain on Lease Terminations	(4,250,649)	(16,203,314)
Gain on Disposal of Assets Held for Sale	-	(12,338,123)
Other Income	(4,780,798)	(806,601)
Total Other Operating Income	\$ (2,432,795)	\$ (23,422,243)

During the fiscal year ended June 25, 2022, the Company recorded \$4,932,319 of sublease income related to the cultivation facilities in California and Nevada in Other Income.

22. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E for U.S. federal, Illinois state, Florida state and New York state income tax purposes under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. However, the State of California does not conform to IRC Section 280E and, accordingly, the Company deducts all operating expenses on its California Franchise Tax Returns.

The Company intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States.

The Company has approximately gross \$12,230,000 (tax effected \$3,240,000) of Canadian non-capital losses and \$6,000,000 (tax effected \$1,620,000) of Share Issuance cost 20(1)(e) balance. The loss tax attribute has been determined to be more likely than not that the tax attribute would not yield any tax benefit. As such, the Company has recorded a full valuation allowance against the benefit. Since IRC Section 280E was not applied in the California Franchise Tax returns, the Company has approximately \$22,000,000 of gross California net operating losses which begin expiring in 2033 as of June 25, 2022. The Company has evaluated the realization of its California net operating loss tax attribute and has determined under the more likely than not standard that \$217,300,000 will not be realized.

Provision for income taxes consists of the following for the years ended June 25, 2022 and June 26, 2021:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ (5,661,480)	\$ (20,173,107)
State	285,047	(3,231,255)
Total Current	<u>(5,376,433)</u>	<u>(23,404,362)</u>
Deferred:		
Federal	9,214,263	15,762,423
State	3,792,499	4,241,991
Total Deferred	<u>13,006,762</u>	<u>20,004,414</u>
Total Provision for Income Tax Benefit (Expense)	<u>\$ 7,630,329</u>	<u>\$ (3,399,948)</u>

As of June 25, 2022 and June 26, 2021, the components of deferred tax assets and liabilities were as follows:

	<u>2022</u>	<u>2021</u>
Deferred Tax Assets:		
Sale and Leaseback	\$ 1,040,316	\$ 1,209,397
Net Operating Loss	15,800,323	18,947,040
Notes Payable	16,156,489	16,156,489
Fair Value of Investments	796,903	797,641
Lease Liability	16,442,102	23,036,902
Held For Sale	40,850,059	5,167,362
Total Deferred Tax Assets	91,086,192	65,314,831
Total Valuation Allowance	(70,536,266)	(43,164,332)
Net Deferred Tax Assets	<u>\$ 20,549,926</u>	<u>\$ 22,150,499</u>
	<u>2022</u>	<u>2021</u>
Deferred Tax Liabilities:		
Property, Plant & Equipment	\$ (12,473,603)	\$ (18,492,895)
Intangible Assets	(13,358,615)	(28,243,281)
Senior Secured Convertible Credit Facility	(25,264,721)	(17,171,778)
Derivatives	(1,959,939)	-
Leases	(8,804,316)	(10,546,564)
Total Deferred Tax Liabilities	<u>(61,861,194)</u>	<u>(74,454,518)</u>
Net Deferred Tax Liabilities	<u>\$ (41,311,268)</u>	<u>\$ (52,304,019)</u>

The reconciliation between the effective tax rate on loss from operations and the statutory tax rate is as follows:

	<u>2022</u>	<u>2021</u>
Expected Income Tax Benefit at Statutory Tax Rate	\$ (46,010,112)	\$ (32,381,541)
Section 280E Permanent and Other Non-Deductible Items	50,225,557	30,846,236
State Rate	(14,667,861)	1,878,787
Effect of Held for Sale	(35,682,697)	11,413,523
Effect of ASC 842	4,852,551	3,056,613
Benefit on Recognized California Net Operating Loss	4,396,449	(9,268,041)
Interest and Penalties on Uncertain Tax Positions	1,883,850	4,629,178
Valuation Allowance	<u>27,371,934</u>	<u>(6,774,807)</u>
Reported Income Tax (Benefit) Expense	<u>\$ (7,630,329)</u>	<u>\$ 3,399,948</u>
Effective Tax Rate	3.48%	(2.05)%

During the years ended June 25, 2022 and June 26, 2021, the activities related to the Company's gross unrecognized tax benefits are as follows:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	<u>\$ 15,464,185</u>	<u>\$ 15,016,935</u>
Increase in Balance Related to Tax Positions Taken During the Year	23,444	447,250
Decrease in Balance Related to Tax Positions During Prior Year	(1,197,253)	-
Balance at End of Year	<u>\$ 14,290,376</u>	<u>\$ 15,464,185</u>

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and in Canada. The Company is generally subject to audit by taxing authorities in various U.S., state, and in foreign jurisdictions for fiscal years 2013 through the current fiscal year.

As of June 25, 2022, and June 26, 2021, the total amount of gross unrecognized tax benefits was \$18,642,352 and \$20,093,363, respectively, including \$3,300,000 and \$4,400,000 of interest and penalties. As of June 25, 2022, all of the total unrecognized tax benefits, if recognized, would have an impact on the Company's effective tax rate. The Company estimates that there will be no material changes in its uncertain tax positions in the next 12 months. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

23. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations as of June 25, 2022 and June 26, 2021, marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of June 25, 2022, there were no pending or threatening lawsuits that could be reasonably assessed to have resulted in a probable loss to the Company in an amount that can be reasonably estimated. As such, no accrual has been made in the Consolidated Financial Statements relating to claims and litigations. As of June 25, 2022, there are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party to the Company or has a material interest adverse to the Company's interest.

In March 2020, litigation was filed against the Company in the Superior Court of Arizona, Maricopa County, related to a purchase agreement for a previous acquisition. The Superior Court of Arizona, Maricopa County granted summary judgement in favor of the Company on all counts in July 2022. The Company is currently in process of recovering certain fees and costs associated with the lawsuit from the plaintiffs. The Company believes the likelihood of a loss contingency is neither probable nor estimable. As such, no amount has been accrued in these financial statements. A trial is set in this matter for June 2022.

In April 2020, a complaint was filed against the Company in Los Angeles Superior Court related to a contemplated acquisition in which the plaintiffs are seeking damages for alleged breach of contract and breach of implied covenant of good faith and fair dealing seeking declaratory relief and specific performance. The Company has filed counterclaims including for breach of contract, breach of promissory note, unjust enrichment and declaratory relief. The Company believes the likelihood of a loss contingency is remote. As such, no amount has been accrued in the financial statements. A trial is set in the matter for September 2022.

In May 2020, litigation was filed against the Company related to a purchase agreement and secured promissory note for a previous acquisition. The Company is currently defending against this lawsuit, which claims for breach of contract, breach of implied covenant of good faith and fair dealing, common law fraud and securities fraud. The plaintiffs are seeking damages for such claims in which the amount is currently not reasonably estimable. In response, the Company filed a counterclaim and is seeking entitlement to proceeds of the sale, net of amounts owed under the secured promissory note. The plaintiffs filed an appeal to the ruling on the entitlement of proceeds in excess of the secured promissory note which was dismissed. The additionally claims and counterclaims are currently in dispute. Any loss recoveries related to the Company's counterclaim have not been recorded. In addition, net proceeds resulting from the sale was not recognized as a receivable as the amount is not reasonably estimable.

In July 2020, a complaint for fraud in the inducement, misrepresentation, breach of contract and breach of oral contract was filed in Los Angeles Superior Court in which the Company was a defendant. The parties entered into a settlement agreement in December 2021.

In September 2020 and May 2020, legal disputes were filed against the Company related to the separation of former officers in which the severance issued is currently being disputed. The Company believes the likelihood of loss is remote. As a result, no amount has been set up for potential damages in these financial statements.

In November 2020, entities affiliated with former officers of the Company initiated arbitration against a subsidiary of the Company in Los Angeles, California asserting breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, and unjust enrichment. The claimants are generally seeking damages and compensatory damages according to proof, including lost earnings and other benefits, past and future, interest on lost earnings and benefits, reasonable attorney's fees, and such other and further relief as the court deems proper. The Company asserted counter-claims, including for breach of the same management agreements. The arbitration is currently set for hearing in December 2022. The litigation is at an early stage and the likelihood of a loss contingency is remote. As a result, no amount has been set up for potential damages in these financial statements.

In October 2021, a suit for premises liability and negligence seeking unspecified damages for pain and suffering, disability, mental and emotional distress, and loss of earnings was filed against the Company in Los Angeles Superior Court. The matter is in the process of being litigated. The Company believes the likelihood of loss is remote. As a result, no amount has been set up for potential damages in these financial statements.

In January 2021, a general contractor filed a cross-complaint against the Company, MM Enterprises, and MME Florida, LLC in Los Angeles Superior Court alleging breach of contract, quantum meruit and implied indemnity. The cross-complaint sought payment of funds asserted to be due and owing in connection with various construction projects. In addition, in 2020 and 2021 several subcontractors filed lawsuits in Florida alleging non-payment damages in which the defendant general contractor filed cross-suits against MedMen Florida as well as third party claims against the Company. A settlement agreement and release resolving these matters was entered in April 2022.

