

SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

Current report of foreign issuer pursuant to Rules 13a-16 and 15d-16 Amendments

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Glass House Brands Inc.

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Mailing Address
*3645 LONG BEACH BLVD
LONG BEACH CA 90807*

Business Address
*3645 LONG BEACH BLVD
LONG BEACH CA 90807
212-299-7670*

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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August, 2021

Commission File Number: 000-56261

Glass House Brands Inc.

(Translation of registrant's name into English)

3645 Long Beach Blvd.
Long Beach, California 90807

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Glass House Brands Inc.

Date: October 13, 2021

/s/ Kyle Kazan

By: Kyle Kazan

Title: Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release dated August 26, 2021
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the Six Months Ended June 30, 2021 and 2020
99.3	Unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2021 and December 30, 2020 and for the Three Months and Six Months Ended June 30, 2021 and 2020
99.4	News Release dated August 16, 2021
99.5	News Release dated August 11, 2021
99.6	First Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions dated July 22, 2021
99.7	News Release dated August 4, 2021
99.8	News Release dated August 3, 2021

Glass House Farms Introduces New Line of Infused Pre-Rolls

The release, developed in collaboration with award-winning partner FIELD Extracts, includes four flavors of live resin- and diamond-infused joints

LONG BEACH, Calif. and TORONTO, Aug. 26, 2021 /CNW/ - Glass House Farms, one of the top-selling cannabis flower brands in California, today announced the launch of its first-ever line of live resin- and diamond-infused prerolls (IPR) to reach consumers looking for potent, fast-onset highs. Glass House Farms is the flagship flower label of Glass House Brands Inc. ("Glass House" or the "Company") (NEO: GLAS.A.U) (NEO: GLAS.WT.U) (OTCQX: GLASF) (OTCQX: GHBWF), one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S.



The Company's new format contains five power-packed, flavor-forward half-gram pre-rolls, each infused with full-spectrum live resin and THCa diamonds extracted from hand-selected, fresh-frozen flower by the experts at partner FIELD Extracts to lift consumers "up, up, and away." This initial offering includes four mouthwatering varieties: an energetic sativa-dominant-hybrid, Marine Layer; two relaxing indica-dominant offerings, Citrus Apricot and Papaya Tarts; and an evenly balanced hybrid, Ice Cream Cloud. Each high-potency pre-roll contains sustainably grown cannabis from the Santa Barbara Coast, tests at 35-40% THC, and uses no distillate, no added terpenes, nor any other "refined" or "shortcut" extraction techniques.

On social media and in person, Glass House has noted consumers' growing enthusiasm for infused pre-rolls' short-onset, "head-smacking" effects, and the Company has found that infused pre-rolls are one of the fastest-growing product segments in the cannabis industry.

"These joints are 'to-the-moon' level," said Graham Farrar, President of Glass House Brands. "Their flavor and effects provide the kind of rich, unforgettable cannabis experience that we aim for in everything we do. The cannabis is sustainably grown, the extract is pure and un-messed-with, and the MSRP of \$31 is just right. We're super-proud to bring these to market, and we think people are going to have a blast with them."

Glass House Farms Infused Pre-Rolls are currently available in licensed dispensaries across California. For more information and to find them at a retailer near you, visit www.glasshousefarms.org.

About Glass House

Glass House Brands Inc. is one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., with a decisive focus on the California market and building leading, lasting brands to serve consumers across all segments. From its greenhouse cultivation operations to its manufacturing practices, from brand-building to retailing, the company's efforts are rooted in the respect for people, the environment, and the community that co-founders Kyle Kazan and Graham Farrar instilled at the outset. Through its portfolio of brands, which includes Glass House Farms, Forbidden Flowers, and Mama Sue Wellness, Glass House is committed to realizing its vision of excellence: outstanding cannabis products, produced sustainably, for the benefit of all. For more information and company updates, visit www.glasshousegroup.com.

Forward Looking Statements

This news release contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). Forward-looking statements reflect current expectations or beliefs regarding future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", "targets" or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. All forward-looking statements, including those herein are qualified by this cautionary statement.

Although the Company believes that the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the statements. There are certain factors that could cause actual results to differ materially from those in the forward-looking information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release speak only as of the date of this news release or as of the date or dates specified in such statements.

Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking information. For more information on the Company, investors are encouraged to review the Company's public filings on SEDAR at www.sedar.com. The Company disclaims any intention or obligation to update or revise any forward- looking information, whether as a result of new information, future events or otherwise, other than as required by law.

Media Contact

Noah Bethke - MATTIO Communications

glasshouse@mattio.com

SOURCE Glass House Brands Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Six Months Ended June 30, 2021 and 2020 – Glass House Brands, Inc.***Introduction***

This management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as of August 16, 2021 and should be read together with Glass House Brands Inc.'s (the "Company") Unaudited Condensed Interim Consolidated Financial Statements and the accompanying notes as of June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and the audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2020. The results reported herein have been prepared in accordance with U.S. GAAP and, unless otherwise noted, are expressed in United States dollars. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Overview

The Company, formerly known as Mercer Park Brand Acquisition Corp., was incorporated under the Business Corporations Act (British Columbia) on April 16, 2019. The Company is a vertically integrated cannabis company that operates in the state of California. The Company cultivates, manufactures, and distributes cannabis consumer packaged goods primarily to third-party retail stores in the state of California. The Company also owns and operates retail cannabis stores in the state of California. The Company's Subordinate Voting Equity Shares and Warrants are listed on the Aequitas NEO exchange, trading under the symbol "GLAS.A.U" and "GLAS.WT.U". The head office and principal address of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The Company's registered recorded office is 666 Burrard Street, Suite 1700 Park Place. Vancouver, British Columbia Canada V6C 2X8.

On January 31, 2020, pursuant to an Agreement and Plan of Merger (and various Securities Exchange Agreements) (the "Roll-Up Agreements"), a roll-up transaction ("Roll-up") was consummated whereby the assets and liabilities of a combined group of investment fund entities were merged with and into GH Group, Inc., formerly known as California Cannabis Enterprises, Inc. ("GH Group"), whereby GH Group now owns and controls the assets from such entities previously merged into GH Group.

Reverse recapitalization

On June 29, 2021, Mercer Park Brand Acquisition Corp. consummated its qualifying transaction (the "Business Combination") contemplated by an Agreement and Plan of Merger dated as of April 8, 2021, as amended, pursuant to which Mercer Park Brand Acquisition Corp. acquired indirectly 100% of the common equity interests of GH Group, i.e., the Class A and Class B common shares outstanding as well as assuming all outstanding warrants and incentive stock options of GH Group. As a result of the Business Combination, GH Group's shareholders became the controlling shareholders of the Company. The Business Combination was effectuated by a reverse merger of a merger subsidiary of the Company's subsidiary with GH Group, with GH Group as the surviving corporation and a majority-owned subsidiary of the Company's subsidiary. GH Group is considered the acquirer for accounting and financial reporting purposes and the Business Combination is treated as a recapitalization of GH Group. Concurrent with the closing of the Business Combination, Mercer Park Brand Acquisition Corp. changed its name to Glass House Brands Inc.

Upon closing of the Business Combination, the Company indirectly acquired all of the issued and outstanding securities of GH Group with the exception of GH Group's Preferred Shares resulting in an aggregate of 50,151,101 Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) of the Company issued and outstanding. The Company also issued 4,754,979 Multiple Voting Shares to certain founders of GH Group. In addition, 28,489,500 of the warrants previously issued and outstanding from Mercer Park Brand Acquisition Corp. were assumed and remain outstanding. Of the 50,151,101 Subordinate Voting Shares and (including Exchangeable Shares on an as-exchanged basis) issued and outstanding from the Business Combination, 731,360 Exchangeable shares are held in escrow pending any working capital adjustments. Additionally, 1,008,975 Subordinate Voting Shares related to the sponsors of Mercer Park Brand Acquisition Corp. were locked up by the Company. These shares are to be released from the lockup restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. As of June 30, 2020, the Company released 392,819 Subordinate Voting Shares that were originally subject to lock up restrictions. Additional earnout payments consisting of up to an additional 6,306,095 of the Company's Subordinate Voting shares are issuable to the sponsors of Mercer Park Brand Acquisition Corp. and all holders of record of the Company's Subordinate Voting Shares, the Company subsidiary's Exchangeable Shares, vested stock options and vested RSUs as of June 29, 2021 if the Company's Subordinate Voting Shares meet certain share price targets through June 2023. In the event that the cash raised by Company and Subordinate Voting share price targets are not met, the earnout payments will be forfeited.

GH Group, Inc. was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification ("ASC") 805. This determination was primarily based on GH Group's stockholders prior to the Business Combination having a majority of the voting interests in the Company following the closing of the Business Combination, GH Group's operations comprising the ongoing operations of the Company, GH Group's designees comprising a majority of the board of directors of Company, and GH Group's senior management comprising the senior management of the Company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of GH Group issuing stock for the net assets of Mercer Park Brand Acquisition Corp., accompanied by a recapitalization. The net assets of Mercer Park Brand Acquisition Corp. are stated at historical cost, with no goodwill or other intangible assets recorded.

While Mercer Park Brand Acquisition Corp. was the legal acquirer in the Business Combination, because GH Group was deemed the accounting acquirer, the historical financial statements of GH Group became the historical financial statements of the Company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of GH Group prior to the Business Combination; (ii) the combined results of the Company and GH Group following the closing of the Business Combination; (iii) the assets and liabilities of GH Group at their historical cost; and (iv) the Company's equity structure before and after the Business Combination.

In accordance with applicable guidance, the equity structure of the Company has been restated in all comparative periods to reflect the number of Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) issued to GH Group's shareholders in connection with the Business Combination on the statement of changes in shareholders equity and the footnotes to the consolidated financial statements. As such, the shares and corresponding capital amounts and earnings per share related to GH Group, Inc.'s Class A and B common shares prior to the Business Combination have been retroactively restated as shares reflecting an exchange ratio of 10.27078 shares established in the Business Combination Agreement.

COVID-19

In March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus, COVID-19. The pandemic is having an unprecedented impact on the U.S. economy as federal, state and local governments react to this public health crisis, which has created significant uncertainties. The Company is unable to currently quantify the economic effect, if any, on the Company's results of operations.

These developments could have a material adverse impact on the Company's revenues, results of operations and cash flows. This situation is rapidly changing and additional impacts to the Company's business may arise that the Company is not aware of currently. The ultimate magnitude and duration of COVID-19, including the extent of its overall impact on the Company's results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

Major Business Lines and Geographies

Glass House views its financial results under one business line – the creation of dominant, extensible CPG products and brands through cannabis cultivation, production, and sales. Glass House generates all of its revenue in the state of California.