In December 2020, a lawsuit was filed against the Company related to a previous acquisition alleging that the plaintiffs were owed additional compensation. In the complaint, the plaintiffs allege breach of contract, breach of implied covenant of good faith and fair dealing, fraud and unjust enrichment, among other causes of actions. The plaintiffs are seeking the issuance of 51,716,141 shares, which has been accrued in the Consolidated Balance Sheet as of June 25, 2022, and other monetary damages. The litigation is at an early stage and the likelihood of a loss contingency is remote. The amount of other monetary damages is not reasonably estimable and thus, no amount has been accrued in these financial statements. During the year ended June 25, 2022, the parties entered into a partial settlement in the amount of \$1,050,000 of which \$245,000 is remaining as of June 25, 2022 and has been accrued in the Consolidated Balance Sheet.

The Company is the defendant in several complaints filed by various of its landlords seeking rents and damages under leases. In 2020 a complaint was filed in Cook County Circuit Court, Illinois against the Company by a landlord claiming the Company had failed to meet its obligations to apply effort to obtain a retail cannabis license at a property and seeking rents and damages. The litigation is currently in the discovery phase. If the litigation is not settled or resolved, trial will likely take place During the fiscal year ended 2023. In July 2022, a complaint was filed against the Company in the United States District Court for the Southern District of New York by a landlord seeking damages under a lease on real estate located in Illinois. The Company is required to file an answer to the complaint by September 2022. Prior attempts to resolve the lease dispute with this landlord have failed. In June 2022, a complaint was filed against the Company by the Company's landlord at its cultivation center in Utica, New York, related to an agreement to purchase land next to the cultivation center, which land was also owned by the landlord. Plaintiff seeks to enforce a land purchase agreement and seeks damages. In April 2022, the landlord at the Company's dispensary location in Tampa, Florida, filed suit seeking damages under a lease, shortly after the Company announced its plans to sell its Florida business. The Company retained this lease and litigation following the sale of the Florida business and the litigation is at an early stage and the likelihood of a loss contingency is remote. As a result, no amount has been set up for potential damages in these financial statements.

24. RELATED PARTY TRANSACTIONS

Pursuant to the Side Letter executed on July 2, 2020 in conjunction with the Fourth Amendment of the Convertible Facility with GGP, Wicklow Capital and GGP had the right to approve director nominees submitted by the Company. The ability to approve the nominees to the Company's Board of Directors met the definition of control under ASC Topic 850, "*Related Party Disclosures*" ("ASC Topic 850") and accordingly, Wicklow Capital is a related party of the Company.

The Company determined GGP to be a related party as a result of GGP having significant influence over the Company as of June 26, 2021. See "*Note 17 – Senior Secured Convertible Credit Facility*" for a full disclosure of transactions and balances related to GGP. For the years ended June 25, 2022 and June 26, 2021, there were no additional amounts incurred or due to this related party.

On August 17, 2021, Superhero Acquisition, L.P., in which Tilray and S5 Holdings LLC, an entity controlled by Michael Serruya, are investors, acquired the majority of the outstanding senior secured convertible notes and warrants held by GGP. As a result, GGP no longer held significant influence over the Company and was not considered a related party under ASC Topic 850 as of June 25, 2022. As of August 17, 2021, the Company determined Tilray to be a related party as a result of Tilray having significant influence over the Company. See "*Note 17 – Senior Secured Convertible Credit Facility*" for a full disclosure of the SPV and A&R 4. For the year ended June 25, 2022, there were no amounts incurred or due to this related party.

On August 17, 2021, the Company entered an equity investment through private placement led by SPE. In connection with the private placement, the Company appointed Michael Serruya, SPE's Managing Director, as a member of its board of directors. As of August 17, 2021, the Company determined SPE to be a related party as a result of the private placement and involvement with the Board. See "*Note 18 – Shareholders' Equity*" for discussion on the private placement transaction. In November 2021, the Company appointed Mr. Serruya as Chairman of the Board and Interim Chief Executive Officer. In April 2022, Mr. Serruya resigned from his position of Interim Chief Executive Officer. For the year ended June 25, 2022, the Company reimbursed Mr. Serruya \$40,000 in employee reimbursable expenses and there were no amounts outstanding. For the year ended June 26, 2021, there were no amounts paid or incurred to this related party.

The Company's Board of Directors each receive quarterly fees of \$200,000 of which one-third is paid in cash and two-thirds is paid in Class B Subordinate Voting Shares.

25. FAIR VALUE MEASUREMENTS

The following table summarizes the Company's assets and liabilities measured at fair value as of June 25, 2022:

	Fair Value Measurements at Reporting Date Using			Balance as of June 25, 2022
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Cash and Cash Equivalents	\$ 10,795,999	\$ -	\$ -	\$ 10,795,999
Accounts Receivable	1,150,603	-	-	1,150,603
Investments	-	-	2,738,491	2,738,491
Total Assets	\$ 11,946,602	\$ -	\$ 2,738,491	\$ 14,685,093
Liabilities:				
Notes Payable	-	-	171,376,820	171,376,820
Derivative Liabilities	6,631,111	-	118,452	6,749,563
Senior Secured Convertible Credit Facility	-	-	132,005,663	132,005,663
Total Liabilities	\$ 6,631,111	\$ -	\$ 303,500,935	\$ 310,132,046

The following table summarizes the Company's assets and liabilities measured at fair value as of June 26, 2021:

	Fair Value Measurements at Reporting Date Using			Balance as of June 26, 2021
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Cash and Cash Equivalents	\$ 11,575,138	\$ -	\$ -	\$ 11,575,138
Accounts Receivable	916,715	-	-	916,715
Investments	-	-	3,036,791	3,036,791
Total Assets	\$ 12,491,853	\$ -	\$ 3,036,791	\$ 15,528,644
Liabilities:				
Notes Payable	-	-	180,015,328	180,015,328
Derivative Liabilities	524,035	-	6,411,485	6,935,520
Senior Secured Convertible Credit Facility	-	-	170,821,393	170,821,393
Total Liabilities	\$ 524,035	\$ -	\$ 357,248,206	\$ 357,772,241

There were no material transfers between levels and there was no significant activity within Level 3 instruments during the periods presented. The fair values of any financial instruments presented above exclude the impact of netting assets and liabilities when a legally enforceable master netting agreement exists.

26. SEGMENTED INFORMATION

The Company currently operates in one segment, the production and sale of cannabis products, which is how the Company's Chief Operating Decision Maker manages the business and makes operating decisions. The Company's cultivation operations are not considered significant to the overall operations of the Company. Intercompany sales and transactions are eliminated in consolidation.

27. REVENUE

While the Company operates in one segment as disclosed in "Note 26 – Segment Information", the Company is disaggregating its revenue by geographical region in accordance with ASC Topic 606, "Revenue from Contracts with Customers". Revenue by state for the periods presented are as follows:

	<u>2022</u>	<u>2021</u>
California	\$ 91,576,297	\$ 85,897,952
Nevada	15,346,702	15,406,022
Illinois	16,096,998	20,797,988
Arizona	15,943,974	10,145,380
Massachusetts	1,847,718	-
Revenue from Continuing Operations	\$ 140,811,689	\$ 132,247,342
Revenue from Discontinued Operations	29,026,128	26,354,950
Total Revenue	<u>\$ 169,837,817</u>	<u>\$ 158,602,292</u>

28. DISCONTINUED OPERATIONS

Florida

On February 28, 2022, MME Florida LLC and its parent, MM Enterprises USA, LLC, a wholly-owned subsidiary of the Company entered into an Asset Purchase Agreement (the "Agreement") with Green Sentry Holdings, LLC, ("Buyer") for the sale of substantially all of the Company's Florida-based assets, including its license, dispensaries, inventory and cultivation operations, and assumption of certain liabilities, for \$83,000,000. In connection with the sale transaction, the Company will license the tradename "MedMen" to Buyer for use in Florida for a period of two years, subject to termination rights. Consequently, assets and liabilities allocable to the operations within the state of Florida have been classified as a discontinued operation. All profit or loss relating to the Florida operations were eliminated from the Company's continuing operations and are shown as a single line item in the Consolidated Statements of Operations. Of the total sales price of \$83,000,000, the cash purchase price was to be used to repay a portion of the Senior Secured Term Loan Facility. On August 22, 2022, the Company announced the closing of the transaction at the final sales price of \$67,000,000, which comprised of \$63,000,000 in cash and \$4,000,000 in liabilities to be assumed by the Buyer.

New York

On February 25, 2021, the Company entered into a definitive investment agreement (the “Investment Agreement”) to sell a controlling interest in its wholly owned subsidiary, MedMen NY, Inc., of approximately 86.7% with the option to purchase the remaining equity of approximately 13.3% that the Company will retain in MedMen NY, Inc. following the sale for a total sales price of up to \$73,000,000. The aggregate sales price consisted of a cash purchase price of \$35,000,000, subject to adjustments and a senior secured promissory note of \$28,000,000 which shall be assigned to the holder of the Company’s term debt, Hankey Capital (“Hankey”) in partial satisfaction of the outstanding debt, and within five business days after the first sale by MedMen NY, Inc. of adult-use cannabis products at one or more of its retail store locations, additional shares of MedMen NY, Inc. would be purchased for \$10,000,000 in cash. The proceeds in cash would be used to repay a portion of term debt due by the Company. On January 3, 2022, the Company announced the termination of this Investment Agreement. On January 13, 2022, the buyer filed a lawsuit with the Supreme Court of the State of New York, New York County- Commercial Division, claiming the Investment Agreement was improperly terminated and seeking specific performance of the Investment Agreement.