While many cannabis businesses prioritized brand building and customer acquisition before securing a reliable product flow, the Company believes that in a consumer-focused CPG space, consistent delivery of high-quality product at an attractive price point is a first principle, and a prerequisite for any other activity.

Cannabis Cultivation, Production, and Sales

Glass House operates greenhouse cultivation facilities in Carpinteria, California and its production facility is located in Lompoc, California.

Glass House generates revenue by selling its products both to its own and third-party dispensaries in California, including both raw cannabis, cannabis oil, and cannabis consumer goods. Glass House dispensaries are located in Santa Barbara, Santa Ana, and Berkeley, California.

Market Update and Objectives

The state of California represents the largest single market for cannabis in the U.S., with over \$7 billion in revenues in 2020 and an adult population of over 31 million. The California market is highly fragmented, with over 6,000 cultivation licenses in operation, over 1,000 distribution licenses over 700 operational dispensaries and greater than 1,000 brands. With this backdrop, Glass House looks to use scale in cultivation and distribution (through its own dispensaries and third party retailers) to achieve economies of scale that allow Glass House to outperform competitors and build superior brand awareness and loyalty.

Results of Operations

The following are the results of our operations for the three months ended June 30, 2021 compared to three months ended June 30, 2020:

	Three Months Ended	
	2021	2020
Revenues, Net	\$18,674,277	\$11,562,723
Cost of Goods Sold	10,079,539	6,029,804
Gross Profit	8,594,738	5,532,919
Operating Expenses:		
General and Administrative	5,886,655	4,608,802
Sales and Marketing	1,006,747	427,164
Professional Fees	1,951,450	502,520
Depreciation and Amortization	738,402	617,114
Total Operating Expenses	9,583,254	6,155,600
Loss from Operations	(988,516)	(622,681)
Other Expense (Income):		
Interest Expense	1,171,282	491,216
Interest Income	(16,136)	(64,492)
Loss on Investments	285,646	55,711
Loss (Gain) on Change in Fair Value of Derivative Liabilities	(154,000)	807,289
Loss on Extinguishment of Debt	-	389,056
Other Income, Net	(46,538)	(12,956)
Total Other Expense, Net	1,240,254	1,665,824
Loss from Operations Before Provision for Income Tax Expense	(2,228,770)	(2,288,505)
Provision for Income Tax Expense	2,487,951	1,366,110
Net Loss	\$ (4,716,721)	\$ (3,654,615)
Loss Per Share - Basic and Diluted	\$ (0.19)	\$ (0.16)
Weighted-Average Shares Outstanding - Basic and Diluted	24,262,497	23,191,563

Revenue

Revenue for the three months ended June 30, 2021 was \$18.7 million, which represents an increase of \$7.1 million or 62% from \$11.6 million for the three months ended June 30, 2020. The increase in revenue was primarily due to an increase in cannabis production from the Company's second greenhouse cultivation facility, which commenced operations in Q1 2020. The expansion of the cultivation facility was increased from 113,000 square feet during 2020 to over 390,000 square feet by the end of 2020. The Company's wholesale and

wholesale CPG revenue increased by \$4.3 million or 54% for the three months ended June 30, 2021 from the three months ended June 30, 2020. The Company's cannabis retail dispensaries also contributed consistent revenue growth, increasing \$2.8 million, or 77%, in retail sales during the three months ended June 30, 2021 compared to retail sales during the comparative period in the prior year. This increase was primarily attributable to the Company's new retail location of \$1.7 million and modification to the reward and loyalty programs that resulted in a one-time favorable adjustment to revenue of \$1.3 million.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the three months ended June 30, 2021 was \$10.0 million, an increase of \$4.0 million, or 67%, compared with \$6.0 million for the three months ended June 30, 2020. Gross profit for the three months ended June 30, 2021 was \$8.6 million, representing a gross margin of 46%, compared with a gross profit of \$5.5 million, representing a gross margin of 48% for the three months ended June 30, 2020. The increase in cost of goods sold was primarily attributable to the Company's increase in cultivation during the three months ended June 30, 2021. The decrease in gross margin is primarily due to increased product, labor and overhead costs associated with the Company's cultivation expansion compared to the same period in the prior year.

Total Operating Expenses

Total operating expenses for the three months ended June 30, 2021 was \$9.6 million, an increase of \$3.4 million, or 56%, compared to total expenses of \$6.2 million for the three months ended June 30, 2020. The increase in total expenses was attributable to the factors described below.

General and administrative expenses for the three months ended June 30, 2021 and June 30, 2020 was \$ 5.9 million and \$4.6 million, respectively, an increase of \$1.3 million, or 28%. The increase in general and administrative expenses is primarily attributed to the Company's initiatives of operational expansion and used to support corporate, cultivation and retail operations which resulted in increases in salaries and wages, stock based compensation and IT consulting fees of \$0.6 million as well as increases to general operational accounts.

Sales and marketing expenses for the three months ended June 30, 2021 and June 30, 2020 were \$1.0 million and \$0.4 million, respectively, an increase of \$0.6 million, or 136%. The increase in sales and marketing expenses is primarily attributed to the increase in the Company's efforts related to digital media, marketing research and royalty expenses of \$0.3 million. Sales and marketing expenses include trade marketing, point of sale marketing for our CPG product lines and promotions in various media outlets.

Professional fees for the three months ended June 30, 2021 and June 30, 2020 was \$1.9 million and \$0.5 million, respectively, an increase of \$1.4 million, or 288%. The Company recognized increased legal fee of \$0.6 million coupled with increased accounting and consulting professional fees of \$0.9 million related to the RTO transaction and other initiatives that occurred during the second quarter of 2021.

Depreciation and amortization for the three months ended June 30, 2021 and June 30, 2020 was \$0.7 million and \$0.6 million, respectively, an increase of \$0.1 million, or 20%. The increase is attributed to the growth of the Company's operations through previous acquisition of iCANN which resulted in an increase of depreciation and amortization during the three months ended June 30, 2021.

Total Other Expense, Net

Total other expense for the three months ended June 30, 2021 was \$1.2 million and total other expense for the three months ended June 30, 2020 was \$1.7 million, a decrease of \$0.4 million, or 26%. The decrease in total other expense was primarily due to an aggregate decrease of \$1.3 million related to the change in fair value of derivative liabilities and loss on extinguishment of debt, offset by an increase in interest expense and loss on investments for an aggregate amount of \$0.9 million.

Provision for Income Taxes

The provision for income tax expense for the three months ended June 30, 2021 was \$2.5 million, an increase of \$1.1 million, or 82%, compared to provision for income tax expense of \$1.4 million for the three months ended June 30, 2020. The increase in provision for income taxes was directly impacted by the Company's increase in operations and revenues for the current period.

The following are the results of our operations for the six months ended June 30, 2021 compared to six months ended June 30, 2020:

	Six Months Ended	
	2021	2020
Revenues, Net	\$ 33,914,558	\$18,012,050
Cost of Goods Sold	19,877,824	11,015,647
Gross Profit	14,036,734	6,996,403
Operating Expenses:		
General and Administrative	11,722,386	8,716,660
Sales and Marketing	1,495,282	781,589
Professional Fees	5,304,201	1,147,566
Depreciation and Amortization	1,462,856	1,148,519
Total Operating Expenses	19,984,725	11,794,334
Loss from Operations	(5,947,991)	(4,797,931)
Other Expense (Income):		
Interest Expense	2,181,710	854,285
Interest Income	(32,222)	(162,833)
Loss on Investments	284,258	74,908
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(825,000)	936,988
Loss on Disposition of Subsidiary	6,090,339	-
Loss on Extinguishment of Debt	-	389,056
Other Income, Net	(40,514)	(27,769)
Total Other Expense, Net	7,658,571	2,064,635
Loss from Operations Before Provision for Income Tax Expense	(13,606,562)	(6,862,566)
Provision for Income Tax Expense	4,263,952	1,932,703
Net Loss	\$(17,870,514)	\$(8,795,269)
Loss Per Share - Basic and Diluted	\$ (0.74)	\$ (0.46)

Revenue

Revenue for the six months ended June 30, 2021 was \$33.9 million, which represents an increase of \$15.9 million or 88% from \$18.0 million for the six months ended June 30, 2020. The increase in revenue was primarily due to an increase in cannabis production from the Company's second greenhouse cultivation facility, which commenced operations in Q1 2020. The expansion of the cultivation facility was increased from 113,000 square feet during 2020 to over 390,000 square feet by the end of 2020. As a result of the expansion, the Company's wholesale and wholesale CPG revenue increased by \$11.5 million or 104% for the six months ended June 30, 2021 from the six months ended June 30, 2020. The Company's cannabis retail dispensaries also contributed consistent revenue growth, and had an increase of \$4.4 million, or 64%, in retail sales during the six months ended June 30, 2021 compared to retail sales during the comparative period in the prior year. This increase was primarily attributable to the Company's new retail location of \$3.2 million and modification to the reward and loyalty programs that resulted in a one-time favorable adjustment to revenue of \$1.2 million.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the six months ended June 30, 2021 was \$19.9 million, an increase of \$8.9 million, or 80%, compared with \$11.0 million for the six months ended June 30, 2020. Gross profit for the six months ended June 30, 2021 was \$14.0 million, representing a gross margin of 41%, compared with a gross profit of \$7.0 million, representing a gross margin of 39% for the six months ended June 30,

2020. The increase in cost of goods sold was primarily attributable to the Company's increase in revenues during the six months ended June 30, 2021 which resulted in increased cost of goods sold. The Company's gross profit for the six months ended June 30, 2021 as a percentage of revenues improved compared to the same period in the prior year as a result of the Company's continual improvement in efficiencies in relation to its cultivation facilities during the year ended 2020 through June 30, 2021.

Total Operating Expenses

Total operating expenses for the six months ended June 30, 2021 was \$20.0 million, an increase of \$8.2 million, or 69%, compared to total expenses of \$11.8 million for the six months ended June 30, 2020. The increase in total expenses was attributable to the factors described below.

General and administrative expenses for the six months ended June 30, 2021 and June 30, 2020 was \$11.7 million and \$8.7 million, respectively, an increase of \$3.0 million, or 34%. The increase in general and administrative expenses is primarily attributed to the Company's initiatives of operational expansion and used to support corporate, cultivation and retail operations which resulted in increases in salaries and wages and stock based compensation of \$1.8 million as well as increases to general operational accounts.

Sales and marketing expenses for the six months ended June 30, 2021 and June 30, 2020 were \$1.5 million and \$0.8 million, respectively, an increase of \$0.7 million, or 91%. The increase in sales and marketing expenses is primarily attributed to the increase in the Company's efforts related to digital media, marketing research and promotions of \$0.5 million. Sales and marketing expenses include trade marketing, point of sale marketing for our CPG product lines and promotions in various media outlets.