As of June 26, 2021, the Company recorded a goodwill impairment loss in the amount of \$960,692 as a result of its assessment, of which is included as a component of impairment expense in the Consolidated Statements of Operations for Discontinued Operations.

As of June 25, 2022, the net proceeds from the sale of the Florida and New York operations will be used to repay the Company’s term loans. Accordingly, the total amount of interest expense and accretion of debt discounts allocated to discontinued operations was \$25,640,747, and \$25,228,736 for the years ended June 25, 2022 and June 26, 2021, respectively.

The operating results of the discontinued operations are summarized as follows:

	2022	2021
Revenue	\$ 29,026,128	\$ 26,354,950
Cost of Goods Sold	17,460,540	13,434,854
Gross Profit	11,565,588	12,920,096
Expenses:		
General and Administrative	25,324,726	24,837,579
Sales and Marketing	355,535	127,603
Depreciation and Amortization	3,692,660	6,631,761
Impairment Expense	139,647	960,692
Gain on Disposal of Assets and Other Income	(514,630)	(13,162,864)
Total Expenses	28,997,938	19,394,771
Loss from Operations	(17,432,350)	(6,474,675)
Other Expense:		
Interest Expense	16,644,249	16,228,348
Interest Income	-	(1,545)
Amortization of Debt Discount and Loan Origination Fees	8,996,498	9,000,388
Total Other Expense	25,640,747	25,227,191
Loss from Discontinued Operations Before Provision for Income Taxes	(43,073,097)	(31,701,866)
Provision for Income Tax Expense	(2,265,857)	(1,565,760)
Net Loss from Discontinued Operations	\$ (45,338,954)	\$ (33,267,626)

The carrying amounts of assets and liabilities in the disposal group are summarized as follows:

	<u>2022</u>	<u>2021</u>
Carrying Amounts of the Assets Included in Discontinued Operations:		
Cash and Cash Equivalents	\$ 1,124,076	\$ 1,200,004
Restricted Cash	5,280	5,280
Accounts Receivable and Prepaid Expenses	334,621	406,491
Inventory	6,866,833	8,977,868
TOTAL CURRENT ASSETS ⁽¹⁾		<u>10,589,643</u>
Property and Equipment, Net	41,273,597	43,453,570
Operating Lease Right-of-Use Assets	31,543,058	34,757,529
Intangible Assets, Net	40,799,146	42,523,888
Other Assets	1,181,795	1,287,212
TOTAL NON-CURRENT ASSETS ⁽¹⁾		<u>122,022,199</u>
TOTAL ASSETS OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	<u>\$ 123,128,406</u>	<u>\$ 132,611,842</u>
Carrying Amounts of the Liabilities Included in Discontinued Operations:		
Accounts Payable and Accrued Liabilities	\$ 6,295,745	\$ 14,955,999
Income Taxes Payable	1,671,380	1,697,245
Other Current Liabilities	89,069	191,172
Current Portion of Operating Lease Liabilities	4,209,512	3,488,132
Current Portion of Finance Lease Liabilities	174,000	825
TOTAL CURRENT LIABILITIES ⁽¹⁾		<u>20,333,373</u>
Operating Lease Liabilities, Net of Current Portion	56,410,071	58,460,999
Deferred Tax Liabilities	6,097,597	14,569,884
Notes Payable	11,100,000	11,100,000
TOTAL NON-CURRENT LIABILITIES ⁽¹⁾		<u>84,130,883</u>
TOTAL LIABILITIES OF THE DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	<u>\$ 86,047,374</u>	<u>\$ 104,464,256</u>

⁽¹⁾ The assets and liabilities of the disposal group classified as held for sale are classified as current on the Consolidated Balance Sheets as of June 25, 2022 because it is probable that the sale will occur and proceeds will be collected within one year.

29. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through September 8, 2022, which is the date these Consolidated Financial Statements were issued, and has concluded that the following subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the notes to the Consolidated Financial Statements.

On July 31, 2022, the Company vacated its corporate headquarters office in Culver City, California and is currently in transition to relocating to satellite offices located adjacent to the Company's retail stores. The Company anticipates completing its relocation during the fiscal first quarter of 2023.

On August 22, 2022, the Company announced the closing of the sale of its operations in the state of Florida at the final sales price of \$67,000,000, which comprised \$63,000,000 in cash and \$4,000,000 in liabilities to be assumed by the Buyer.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15-d-15(b) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of June 25, 2022, the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report.

The term “disclosure controls and procedures”, as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based upon that evaluation and the identification of the material weakness described herein, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective, at the reasonable assurance level, as of the end of the period covered by this report.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with U.S. generally accepted accounting principles (“GAAP”). Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect in reasonable detail the transactions and dispositions of the assets of our Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurances regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material adverse effect on our financial statements.

Management assessed its internal control over financial reporting as of June 25, 2022, the end of its fiscal year. Management based its assessment on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management’s assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on this assessment and the identification of the material weakness described below, management has concluded that its internal control over financial reporting was not effective as of June 25, 2022.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

For fiscal year 2022, management identified a material weakness determining that the Company's financial record keeping process is deficient and that it does not have effective controls over the period-end reconciliation process. The reconciliation process is not being performed in a manner that will detect and correct errors on a timely basis, including:

- general ledgers are not being reviewed regularly for assets that may not be recoverable or viable,
- review procedures for balance sheet account reconciliations and manual journal entries were not performed, and
- some accounts and balances are not being reconciled regularly, and/or account reconciliations that are being completed do not properly address or adjust reconciling items.

Remediation Plan to Address Material Weaknesses in Internal Control over Financial Reporting

Management plans to implement measures designed to improve its internal control over financial reporting to remediate material weaknesses described above, by standardizing the monthly reconciliation process for material accounts and balances with formalized procedures. Material non-standard journal entries recorded in the accounting system will be reviewed for the various applicable accounting assertions including recoverability and validity.

The material weakness in the Company's internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and management has concluded, that these controls are operating effectively. The Company is working to have the material weakness remediated as soon as possible. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls will be met, and no evaluation of controls can provide absolute assurance that all control deficiencies or material weaknesses have been or will be detected. There is no assurance that the remediation will be fully effective. If these remediation efforts do not prove effective and control deficiencies and material weaknesses persist or occur in the future, the accuracy and timing of the Company's financial reporting may be materially and adversely affected.

Despite the existence of these material weaknesses, the Company believes that the Consolidated Financial Statements included in the period covered by this Annual Report on Form 10-K fairly present, in all material respects, the financial condition, results of operations and cash flows for the periods presented in conformity with GAAP.

Attestation Report of the Registered Public Accounting Firm.

This annual report does not include an attestation report of the Company's registered public accounting firm due to the rules for emerging growth companies of the Securities and Exchange Commission for newly public companies.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the fiscal fourth quarter ended June 25, 2022 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following are our executive officers and directors.

Name	Position Held with Our Company	Age
Ed Record	Chief Executive Officer and Director	53
Ana Bowman	Chief Financial Officer	53
David Hsu	Director	43
Melvin Elias	Director	53
Cameron Smith	Director	56
Michael Serruya	Director	58

Business Experience

The following is a brief overview of the education and business experience of each of our directors and executive officers during at least the past five years, including their principal occupations or employment during the period, the name and principal business of the organization by which they were employed, and certain of their other directorships:

Ed Record was appointed Chief Executive Officer in April 2022 and has been a director of the Company since November 2021. Mr. Record previously served as Executive Vice President and Chief Financial Officer at Hudson's Bay Company from 2017 to January 2021. From 2014 until July 2017, he served as Executive Vice President and Chief Financial Officer of JC Penney. Prior to joining JC Penney, Mr. Record served in positions of increasing responsibility with Stage Stores, Inc. (apparel retailer), including Executive Vice President and Chief Operating Officer from 2010 to 2014, Chief Financial Officer from 2007 to 2010 and Executive Vice President and Chief Administrative Officer from May 2007 to September 2007. Mr. Record also served as Senior Vice President of Finance of Kohl's Corporation (department store retailer) from 2005 to 2007. Prior to that, he served with Belk, Inc. (department store retailer) as Senior Vice President of Finance and Controller from April 2005 to October 2005 and Senior Vice President and Controller from 2002 to 2005. Mr. Record received his Bachelor of Arts in Economics from Princeton University in 1990 and an MSIA from Carnegie Mellon University in 1995. Mr. Record's qualifications to serve on our Board include his operational and financial experience with retail companies.

Ana Bowman was appointed Chief Financial Officer in February 2022. Ms. Bowman was Vice President, Financial Reporting and FP&A at Tilray Brands, Inc., a global cannabis lifestyle and consumer packaged goods company, since April 2021, previously serving as Global Controller since April 2020. Prior to that, from September 2015 to April 2020, Ms. Bowman was Controller at Omeros Corporation, a biopharmaceutical company. Ms. Bowman received a BA in Business Administration, Accounting from the University of Washington.

Melvin Elias has been a director since February 2020. Mr. Elias is an active investor, entrepreneur and developer in Los Angeles. He has past and present board experience in CPG and consumer facing businesses both in the US and internationally. Since October 2019, Mr. Elias has been actively involved with DivergentIP, LLC, a start-up he recently co-founded, which will be launching a coffee capsule system in the U.S., and is currently an advisor to various venture funds and businesses. He was President and CEO of The Coffee Bean & Tea Leaf for six years, until it was sold to private equity in 2013 where he was responsible for almost 1,000 stores and a global omni-channel business in excess of \$500 million in systemwide sales. He remained on the board of The Coffee Bean & Tea Leaf with additional advisory duties until the company was recently sold again in September 2019. Prior to his career in coffee retail, Mr. Elias was the Managing Director of the Tower Records Franchise in Malaysia and practiced law in Singapore for two years. Mr. Elias graduated from the London School of Economics and served in the Singapore Military for two and a half years. Mr. Elias's qualifications to serve on our Board includes leadership and transactional experience, as well as special expertise with respect to large retail business and operations.

David Hsu has been a director since November 2021. Mr. Hsu has served on the Board of Directors of Urban-Gro, Inc., where he is a member of the Audit and Compensation committees, since June 2021. Mr. Hsu completed a Certification in Financing and Deploying Clean Energy from Yale University in 2021. Prior to that, Mr. Hsu served as the Chief Operating Officer of The Cronos Group, a leading global cannabinoid company (“**Cronos**”), from 2016 to 2019. While at Cronos, Mr. Hsu’s primary duties included overseeing all of Cronos’s operations including construction, cultivation, and manufacturing. Prior to joining Cronos, from 2006 to 2016, Mr. Hsu served in various roles with CRG Partners (“**CRG**”), and later Deloitte upon Deloitte’s acquisition of CRG in 2012, including as Vice President, where he operated and managed distressed companies with revenues of more than \$500.0 million. Mr. Hsu received his Bachelor of Science in Business Management from Babson College in 2003 and holds a Certification in Artificial Intelligence: Business Strategies and Applications from the University of California Berkley, which he received in 2020. Mr. Hsu’s qualifications to serve on our Board includes his prior business and management experience, as well as experience in the cannabis industry.

Cameron Smith has been a director since February 2020. Since July 2017, Mr. Smith has operated a private angel investment and advisory fund that focuses on better-for-you foods. Prior to his investment and advisory business, since October 2007, Mr. Smith was the President of Quantlab Financial, a Houston based quantitative trading company that trades globally in multiple asset classes. Mr. Smith came to Quantlab after working for various electronic markets that pioneered the introduction of fair, open, transparent stock exchanges in the United States, Europe and Canada. Mr. Smith began his career at the United States Securities and Exchange Commission and was the General Counsel for Island ECN, Inc. Mr. Smith’s qualifications to serve on our Board includes experience engaging with regulators, government and the media as an executive at various high-profile companies in the heavily regulated securities industry.

Michael Serruya was appointed to the Board in August 2021. Mr. Serruya currently serves as Managing Director of Serruya Private Equity Inc. Previously, Mr. Serruya co-founded (and remains an owner of) Yogen Früz Worldwide Inc., and co-founded CoolBrands International Inc. where from 1994 to 2000 he served as Chairman and Chief Executive Officer. CoolBrands was a leading consumer packaged goods company focused on frozen desserts, which included such brands as Weight Watchers, Eskimo Pie, Tropicana and Godiva Ice Cream. From 2013 to 2016, Mr. Serruya was Chairman and Chief Executive Officer of Kahala Brands, a multinational franchisor with over 1,400 stores globally. Kahala Brands owned Cold Stone Creamery, Taco Time and Blimpie Subs. From 2018 to 2021, Mr. Serruya was Chairman of Global Franchise Group, a multinational franchisor with over 700 stores globally. Global Franchise Group owned Round Table Pizza Royalty, Marble Slab Creamery, Hot Dog on a Stick, Pretzelmaker and MaggieMoo’s Ice Cream and Treatery. Mr. Serruya’s qualifications to serve on our Board includes his business experience in the consumer and retail industry. Michael Serruya was appointed to the Board in connection with a Board Nomination Rights Agreement with S5 Holdings LLC (“**S5 Holdings**”) pursuant to which so long as S5 Holdings’ and its affiliates’ diluted ownership percentage of MedMen (including the proportionate equity ownership of securities held by a newly formed partnership (the “**SPV**”) established by Tilray, Inc. and other strategic investors) is at least 9%, S5 Holdings will be entitled to designate one individual to be nominated to serve as a director of the Company. Mr. Serruya controls S5 Holdings.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Board Leadership Structure

Our board of directors does not have a policy on whether or not the role of the Chief Executive Officer and Chairman should be separate or, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee. Currently, we operate with Mr. Record serving as our Chief Executive Officer and Mr. Serruya serving as Chairman. We currently believe that Mr. Record and Mr. Serruya serving in their respective capacities best serve the Company and suits the talents, expertise and experience that they each bring to the Company.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our board of directors.

Audit Committee

We have established an audit committee consisting of Mel Elias, David Hsu and Michael Serruya. In addition, our Board has determined that Mel Elias, Chairman of the audit committee, is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act. The audit committee's duties, which are specified in our Audit Committee Charter, include, but are not limited to:

- assist the Board in the discharge of its duties relating to the Company's financial reporting, including the audits of the Company's financial statements and the integrity of the Company's financial statements and internal controls;
- establish and maintain a direct line of communication with the Company's external auditor and assess their performance and independence;
- oversee the work of the external auditor engaged to prepare or issue an auditor's report or to prepare other audit, review or attest services for the Company, including resolution of disagreements between management and the external auditor regarding financial reporting;
- ensure that management has designed, implemented and is maintaining an effective system of internal controls and disclosure controls and procedures;
- monitor the credibility and objectivity of the Company's financial reports;
- report regularly to the Board on the fulfillment of the Committee's duties, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the external auditor or the internal audit function;
- assist, with the assistance of the Company's legal counsel, the Board in discharging its duties relating to the Corporation's compliance with legal and regulatory requirements; and
- assist the Board in discharging its duties relating to risk assessment and risk management.

Compensation Committee

Our compensation committee currently consists of Cameron Smith, who is the chair of the committee, David Hsu, and Michael Serruya, each of whom, except for Mr. Serruya, are independent in accordance with the standards of Nasdaq. Each member of our compensation committee, except for Mr. Serruya, is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The functions of the compensation committee include:

- reviewing and, if deemed appropriate, recommending to our board of directors, policies, practices and procedures relating to the compensation of our directors, officers and other managerial employees and the establishment and administration of our employee benefit plans;
- determining or recommending to the board of directors the compensation of our executive officers; and
- advising and consulting with our officers regarding managerial personnel and development.

Our compensation committee operates under a written charter adopted by our board of directors, a current copy of which is available on our website at <https://investors.medmen.com/governance/governance-documents>.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee currently consists of Michael Serruya, who is the chair of the committee, and Ed Record. The corporate governance and nominating committee has adopted a committee charter, which details the principal functions of the committee, including:

- developing and recommending to the Board a set of corporate governance guidelines, policies and procedures, and annually assessing the Company's corporate governance guidelines, policies and procedures, as well as the charter for the Board committees;
- making recommendations regarding the size and composition of the Board with a view to maintaining the composition of the Board in a way which provides the best mix of skills, experience, age, gender and diversity to guide the long-term strategy and ongoing business operations of the Company;
- establishing and recommending to the Board, qualification criteria for the selection of directors to serve on the Board and annually reviewing the appropriate experience, skills and characteristics required of each existing and new director of the Company;
- approving an appropriate orientation and education program for directors and overseeing the training and orientation of directors, and evaluating the performance and effectiveness of the Board, the Chair, and each committee; and
- reviewing and recommending to the Board, succession planning programs for Senior Executives and contingency preparedness.

In recommending nominations to the Board, the Nominating Committee is to (i) consider whether the candidate's competencies, skills and personal qualities are aligned with the Company's needs and any criteria for selecting new directors established by the Nominating Committee; (ii) consider the commitment of time and resources that the candidate is able to devote to the Company as a member of the Board in light of what the Company expects from the candidate; (iii) consider the recommendations of the Chair of the Board, if any; and (iv) ensure that the candidate understands the demands and expectations of being a director of the Company.

Code of Ethics

MedMen Enterprises Inc. and its subsidiaries, including MM Enterprises USA, LLC have adopted the Code of Business Conduct and Ethics (the "**Code**") to assist all directors, officers, employees (whether temporary, fixed-term or permanent), consultants and contractors (collectively, the "**MedMen Representatives**") of the Company and its subsidiaries to maintain the highest standards of ethical conduct in corporate affairs. Our Code also includes codes of ethics for our chief executive and principal financial officers and any persons performing similar functions.

The purpose of this Code is to encourage among MedMen Representatives a culture of honesty, accountability and fair business practice. We believe our Code is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the Code. Each MedMen Representative must adhere to this Code and cooperate fully in any investigations initiated by MedMen under this Code or by securities regulators or other competent legal authorities.

The Code is not intended to limit, prevent, impede or interfere in any way with any MedMen Representatives' right, without prior notice to the Company, to provide information to the government, participate in investigations, testify in proceedings regarding the Company's past or future conduct, or engage in any activities protected under whistleblower statutes.