Professional fees for the six months ended June 30, 2021 and June 30, 2020 was \$5.3 million and \$1.1 million, respectively, an increase of \$4.2 million, or 362%. The Company recognized increased legal fee of \$1.3 million coupled with increased accounting and consulting professional fees of \$3.0 million related to the Business Combination transaction and other initiatives that occurred during the first half of 2021.

Depreciation and amortization for the six months ended June 30, 2021 and June 30, 2020 was \$1.5 million and \$1.1 million, respectively, an increase of \$0.3 million, or 27%. The increase is attributed to the growth of the Company's operations through acquisitions and purchase of additional \$3.1 million of fixed assets which resulted in an increase of depreciation and amortization during the six months ended June 30, 2021.

Total Other Expense, Net

Total other expense for the six months ended June 30, 2021 and June 30, 2020 was \$7.7 million and \$2.1 million, respectively, an increase of \$5.6 million, or 271%. The increase in total other expense was due to \$6.1 million expensed during the six months ended June 30, 2021 due to the deconsolidation of Field Investment Co, LLC a subsidiary and its subsidiaries Field Taste Matters, Inc., ATES Enterprises, LLC, and Zero One Seven Management, LLC for de minimis consideration to an unrelated party.

Provision for Income Taxes

The provision for income tax expense for the six months ended June 30, 2021 was \$4.3 million, an increase of \$2.4 million, or 121%, compared to provision for income tax expense of \$1.9 million for the six months ended June 30, 2020. The increase in provision for income taxes was due to the Company's increased revenue and operations compared to the same period in the prior year.

Non-GAAP Financial Measures

In addition to providing financial measurements based on GAAP, the Company provides additional financial metrics that are not prepared in accordance with GAAP. Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes

and to evaluate the Company's financial performance. These non-GAAP financial measures (collectively, the "**non-GAAP financial measures**") are:

EBITDA	Net Loss (GAAP) adjusted for interest and financing costs, income taxes, depreciation, and amortization.
Adjusted EBITDA	EBITDA (Non-GAAP) adjusted for transaction costs, restructuring costs, share-based compensation, and other non-cash operating costs, such as changes in fair value of derivative liabilities and unrealized changes in fair value of investments.

Management believes that these non-GAAP financial measures assess the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results.

As there are no standardized methods of calculating these non-GAAP financial measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-GAAP financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the GAAP financial measures presented herein. The Company uses these metrics to measure its core financial and operating performance for business planning purposes. In addition, the Company believes investors use both GAAP and non-GAAP measures to assess management's past and future decisions associated with its priorities and allocation of capital, as well as to analyze how the business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry. However, these measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies in the Company's industry.

Non-GAAP financial measures are financial measures that are not defined under GAAP. The Company uses these non-GAAP financial measures and believes they enhance an investors' understanding of the Company's financial and operating performance from period to period. These non-GAAP financial measures exclude certain material non-cash items and certain other adjustments the Company believes are not reflective of its ongoing operations and performance.

These financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity.

These non-GAAP financial measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under GAAP. For example, certain of these non-GAAP financial measures:

- exclude certain tax payments that may reduce cash available to the Company;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on debt.

Other companies in the cannabis industry may calculate these measures differently than the Company does, limiting their usefulness as comparative measures.

The following table provides a reconciliation of the Company's net loss to Adjusted EBITDA (non-GAAP) for the three months ended June 30, 2021 compared to three months ended June 30, 2020:

	Three Months Ended	
	2021	2020
Net Loss (GAAP)	\$(4,716,721)	\$(3,654,615)
Depreciation and Amortization	738,402	617,114
Interest Expense	1,171,282	491,216
Income Tax Expense	2,487,951	1,366,110
EBITDA	<u>(319,086)</u>	<u>(1,180,175)</u>
Adjustments:		
Shared-Based Compensation	824,062	761,120
Stock Appreciation Rights Expense	251,491	-
Loss on Equity Method Investments	285,646	55,711
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(154,000)	807,289
Loss on Extinguishment of Debt	-	389,056
Other Non-Recurring Items:		
Acquisition Related Professional Fees	1,287,694	239,751
Adjusted EBITDA (non-GAAP)	<u>\$ 2,175,807</u>	<u>\$ 1,072,752</u>

Adjusted EBITDA (non-GAAP)

Adjusted EBITDA, a non-GAAP measure which excludes depreciation and amortization, interest expense, income taxes, share-based compensation, stock appreciation rights expense, loss on equity method investments, (gain) loss on change in fair value of derivative liabilities, loss on extinguishment of debt, and acquisition related professional fees was \$2.2 million for the three months ended June 30, 2021 compared to \$ 1.1 million for the three months ended June 30, 2020. The increase in adjusted EBITDA of \$1.1 million for the three months ended June 30, 2021, is due to a higher gross profit partially offset by higher expenses.