Further information on the Company's Code can be found on the investor relations portal on our website at <https://investors.medmen.com/governance/governance-documents>. Any waivers of the application, and any amendments to, our code of ethics must be made by our board of directors. Any waivers of, and any amendments to, our code of ethics will be disclosed promptly on our Internet website.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors, executive officers, and the persons who beneficially own more than ten percent of our Class B Subordinate Voting Shares, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of all filed reports are required to be furnished to us. Based solely on the reports received by us and on the representations of the reporting persons, we believe that our directors and executive officers complied with all applicable filing requirements during the fiscal year ended June 25, 2022, except for the following: (i) Edward J. Record and David Hsu each did not timely file a Form 3 and each have not timely file one Form 4 reporting one transaction; (ii) Michael Serruya and MOS Holdings Inc. did not timely file a Form 4 reporting one transaction; (iii) Melvin Elias and Cameron Smith each did not timely file two late Form 4s reporting two transactions and each has not timely filed a Form 4 reporting one transaction; (iv) former Chief Executive Officer and director Thomas Lynch, former Chief Operating Officer Tim Bossidy, and former Chief Revenue Officer Tracy McCourt each filed one late Form 4 reporting three transactions; (v) former Chief Information Officer Michael Lane did not timely file one late Form 4 reporting two transactions; (vi) former Chief Financial Officer Reece Fulgham filed one late Form 4 reporting two transactions; (vii) former Chief Strategy Officer Tyson Rossi did not timely file a Form 3; (viii) former director Albert Harrington filed one late Form 4 reporting one transaction; (ix) former director Errol Schweizer filed one late Form 4 reporting one transaction and has not timely filed one Form 4 reporting one transaction; and (ix) former director Nicole Christoff filed one late Form 4 reporting one transaction.

Further, based solely on the reports received by us and on the representations of the reporting persons, we believe each greater than ten percent holder complied with all applicable filing requirements during the fiscal year ended June 25, 2022, except for the following: (i) Tilray, Inc. did not timely file a Form 3; (ii) Superhero Acquisition L.P. and Superhero Acquisition Corp. each filed one late Form 4 reporting one transaction; and (iii) Pura Vida Investments, LLC did not timely file a Form 3 and filed four late Form 4s reporting transactions relating to certain senior secured convertible notes and warrants under the Company's Convertible Facility.

ITEM 11. EXECUTIVE COMPENSATION

Overview of Executive Compensation

The Board is authorized to review and approve annually all compensation decisions relating to the executive officers of the Company. In accordance with reduced disclosure rules applicable to emerging growth companies as set forth in Item 402 of Regulation S-K, this section explains how the Company's compensation program is structured for its Chief Executive Officer and the other executive officers named in the Summary Compensation Table (the "named executive officers").

Compensation Governance

The Board has not adopted any formal policies or procedures to determine the compensation of the Company's directors or executive officers. The compensation of the directors and executive officers is determined by the Board, based on the recommendations of the Compensation Committee. Recommendations of the Compensation Committee are made giving consideration to the objectives discussed below and, if applicable, considering applicable industry data.

The Compensation Committee currently consists of four directors: David Hsu, Mel Elias, Michael Serruya and Cameron Smith (Chairman), all of whom have direct and indirect experience relevant to their roles as members of the Compensation Committee. For details regarding the experience of the members of the Compensation Committee, see "*Director and Executive Officers.*"

The role and responsibility of the Compensation Committee is to assist the Board in fulfilling its responsibilities for establishing compensation philosophy and guidelines. Additionally, the Compensation Committee has responsibility for fixing compensation levels for the directors and executive officers and for entering into employment, severance protection, change in control and related agreements and plans for the CEO and other executive officers, provided that any individual agreement with the CEO is subject to Board approval. In addition, the Compensation Committee is charged with reviewing the Stock and Incentive Plan (as hereinafter defined) and proposing changes thereto, approving any awards of options under the Stock and Incentive Plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to the directors and executive officers. The Compensation Committee is also responsible for reviewing, approving and reporting to the Board annually (or more frequently as required) on the Company's succession plans for its executive officers.

The Compensation Committee endeavors to ensure that the philosophy and operation of the Company's compensation program reinforces its culture and values, creates a balance between risk and reward, attracts, motivates and retains executive officers over the long-term and aligns their interests with those of the Company's shareholders. In addition, the Compensation Committee is to review the Company's annual disclosure regarding executive compensation for inclusion where appropriate in the Company's disclosure documents.

Elements of Compensation

Base Salary

Base salary is the fixed portion of each executive officer's total compensation. It is designed to provide income certainty. In determining the base level of compensation for the executive officers, weight is placed on the following factors: the particular responsibilities related to the position, salaries or fees paid by companies of similar size in the industry, level of experience of the executive and overall performance and the time which the executive officer is required to devote to the Company in fulfilling his or her responsibilities.

Short-Term Incentive Awards

A cash incentive payment or bonus is a short-term incentive that is intended to reward each executive officer for his or her individual contribution and performance of personal objectives in the context of overall corporate performance. Cash bonuses are designed to motivate executive officers to achieve personal business objectives and to be accountable for their relative contribution to the Company's performance, as well as to attract and retain executives. In determining compensation and, in particular, bonuses, the Compensation Committee and the Board consider factors over which the executive officer can exercise control, such as their role in identifying and completing acquisitions and integrating such acquisitions into the Company's business, meeting any budget targets established by controlling costs, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Company.

Long-Term Equity Incentive Awards

Long-term incentives are intended to align the interests of the Company’s directors and executive officers with those of the shareholders and to provide a long-term incentive that rewards these parties for their contribution to the creation of shareholder value. In establishing the number of, Long-Term Incentive Plan Units, (“LTIP”), nonqualified stock options (“NQSOs”), incentive stock options (“ISOs”) (collectively, “Options”) and restricted stock units (“RSU Awards”) to be granted, reference is made to the recommendations made by the Compensation Committee as well as, from time to time, the number of similar awards granted to officers and directors of other publicly-traded companies of similar size in the same business as the Company. The Compensation Committee and the Board also consider previous grants of Options or RSU Awards and the overall number of Options or RSU Awards that are outstanding relative to the number of outstanding securities in determining whether to make any new grants of Options or RSU Awards and the size and terms of any such grants. With respect to executive officers, the Compensation Committee and the Board also consider the level of effort, time, responsibility, ability, experience and level of commitment of the executive officer in determining the level of long-term equity incentive awards. With respect to directors, the Compensation Committee and the Board also consider committee assignments and committee chair responsibilities, as well as the overall time requirements of the Board members in determining the level of long-term equity incentive awards.

Summary Compensation Table

The following table sets forth all compensation paid to or earned by the named executive officers of the Company during the fiscal years ended June 25, 2022 and June 26, 2021.

Summary Compensation Table								
Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽¹⁾	Non-Equity	All Other	Total (\$)
						Incentive Plan Compensation (\$)	Compensation (\$) ⁽¹⁰⁾	
Edward Record ⁽²⁾ Chief Executive Officer	2022	\$ 64,000	\$ -	\$ -	\$ -	\$ -	\$ 62,751	\$ 126,751
Michael Serruya ⁽³⁾ Former Chief Executive Officer	2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,098	\$ 39,098
Tom Lynch ⁽⁴⁾ Former Chief Executive Officer	2022	\$ -	\$ -	\$ 238,831	\$ 59,928	\$ -	\$ -	\$ 298,759
	2021	\$ -	\$ -	\$ 635,553	\$ 16,607	\$ -	\$ -	\$ 652,160
Ana Bowman ⁽⁵⁾ Chief Financial Officer	2022	\$ 88,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,846
Reece Fulgham ⁽⁶⁾ Former Chief Financial Officer	2022	\$ -	\$ -	\$ 127,595	\$ 32,017	\$ -	\$ -	\$ 159,611
Roz Lipsey ⁽⁷⁾ Former Chief Operating Officer	2022	\$ 253,191	\$ -	\$ 143,778	\$ 36,077	\$ -	\$ -	\$ 433,047
Tim Bossidy ⁽⁸⁾ Former Chief Operating Officer	2022	\$ 145,719	\$ -	\$ 238,831	\$ 59,928	\$ -	\$ -	\$ 444,478
	2021	\$ -	\$ -	\$ 635,553	\$ 16,607	\$ -	\$ -	\$ 652,160
Tracy McCourt ⁽⁹⁾ Former Chief Revenue Officer	2022	\$ 231,767	\$ -	\$ 134,138	\$ 33,659	\$ -	\$ -	\$ 399,563
	2021	\$ 299,000	\$ -	\$ -	\$ 40,854	\$ -	\$ -	\$ 339,854

(1) The amounts disclosed above reflect the full grant date fair values in accordance with FASB ASC Topic 718. See “Note 19 – Share-Based Compensation” to our Consolidated Financial Statements for the fiscal year ended June 25, 2022.

(2) Mr. Record was appointed Chief Executive Officer in April 2022 and has been a director of the Company since November 2021.

(3) Mr. Serruya was appointed interim Chief Executive Officer in November 2021 through April 2022 upon the appointment of Mr. Record to Chief Executive Officer. Mr. Serruya, who has been a director of the Company since August 2021, continues to serve as Chairman of the Board of Directors. Mr. Serruya serves as Managing Director of Serruya Private Equity Inc.

- (4) Mr. Lynch was appointed interim Chief Executive Officer in March 2020, appointed permanent Chief Executive Officer in July 2021 and resigned in November 2021. Mr. Lynch is a Partner and Senior Managing Director at SierraConstellation Partners LLC (“SCP”), which in March 2020 was retained to support the Company in the development and execution of its turnaround and restructuring plan. The agreement between the Company and SCP was terminated on November 21, 2021. For a description of the terms of the Management Services Agreement as well as the Retention Agreement with SCP and the Separation Agreement with Mr. Lynch, see below under “*Employment and Severance Agreements*” and “*Item 13 – Certain Relationships and Related Transactions.*” During the fiscal year ended June 25, 2022, Mr. Lynch was granted options to purchase 214,030 Subordinate Voting Shares with an exercise price of \$0.28 per share and an aggregate of 850,036 RSUs.
- (5) Ana Bowman was appointed Chief Financial Officer in February 2022.
- (6) Mr. Fulgham was appointed Chief Financial Officer in December 2020. On February 18, 2022, Mr. Fulgham notified the Company of his resignation effective February 22, 2022. Mr. Fulgham is a Managing Director at SCP, which in March 2020 was retained to support the Company in the development and execution of its turnaround and restructuring plan. The agreement between the Company and SCP was terminated on November 21, 2021. For a description of the terms of the Management Services Agreement, see “*Item 13 – Certain Relationships and Related Transactions.*” During the fiscal year ended June 25, 2022, Mr. Fulgham was granted options to purchase 114,345 Subordinate Voting Shares with an exercise price of \$0.28 and an aggregate 454,129 RSUs.
- (7) Mr. Lipsey was appointed Chief Operating Officer in October 2021 and had been employed by the Company since January 2019. On April 27, 2022, Mr. Lipsey notified the Company of his resignation effective May 20, 2022.
- (8) Mr. Bossidy was appointed Chief Operating Officer in March 2020. On October 8, 2022, Mr. Bossidy notified the Company of his resignation effective October 15, 2021. Mr. Bossidy is Senior Director at SCP, which in March 2020 was retained to support the Company in the development and execution of its turnaround and restructuring plan. The agreement between the Company and SCP was terminated on November 21, 2021. For a description of the terms of the Management Services Agreement, see below under “*Employment and Severance Agreements*” and “*Item 13 – Certain Relationships and Related Transactions.*” During the fiscal year ended June 25, 2022, Mr. Bossidy was granted options to purchase 214,030 Subordinate Voting Shares with an exercise price of \$0.28 per share and an aggregate of 1,696,135 RSUs.
- (9) Ms. McCourt was appointed Chief Revenue Officer in December 2020. On February 8, 2022, Ms. McCourt notified the Company of her resignation effective March 4, 2022. During the fiscal year ended June 25, 2022, Ms. McCourt was granted options to purchase 120,209 Subordinate Voting Shares with an exercise price of \$0.28 per share and an aggregate of 477,417 RSUs.
- (10) The amounts disclosed above reflect compensation earned as a director of the Company.

Employment and Severance Agreements

Edward Record

As compensation for Mr. Record’s services, he receives an annual salary of \$416,000. He is also eligible to receive up to \$8,000 in Subordinate Voting Shares of the Company in compensation for each week he is employed as Chief Executive Officer during the prior fiscal year, to be granted at the end of each fiscal year, pursuant to the Company’s 2018 Stock and Incentive Plan, at the discretion of the Board as a bonus based on an annual review of performance, and \$12,000 in options to acquire Subordinate Voting Shares for each week he is employed as Chief Executive Officer, to be granted at the end beginning of each fiscal quarter, vesting within 30 days of each fiscal quarter end based upon the Company achieving performance metrics that are aligned with the interests of shareholders which metrics are to be mutually agreed upon between Mr. Record and the Board. The number of Subordinate Voting Shares issued or granted by the Board will be based on the trailing 10-day volume weighted average price of the Subordinate Voting Shares trading on the Canadian Securities Exchange (“CSE”) or any National Securities Exchange prior to the date of grant. Options will expire five years from the date of grant.

Ana Bowman

As compensation for Ms. Bowman’s services, she receives an annual salary of \$275,001 and will participate in the Company’s Employee Bonus Program which, unless otherwise determined by the Compensation Committee of the Board, in its sole discretion, any performance bonuses granted under the Program will be comprised of 80% restricted stock units and 20% in options to acquire Subordinate Voting Shares (herein referred to as the “Awards”) granted pursuant to the Company’s 2018 Stock and Incentive Plan. The value of the Awards granted under the Program will equal up to 100% of Ms. Bowman’s applicable salary and may be subject to change only upon approval by the Committee in its sole discretion. Additionally, in the event a change of control of the Company any unvested stock Awards outstanding on the date of the change of control will immediately vest. Furthermore, if during the 12-month period commencing on the date of the change of control, the Company terminates Ms. Bowman without cause or Ms. Bowman initiates a termination of employment by resigning for good reason (reduction in compensation or material change in duties and responsibilities), Ms. Bowman will receive six months of her base salary at the time of employment termination.

On July 12, 2021, in connection with Mr. Lynch’s appointment as former Chief Executive Officer (“**Former CEO**”), the Company and SCP entered into a Transaction and Retention Bonus Agreement (the “**Retention Agreement**”). Previously, in March 2020, the Company retained SCP, an interim management and advisory firm, to support the Company in the development and execution of its turnaround and restructuring plan and Mr. Lynch to serve as the Company’s interim Chief Executive Officer. Mr. Lynch is a Partner and Senior Managing Director at SCP. For fees paid to SCP, of which Mr. Lynch, the Company’s Chief Executive Officer, is a Partner and Senior Managing Director, see “*Item 13 – Certain Relationships and Related Transactions.*”

Pursuant to the Retention Agreement, the Company paid SCP, in connection with the Former CEO’s continued service, a bonus award in the aggregate amount of \$750,000 (the “**Bonus Award**”), \$500,000 of which would become payable upon the consummation of a company sale, recapitalization or restructuring transaction that occurred prior to June 1, 2022 (the “**Transaction Bonus**”), and \$250,000 of which became payable on June 1, 2022, each subject to the CEO’s continued service (the “**Retention Bonus**”). The Retention Bonus was payable regardless of the consummation of a Transaction prior to June 1, 2022 and was paid to SCP by the Company. Since no qualifying transaction was consummated prior to June 1, 2022, the Company did not pay any amount under the Transaction Bonus, which was forfeited.

On November 21, 2021, the Company provided notice to SCP of its termination of the Retention Agreement. As a result of the termination of the Retention Agreement, the Board also terminated Mr. Lynch as CEO of the Company.

Separation Agreement

On November 21, 2021, in connection with the termination of the Retention Agreement and the resignation of Tom Lynch as Chief Executive Officer, the Company and Mr. Lynch entered into a Mutual Release and Separate Agreement (the “**Separation Agreement**”). Pursuant to the Separation Agreement, the Company agreed that 124,868 stock options with an exercise price of C\$0.22 per share and 214,030 non-qualified stock options with an exercise price of C\$0.355 per share would continue to remain exercisable for a period of six months from the date of the Separation Agreement. Furthermore, 477,351 unvested RSUs vested immediately and the remaining unvested 1,439,521 RSUs were immediately terminated and forfeited pursuant to the terms of the 2018 Stock and Incentive Plan and applicable award agreements.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information with respect to option awards held by the named executive officers as of June 25, 2022.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$) ⁽¹⁾	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾
Edward Record	-	-	\$ -	-	-	\$ -
Tom Lynch ⁽⁵⁾	-	-	\$ -	-	-	\$ -
Ana Bowman ⁽⁵⁾	-	-	\$ -	-	-	\$ -
Reece Fulgham ⁽⁵⁾	-	-	\$ -	-	-	\$ -
Tim Bossidy ⁽⁵⁾	-	-	\$ -	-	-	\$ -
Roz Lipsey ⁽⁵⁾	8,541 ⁽²⁾	1,459	\$ 2.64	01/25/2029	-	\$ -
	247,185 ⁽³⁾	-	\$ 0.13	09/09/2030	-	\$ -
	128,848 ⁽⁴⁾	-	\$ 0.22	08/29/2031	-	\$ -
Tracy McCourt ⁽⁵⁾	-	-	\$ -	-	-	\$ -

(1) Market value of stock awards is based on the closing price per share on June 24, 2022 on the CSE and assumes CAD/USD exchange rate of \$0.773216.

(2) Options were granted on January 25, 2019 and vest 25% on the one-year anniversary of the grant date and 1/48 per month thereafter.

(3) Options were granted on September 9, 2020 and vest 25% on the one-year anniversary of the grant date and 1/48 per month thereafter.

(4) Options were granted on August 29, 2021 and vest 25% on the one-year anniversary of the grant date and 1/48 per month thereafter.

(5) No longer an executive officer of the Company as of June 25, 2022.

Director Compensation

The Company's non-employee directors each receive an annual fee, which is paid on a quarterly basis, of \$250,000, of which one-third is paid in cash and two-thirds is paid in Subordinate Voting Shares. The number of shares is based upon the higher of the closing share price on the CSE on either of the two days prior to each individual non-employee director's appointment to the Board. In addition, the Chairperson of the Audit Committee receives an additional \$50,000 annually, which is paid on a quarterly basis, in the form of Subordinate Voting Shares, the number of which is based on the closing price of the Subordinate Voting Shares on the CSE as of the last trading day of the fiscal quarter. The annual fee for non-employee directors is reviewed annually. Directors are also reimbursed for Company-related out-of-pocket expenses, including travel expenses. The following table sets forth all compensation paid to or earned by each non-employee director of the Company during fiscal year 2022.