The following table provides a reconciliation of the Company's net loss to Adjusted EBITDA (non-GAAP) for the six months ended June 30, 2021 compared to six months ended June 30, 2020:

	Six Months Ended	
	2021	2020
Net Loss (GAAP)	\$(17,870,514)	\$(8,795,269)
Depreciation and Amortization	1,462,856	1,148,519
Interest Expense	2,181,710	854,285
Income Tax Expense	4,263,952	1,932,703
EBITDA	<u>(9,961,996)</u>	<u>(4,859,762)</u>
Adjustments:		
Shared-Based Compensation	2,430,524	1,317,812
Stock Appreciation Rights Expense	251,491	-
Loss on Equity Method Investments	284,258	74,908
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(825,000)	936,988
Loss on Extinguishment of Debt	-	389,056
Other Non-Recurring Items:		
Acquisition Related Professional Fees	4,474,145	479,502
Loss on Disposition of Subsidiary	6,090,339	-
Adjusted EBITDA (non-GAAP)	<u>\$ 2,743,761</u>	<u>\$(1,661,496)</u>

Adjusted EBITDA (non-GAAP)

Adjusted EBITDA, a non-GAAP measure which excludes depreciation and amortization, interest expense, income taxes, share-based compensation, stock appreciation rights expense, loss on equity method investments, (gain) loss on change in fair value of derivative liabilities, loss on extinguishment of debt, acquisition related professional fees, and loss on disposition of subsidiary was \$2.7 million for the six months ended June 30, 2021 compared to a loss of \$1.7 million for the six months ended June 30, 2020. The increase in adjusted EBITDA of \$4.4 million for the six months ended June 30, 2021, is due to higher gross profit partially offset by higher operating expenses.

Selected Quarterly Information

A summary of selected information for each of the quarters presented is as follows:

	<u>Revenues</u>	<u>Net Loss</u>	<u>Net Loss Per Share</u>
June 30, 2021	\$18,674,277	\$ (4,716,721)	\$ (0.19)
March 31, 2021	\$15,240,281	\$(13,153,793)	(0.55)
June 30, 2020	\$11,562,723	\$ (3,654,615)	(0.16)
March 31, 2020	\$ 6,449,327	\$ (5,140,654)	(0.33)

Revenue increases for the quarters presented are primarily due to an increase in cannabis production from the Company's second greenhouse cultivation facility, which commenced operations in Q1 2020. The expansion of the cultivation facility was increased from 113,000 square feet during 2020 to over 390,000 square feet by the end of 2020. Net loss for each of the quarters presented have remained relatively consistent with the exception of the quarter ended March 31, 2021. The increase in net loss was primarily due to the deconsolidation of Field Investment Co, LLC a subsidiary and its subsidiaries Field Taste Matters, Inc., ATEs Enterprises, LLC, and Zero One Seven Management, LLC for de minimis consideration to an unrelated party.

Liquidity and Capital Resources

Overview

Historically, Glass House's primary source of liquidity has been capital contributions made by equity investors and debt issuances. Glass House expects to generate positive cash flow from its operations going forward and expects such positive cash flow to be its principal source of future liquidity. Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, Glass House may continue to raise equity or debt capital from investors in order to meet liquidity needs.

Financial Condition

Cash Flows

The following table summarizes Glass House's consolidated statement of cash flows from continuing operations for the six months ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,943,296)	\$ (5,167,352)
CASH FLOWS FROM INVESTING ACTIVITIES:		
NET CASH USED IN INVESTING ACTIVITIES	(2,268,330)	(5,697,779)
CASH FLOWS FROM FINANCING ACTIVITIES:		
NET CASH PROVIDED BY FINANCING ACTIVITIES	133,956,710	10,884,880
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,745,084	19,749
Cash and Cash Equivalents, Beginning of Period	4,535,251	2,631,886
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$134,280,335	\$ 2,651,635

Cash Flow from Operating Activities

Net cash used in operating activities was \$1.9 million for the six months ended June 30, 2021, a decrease of \$3.3 million, or 62%, compared to \$5.2 million for the six months ended June 30, 2020. The decrease in cash used was primarily due to an increase of \$7.0 million of gross margin offset with increased cash used in operating activities as well as changes in operating assets and liabilities.

Cash Flow from Investing Activities

Net cash used in investing activities was \$2.3 million for the six months ended June 30, 2021, a decrease of \$3.4 million, or 60%, compared to \$5.7 million for the six months ended June 30, 2020. This was primarily driven by the decrease in purchases of property, equipment, and investments as well as a decrease in issuance of notes receivables in the net amount of \$3.5 million during the six months ended June 30, 2021, compared to the prior period.

Cash Flow from Financing Activities

Net cash provided by financing activities totaled \$134.0 million for the six months ended June 30, 2021, an increase of \$123.1 million, or 1,131%, compared to \$ 10.9 million for the six months ended June 30, 2020. This was driven by cash proceeds received from the issuance of equity during the current period of \$124.4 million, compared to nil during the six months ended June 30, 2020.

As previously noted, the Company's primary source of liquidity has been capital contributions and debt capital made available from investors. The Company expects to generate positive cash flow from its operations going forward and expects such positive cash flow to be its principal source of future liquidity. In the event sufficient cash flow is not available from operating activities, the Company may continue to raise equity capital from investors in order to meet liquidity needs. The Company does not have any committed sources of financing, nor significant outstanding capital expenditure commitments.

Contractual Obligations

Glass House has contractual obligations to make future payments, including debt agreements and lease agreements from third parties.

The following table summarizes such obligations as of June 30, 2021:

	<u>2021</u>	<u>2022</u>	<u>2023- 2024</u>	<u>After 2024</u>	<u>Total</u>
	<i>(remaining)</i>				
Notes Payable from Third Parties	\$ 16,139	\$ 38,171	\$ 83,263	\$ 114,370	\$ 251,943
Lease Obligations	314,968	633,127	1,270,379	2,660,015	4,878,489
Total Contractual Obligations	<u>\$ 331,107</u>	<u>\$ 671,298</u>	<u>\$ 1,353,642</u>	<u>\$ 2,774,385</u>	<u>\$ 5,130,432</u>

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties During the Six Months Ended June 30, 2021

Private Placement

On January 8, 2020, the board of directors approved approximately \$17,500,000 of private placement of Senior Convertible Notes. On January 4, 2021, the board of directors approved an increase of the Senior Convertible Notes offering to \$22,599,844. The Senior Convertible Notes are automatically converted in the event of a Qualified Equity Financing ("QEF") at the better of an 80% discount or a valuation cap of \$250,000,000 or may be optionally converted at the election of the holder. The Senior Convertible Notes bear cash interest at a rate of 4% per year paid quarterly and generally accrue interest at a rate of 4.3% per year. The Senior Convertible Note holders were issued a security interest in the stock and membership interests held by the Company in its subsidiaries. On June 29, 2021, all principal and accrued interest under the Senior Convertible Notes were converted to Preferred Shares.

Magu Farm Lenders Debt Transactions

During the year ended December 31, 2018, Magu Farm LLC ("Magu Farm") issued approximately \$9,925,000 in secured promissory notes convertible into equity interests (collectively, the "Magu Farm Convertible Notes") in Magu Investment Fund LLC ("Magu

Investment Fund”) to certain lenders who are affiliates of shareholders of the Company (collectively, the “Magu Farm Lenders,” and individually, a “Magu Farm Lender”)

On October 7, 2019, Magu Farm and Magu Investment Fund notified each Magu Farm Lender of Magu Investment Fund’s intention to merge with and into the Company at the closing of the Roll-Up. Subsequent to such notification, effective as of October 7, 2019, each Magu Farm Lender other than Kings Bay Investment Company Ltd., a Cayman Islands company (“KBIC”), entered into a letter agreement pursuant to which such Magu Farm Lender, among other things, (a) converted its respective Magu Farm Convertible Note with an aggregate value of \$8,000,000 into equity interests in Magu Investment Fund and (b) agreed to terminate both the Co-Lending Agreement and its respective security interest as defined in the agreement. All accrued and unpaid interest were paid prior to conversion. Effective March 1, 2020, KBIC assigned its balance of its respective Magu Farm Convertible Note (the “Kings Bay Note”) to Kings Bay Capital Management Ltd., a Cayman Islands company (“KBCM”).

Effective as of April 10, 2020, KBCM and the Company entered into an Assignment, Novation and Note Modification Agreement and a Security Agreement, pursuant to which, among other things, (a) the Company assumed all of Magu Farm LLC’s rights, duties, liabilities and obligations under the Kings Bay Note, (b) the Kings Bay Note was modified, among other things, such that KBCM has the right to convert the Kings Bay Note into Class A Common Stock at the same conversion price accorded to the other Magu Farm Lenders, and (c) the obligations under the Kings Bay Note were secured by a pledge of the securities of the Company’s subsidiaries but expressly subordinated to the holders of the Senior Convertible Notes. As a result of the modification, the Company recorded a loss on extinguishment of debt due to modification for approximately \$389,000 which is included as a component of other income, net in the accompanying Unaudited Condensed Interim Consolidated Statement of Operations. On June 29, 2021, all principal and accrued interest under the Kings Bay Note was converted to Preferred Shares, and the Kings Bay security interest was terminated by filing of a UCC-3 termination statement.

BFP Debt Transaction

During the six months ended June 30, 2021, the Company issued a \$ 2,000,000 promissory note to Beach Front Properties, LLC. The debt matures in February 2023 and bears interest at 15.00 percent per year. On June 29, 2021, all principal and accrued interest under such promissory note was converted to Preferred Shares.

Qualified Equity Financing

In March 2021, the Company began to raise a Series A Preferred Stock Financing round of \$12,000,000. The Preferred Stock will carry an annual 15.00 percent cumulative dividend in year 1. During March 2021, the Company raised \$2,125,000 from certain parties recorded as debt. On June 29, 2021, all principal and accrued interest from such debt was converted to Preferred Shares.

Incubation Services

Effective January 1, 2019, GH Group and Magu Capital LLC, a California limited liability company (“Magu Capital”), entered into a Services and Incubation Agreement, pursuant to which Magu Capital agreed to perform certain advisory and business “incubation” services for GH Group (and incur certain fees and expenses on behalf of GH Group as part of and as performance for such services) in consideration of Glass House’s agreement to issue to Magu Capital, upon a date certain following the closing of the Roll-Up as reasonably determined by the board of directors of Glass House, a warrant to purchase a fixed number of Class A Common shares at an agreed upon strike price and no later than three years following the grant date. On June 28, 2021, GH Group notified Magu Capital of its termination of the Services and Incubation Agreement, and by extension the automatic exercise of Magu Capital’s warrant issued in connection with the Services and Incubation Agreement.

Proposed Transactions

Element 7 CA, LLC Transaction

Effective February 23, 2021 GH Group, Inc. entered into a Merger and Exchange Agreement with Element 7 CA, LLC (“E7”) whereby GH Group, Inc. would obtain all of the equity interest held by E7 in seventeen in-process license applications, some of which are partially owned. GH Group, Inc. is obligated to purchase all such interests of each license that meets the conditions for sale and E7 is obligated to sell such equity interests. The consideration of \$1,500,000 for 100% of the E7’s equity interests in each license holding entity payable

in shares of the Company (post-close of the transaction with Mercer Park Brand Acquisition Corp.) at \$10 per share. Conditions to close include the closing of the Mercer Park merger, the availability of \$25,000,000 for development of retail licenses, and the delivery by E7 of certain leases.