Role	Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾⁽²⁾	Total (\$)
Director	Michael Serruya	39,098	-	39,098
Director	Cameron Smith	63,133	87,516	150,649
Director	David Hsu	24,780	56,658	81,438
Chair of Audit Committee	Melvin Elias	62,500	98,085	160,585
Director	Edward Record	6,093	56,658	62,751
Director	Tom Lynch ⁽³⁾	-	-	-
Director	Nicole Christoff ⁽⁴⁾	38,630	104,134	142,764
Director	Al Harrington ⁽⁵⁾	38,015	104,134	142,149
Director	Errol Schweizer ⁽⁶⁾	57,711	109,920	167,632

(1) The amounts disclosed above reflect the full grant date fair values in accordance with FASB ASC Topic 718. See "Note 19 – Share Based Compensation" to our Consolidated Financial Statements for the year ended June 25, 2022. For each director, the number of shares issued was determined by dividing the issue date value of the award by the closing price of the Subordinate Voting Shares on the date of issuance.

(2) During fiscal year ended June 25, 2022, the directors received the following Subordinate Voting Shares as part of their compensation:

Name	Subordinate Voting Shares (#)
Mr. Serruya	-
Mr. Smith	286,948
Mr. Hsu	158,373
Mr. Elias	321,599
Mr. Record	158,373
Mr. Lynch	-
Mr. Harrington	118,343
Ms. Christoff	118,343
Mr. Schweizer	249,527

(3) Mr. Lynch resigned as a director on November 21, 2021.

(4) Ms. Christoff resigned as a director on November 5, 2021.

(5) Mr. Harrington resigned as a director on November 5, 2021.

(6) Mr. Schweizer resigned as a director on January 28, 2022.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information with respect to the beneficial ownership of our Subordinate Voting Shares for:

- Each of our directors.
- Each of our named executive officers.
- All of our directors and executive officers as a group.
- Each person who we know beneficially owns more than five percent of our Subordinate Voting Shares.

Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o MedMen Enterprises Inc., 10115 Jefferson Boulevard, Culver City, California, 90232.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of Subordinate Voting Shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 1,301,683,764 Subordinate Voting Shares outstanding at August 31, 2022. There are no Class A Super Voting Shares outstanding. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares subject to options, warrants, units, Redeemable Units, LTIP Units and MedMen Corp. Redeemable Shares held by that person that are currently exercisable or exercisable within 60 days of August 31, 2022. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than one percent is denoted with an “*”.

Name of Beneficial Owner	Option Shares	RSU Shares	Outstanding Shares	Subordinate Voting Shares underlying Facility Notes*	Subordinate Voting Shares underlying Warrants	Shares Beneficially Owned Subordinate Voting Shares	
						Total Shares	%
Named Executive Officers and Directors							
Edward Record	-	-	158,373	-	-	158,373	*
Ana Bowman	-	-	-	-	-	-	-
Michael Serruya ⁽¹⁾⁽²⁾	-	-	17,273,371	893,337,210	144,490,837	1,055,101,418	44.8%
Cameron Smith	-	-	1,039,169	-	-	1,039,169	*
David Hsu	-	-	158,373	-	-	158,373	*
Melvin Elias	-	-	1,094,245	-	-	1,094,245	*
All executive officers and directors as a group (6 persons)						1,057,551,578	43.8%
5% Security Holders							
Superhero Acquisition Corp. ⁽²⁾	-	-	-	893,337,210	140,172,495	1,033,509,704	43.8%
Tilray, Inc. ⁽²⁾	-	-	-	893,337,210	140,172,495	1,033,509,704	43.8%
MOS Holdings Inc. ⁽²⁾	-	-	-	893,337,210	140,172,495	1,033,509,704	43.8%
Gotham Green Partners, LLC ⁽³⁾	-	-	-	252,658,143	52,871,453	305,529,596	19.1%
Parallax Master Fund, LP ⁽⁴⁾	-	-	31,250,000	10,402,101	42,803,770	84,455,871	6.3%

(1) Includes the following securities held directly by Superhero Acquisition L.P. (“**Superhero LP**”): (a) 893,337,210 Subordinate Voting Shares issuable upon conversion of the outstanding principal and accrued interest of Facility Notes as of August 31, 2022, and (b) 140,172,494 Subordinate Voting Shares issuable upon exercise of warrants. Superhero Acquisition Corp. (“**Superhero GP**”) is the general partner of Superhero LP. See footnote (3) below for a further description of Superhero LP and Superhero GP. Also includes the following securities held directly by S5 Holdings Limited Liability Company (“**S5 Holdings**”), which is controlled by Michael Serruya: (a) 17,273,371 Subordinate Voting Shares, and (b) 4,318,343 Subordinate Voting Shares issuable upon exercise of warrants. Excludes 781,250 Subordinate Voting Shares held in trust by S5 Holdings, over which it does not have voting or investment power. Mr. Serruya for purposes of Rule 13d-3 under the Exchange Act may be deemed the beneficial owner with respect to the securities held directly record by Superhero LP and S5 Holdings. Michael Serruya has sole voting and investment power with respect to securities directly held by S5 Holdings and shared voting and investment power with respect to securities held directly by Superhero LP. Mr. Serruya disclaims beneficial ownership over the securities held directly by Superhero LP, except with respect to such securities that represent the proportionate interest held by S5 Holdings in Superhero LP. The address for Michael Serruya is 210 Shields Court, Markham, Ontario L3R 8V2 Canada.

- (2) Consists of 893,337,210 Subordinate Voting Shares issuable upon conversion of the outstanding principal and accrued interest of Facility Notes as of August 31, 2022, and 140,172,494 Subordinate Voting Shares issuable upon exercise of warrants held directly by Superhero LP, of which Superhero GP is the general partner. Tilray, Brands Inc., a public company with Class 2 common stock listed on the Nasdaq Global Select Market, owns approximately two-thirds of the outstanding equity interests in Superhero GP. MOS, which is solely owned by Michael Serruya, holds approximately one-third of the outstanding equity interests in Superhero GP. Accordingly, for purposes of Rule 13d-3 under the Exchange Act, Tilray and MOS may be deemed the beneficial owners with respect to the securities held of record by Superhero LP and have shared voting and investment power with respect to such securities. The address of MOS is 210 Shields Court, Markham, Ontario L3R 8V2 Canada. The address of Tilray Brands, Inc. is 265 Talbot Street West, Leamington, Ontario N8H 4H3.
- (3) Based on information provided in a Schedule 13G/A filed on August 27, 2021. Consists of securities held by the following entities:

Entity	Subordinate Voting Shares underlying Facility Notes*	Subordinate Voting Shares underlying Warrants
Gotham Green Fund I HoldCo, LLC	5,075,521	1,543,099
Gotham Green Fund I(Q) HoldCo, LLC	20,305,256	6,173,364
Gotham Green Fund II HoldCo, LLC	11,193,403	1,081,183
Gotham Green Fund II(Q) HoldCo, LLC	65,149,544	6,292,857
Gotham Green Partners SPV IV Hold Co, LLC	116,692,043	4,015,044
Gotham Green Partners SPV VI HoldCo, LLC	34,242,377	37,672,740

* Includes outstanding principal and accrued interest of such convertible notes as of August 31, 2022.

Gotham Green Partners LLC is the SEC registered investment adviser to the funds referenced below. Gotham Green GP 1 LLC is the manager of Gotham Green Fund 1 HoldCo, LLC and Gotham Green Fund 1(Q) HoldCo, LLC, and also the general partner of Gotham Green Fund 1, L.P. and Gotham Green Fund 1(Q), L.P. Gotham Green GP II, LLC is the manager of Gotham Green Fund II HoldCo, LLC and Gotham Green Fund II(Q) HoldCo, LLC, and also the general partner of Gotham Green Fund II, L.P. and Gotham Green Fund II(Q), L.P. Gotham Green Partners SPV IV GP, LLC is the manager of Gotham Green Partners SPV IV HoldCo, LLC, and also the general partner of Gotham Green Partners SPV IV, L.P. Gotham Green Partners SPV VI GP, LLC is the manager of Gotham Green Partners SPV VI HoldCo, LLC and the general partner of Gotham Green Partners SPV VI, L.P. Jason Adler is the managing member of each manager of each HoldCo and Gotham Green Partners, LLC. Each HoldCo also has an independent committee that has exclusive control over operational and governance decisions of the Company, to the extent applicable, that each HoldCo may be able to influence as a result of its holding of MedMen securities. Gotham Green Partners, LLC disclaims beneficial ownership, as defined in Rule 13d-3 under the Securities Act, of any of such securities. The address of Gotham Green Partners, LLC is 1437 4th Street, Santa Monica, CA 90401.

- (4) Consists of (a) 31,250,000 Subordinate Voting Shares, (b) 10,402,101 Subordinate Voting Shares issuable upon conversion of a Senior Secured Convertible Note, including outstanding principal and accrued interest as of August 31, 2022, (c) 11,445,389 Subordinate Voting Shares issuable on exercise of warrants dated as of August 17, 2021, (d) 108,381 Subordinate Voting Shares issuable on exercise of warrants dated as of March 4, 2022, and (e) 31,250,000 shares issuable on exercise of Warrants dated as of May 17, 2021. Parallax Volatility Advisers, L.P. (the “**Parallax Advisers**”), and Parallax Partners, LLC (the “**Parallax Partners**”), are the investment adviser and general partner, respectively, of investment funds, including the Parallax Master Fund, L.P. S. Daniel Hutchison and William F. Bartlett are the control persons of Parallax Advisers and Parallax Partners. Such persons share voting and investment power. Each disclaims membership in a group and disclaims beneficial ownership of such Subordinate Voting Shares except to the extent of that person’s pecuniary interest therein. Ownership is based on information provided in a Schedule 13G/A filed on August 23, 2021. The address for such holders is 88 Kearny Street, 20th Floor, San Francisco, California 94108.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with Related Parties

All related party balances due to the Company as of June 25, 2022 and June 26, 2021 did not have any formal contractual agreements regarding payment terms or interest. As of June 25, 2022, there were no amounts due from or due to other related parties that were recorded in the Consolidated Balance Sheets. As of June 26, 2021, other amounts due to related parties was \$1,476,921.

Senior Secured Convertible Credit Facility

As discussed in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Fiscal Year 2022 Highlights - Continued Strategic Partnership with Gotham Green Partners and Superhero” and “Item 1. Business – Turnaround and Growth Plan – Senior Secured Convertible Note Facility”, which are incorporated by reference in this Item 13, in April 2019, the Company entered into a senior secured convertible credit facility (the “**Convertible Facility**”) to provide up to \$250.0 million in gross proceeds, originally arranged by Gotham Green Partners (“**GGP**”). The Convertible Facility is accessed through issuances by the Company to the lenders of convertible senior secured notes with an interest rate equal to LIBOR plus 6.0% per annum (“**Facility Notes**”). In connection with the Convertible Facility, the Company has also issued share purchase warrants (the “**Warrants**”) to purchase Subordinate Voting Shares. During fiscal years ended June 25, 2022 and June 26, 2021, the Convertible Facility was amended at various times modifying certain covenants, amending the conversion and exercise prices of securities issued pursuant to the Convertible Facility, cancelling and issuing new warrants and providing additional financing with the issuance of Facility Notes. On August 17, 2021, Superhero Acquisition L.P. (“**Superhero LP**”) acquired 75% of the outstanding Facility Notes and 65% of the outstanding Warrants held by GGP. Tilray and MOS Holdings Inc., an entity controlled by Michael Serruya, a director of the Company, own approximately 68% and 32%, respectively, of the outstanding equity interests of Superhero Acquisition Corp, the general partner of Superhero LP. Tilray and S5 Holdings, an entity controlled by Mr. Serruya, are hold interests in Superhero LP. The Company and Tilray also entered into a Board Observer Agreement pursuant to which the Company granted Tilray the right to appoint two non-voting observers to the Company’s board of directors.

As of June 25, 2022, the Company has drawn down a total of \$165.0 million on the Convertible Facility, has accrued paid-in-kind interest of \$72.0 million, with an aggregate weighted average conversion price of approximately \$0.24 per share, share and an aggregate of 199,005,128 warrants with a weighted average exercise price of \$0.21 per share. As of June 26, 2021, there was outstanding \$219.6 million of Facility Notes, including accrued interest, with a weighted average conversion price of approximately \$0.24 per share and an aggregate of 208,102,561 warrants with a weighted average exercise price of \$0.37 per share.

\$100 Million Equity Investment

On August 17, 2021, the Company entered into subscription agreements with various investors, including a backstop letter agreement (the “**Backstop Commitment**”) with investors associated Serruya Private Equity Inc. (“**SPE**”), including S5 Holdings which is controlled by Michael Serruya, a director of the Company, to purchase \$100 million of units (“**Units**”) of MedMen at a purchase price of US\$0.24 (C\$0.32) per Unit (the “**August 2021 Private Placement**”). Each Unit consisted of one Subordinate Voting Share and one quarter share purchase warrant (each, a “**August 2021 Warrant**”). Each whole August 2021 Warrant permits the holder to purchase one Subordinate Voting Share for a period of five years from the date of issuance at an exercise price of \$0.288 per Share. In consideration for providing the Backstop Commitment, the applicable SPE investors received a fee of \$2.5 million paid in the form of 10,416,666 Subordinate Voting Shares at a deemed price of \$0.24 per Share. Pursuant to the August 2021 Private Placement, the Company issued an aggregate of 416,666,640 Subordinate Voting Shares and August 2021 Warrants to purchase 104,166,660 Subordinate Voting Shares.

Each Unit issued to certain funds associated with SPE also included a proportionate interest in a short-term subscription right (the “**Short-Term Subscription Right**”), which expired on December 31, 2021 without being exercised. The Short-Term Subscription Right entitles the holders to acquire, on payment of \$30 million, at the option of the holders, an aggregate of 125,000,000 Units at an exercise price of \$0.24 per Unit, or \$30 million principal amount of notes at par, convertible into 125,000,000 Subordinate Voting Shares at a conversion price of \$0.24 per Share.

Unsecured Promissory Note

On July 29, 2021, the Company entered into a short-term unsecured promissory note in the amount of \$5,000,000 with various investors led by SPE wherein the note bears interest at a rate of 6.0% per annum payable quarterly in arrears with a maturity date of August 18, 2021. On August 17, 2021, the Company settled the promissory note by the issuance of 20,833,333 Units, consisting of 20,833,333 Subordinate Voting Shares and 5,208,333 warrants based on an issue price of \$0.24 and the relative portion of the Short-Term Warrant, issued as part of the Private Placement with SPE.

Board Nomination Rights Agreements

On August 17, 2021, the Company entered into a Board Nomination Rights Agreement with S5 Holdings pursuant to which so long as S5 Holdings' and its affiliates' diluted ownership percentage of MedMen (including the proportionate equity ownership of securities held by Superhero LP) is at least 9%, S5 Holdings will be entitled to designate one individual to be nominated to serve as a director of the Company. S5 Holdings has initially designated Michael Serruya.

On August 17, 2021, the Company entered into a Board Nomination Rights Agreement with GGP pursuant to which so long as GGP and certain associated investors' diluted ownership percentage of MedMen is at least 10%, GGP will be entitled to designate one individual to be nominated to serve as a director of the Company.

Sierra Constellation Partners

In March 2020, the Company retained interim management and advisory firm, Sierra Constellation Partners ("SCP"), to support the Company in the development and execution of its turnaround and restructuring plan. As part of the engagement, Tom Lynch was appointed as interim Chief Executive Officer and Chief Restructuring Officer, Tim Bossidy was appointed as Chief Operating Officer, and in December 2020, Reece Fulgham was appointed as interim Chief Financial Officer. On July 12, 2021, in connection with Mr. Lynch's appoint as the permanent Chief Executive Officer, the Company and SCP entered into the Retention Agreement, as further described above under Item 11. "*Executive Compensation - Employment and Severance Agreements*". Mr. Lynch is a Partner and Senior Managing Director at SCP. Mr. Bossidy is a Director at SCP. Mr. Fulgham is a Managing Director of SCP. On November 21, 2021, the Company provided notice to SCP of its termination of the Retention Agreement. As a result of the termination of the Retention Agreement, the Board also terminated Mr. Lynch as CEO of the Company. The Management Support Agreement dated March 30, 2020, and amended on May 1, 2020, pursuant to which SCP provides interim management and restructuring support, continues to remain effective. As of June 25, 2022 and June 26, 2021, the Company had paid \$2,047,760 and \$3,113,364 in fees to SCP for interim management and restructuring support, respectively. In addition, during the years ended June 25, 2022 and June 26, 2021, Mr. Lynch, Mr. Bossidy and Mr. Fulgham each received awards of stock options and restricted stock units, as further described above under Item 11. "*Executive Compensation*".

Director Independence

Our board of directors is composed of three "independent directors" as defined under the rules of NASDAQ. Although the Company's securities are not listed on NASDAQ, solely for disclosure purposes in accordance with SEC rules, we use the definition of "independence" of NASDAQ to make this determination. Nasdaq Listing Rule 5605(a)(2) provides that an "independent director" is a person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the Company's Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three (3) years was, an employee of the company;
- the director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of twelve (12) consecutive months within the three (3) years preceding the independence determination (subject to certain exemptions, including, among other things, compensation for board or board committee service);

- the director or a family member of the director is a partner in, controlling shareholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exemptions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three (3) years, any of the executive officers of the company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of the Company's outside auditor, or at any time during the past three (3) years was a partner or employee of the Company's outside auditor, and who worked on the Company's audit.

Under such definitions, our Board has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our Board has determined that Mel Elias, Cameron Smith and David Hsu are all independent directors of the Company. However, our shares are not currently quoted or listed on any national exchange or interdealer quotation system with a requirement that a majority of our Board be independent and, therefore, the Company is not subject to any director independence requirements, other than as may be required pursuant to rules of the CSE.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table provides information regarding the fees billed to us by MNP LLP in the fiscal years ended June 25, 2022 and June 26, 2021. All fees described below were approved by the Board:

	For the fiscal years ended	
	June 25, 2022	June 26, 2021
Audit Fees ⁽¹⁾	\$ 1,694,636	\$ 1,719,653
Audit Related Fees ⁽²⁾	-	-
Tax Fees	-	-
All Other Fees ⁽³⁾	9,229	4,708
Total Fees	\$ 1,703,865	\$ 1,724,361

(1) Audit Fees include fees for services rendered for the audit of our financial statements included in our Annual Report on Form 10-K and assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements.

(2) Audit Related Fees include consultation regarding our correspondence with the SEC and other accounting consulting.

(3) All Other Fees consists of fees for other miscellaneous items.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

The following documents are filed as part of this report:

- (1) Financial Statements and Report of Independent Registered Public Accounting Firm
- (2) Financial Statement Schedules have been omitted because they are not applicable, not material or because the information is included in the Consolidated Financial Statements or the notes thereto.

(b) Exhibits

The exhibits are incorporated by reference from the Exhibit Index attached hereto.

ITEM 16. FORM 10-K SUMMARY

None.