GH Group has executed an agreement with Element 7, LLC (“Element 7”) whereby GH Group has the right, subject to satisfactory completion of due diligence and other conditions, to acquire entities which are in the process of applying for up to 17 local retail cannabis licenses in California. A subsidiary of GH Group will have the right to acquire membership interests of Element 7 entities, by way of merger, in exchange for shares of the Company issued at \$10.00 per share. This could result in the issuance of up to 2,400,000 shares in the amount up to \$24 million.

Camarillo Farm Transaction

CEFF Camarillo Property, LLC (“CEFF Camarillo Propco”), CEFF Camarillo Holdings, LLC (“CEFF Parent”, and together with CEFF Camarillo Propco, the “CEFF Parties”) are the owners of the California Option Assets (as defined in the California Option Agreement (as defined below)), including, without limitation, that certain approximately 160-acre real property and agricultural facility located thereon, located at 645 Laguna Road, City of Camarillo, County of Ventura California (APN: 230-0-071-345) (the “Real Property”).

Pursuant to that certain Option Agreement (California Option Assets), dated December 28, 2018, by and among the CEFF Parties and GIPI (as defined below) Glass Investments Projects, Inc., a Delaware corporation (“GIPI”) (the “Original California Option Agreement”), as amended by (i) the First Amendment to Option Agreement (California Option Assets), dated March 23, 2020, by and among the CEFF Parties and GIPI (“First Amendment”) and (ii) the Second Amendment to Option Agreement (California Option Assets), dated February 20, 2021, by and among the CEFF Parties and GIPI (“Second Amendment”) (as amended by the First Amendment and Second Amendment, collectively, the “California Option Agreement”), GIPI holds an option to purchase the California Option Assets (the “Option” and collectively with all rights, option and interests held by GIPI in, to and under the California Option Agreement including, without limitation, the Real Property and other California Option Assets, the “Option Rights”).

Effective as of February 13, 2021, Glass House, Mercer Park (together with Glass House, “GH/MPBAC”) and GIPI entered into that certain letter agreement (the “Camarillo Acquisition Agreement”), pursuant to which, among other things, (i) GIPI agreed to sell the Option Rights to GH/MPBAC or their designee, and (ii) in acknowledgment of the Camarillo Acquisition Agreement being an interim agreement, GH/MPBAC and GIPI agreed to negotiate and document, for the transactions contemplated by the Camarillo Acquisition Agreement, the terms and conditions of the Definitive Agreements (as defined in the Camarillo Acquisition Agreement), including, without limitation, an Agreement to Assign an Option to Acquire Real Estate to be entered into by and among, GIPI, GH Camarillo LLC, a Delaware limited liability company and wholly-owned subsidiary of Glass House (“GH Camarillo”), as the designee of Glass House pursuant to the Camarillo Acquisition Agreement, and Mercer Park (the “Definitive Option PSA”). As of the date hereof, the Definitive Option PSA has not been finalized.

Effective as of February 20, 2021, GIPI exercised the Option via a letter which was delivered to the CEFF Parties pursuant to Section 2.3 of the California Option Agreement (the “Exercise Notice”). The Exercise Notice has been signed by the CEFF Parties to acknowledge, among other things, that GIPI has validly exercised the Option in accordance with the California Option Agreement.

Prior to the expiration of the Contingency Period (as defined in the Second Amendment), the CEFF Parties, as seller, and GH Camarillo, as buyer, will have agreed to negotiate in good faith and attempt to finalize a definitive purchase and sale agreement for the Real Property (the “Definitive Property PSA”) and other related agreements and instruments for the transactions contemplated by the California Option Agreement.

Effective as of February 20, 2021, and in connection with the Camarillo Acquisition Agreement, GIPI, GH Camarillo and Peninsula Escrow, Inc., a California corporation (“Escrow Holder”), have entered into that certain Escrow Agreement (Camarillo Acquisition Agreement) (the “Camarillo Acquisition Escrow Agreement”), pursuant to which, among other things, the Escrow Holder has agreed to hold, administer, and disburse a \$2,000,000 cash deposit (the “COA Deposit”) in one or more segregated, interest-bearing money market accounts in accordance with the terms of the Camarillo Acquisition Agreement, and the express instructions provided by GH Camarillo.

Effective as of February 20, 2021, and in connection with the California Option Agreement, GH Camarillo, the CEFF Parties and Escrow Holder, have entered into that certain Escrow Agreement (California Option Agreement), pursuant to which, among other things, the

Escrow Holder has agreed to hold, administer, and disburse the COA Deposit, and assuming GH Camarillo has not terminated the Camarillo Acquisition Agreement, the Camarillo Acquisition Escrow Agreement, the Definitive Option PSA or the Definitive Property PSA, on or before the expiration of the Contingency Period, an additional \$8,000,000 cash deposit (the “Additional Deposit”) in one or more segregated, interest-bearing money market accounts in accordance with the terms of the California Option Agreement, and the express instructions provided by GH Camarillo.

On July 30, 2021 the Company amended its purchase agreement. The purchase price was increased by \$12,888 to account for the Seller’s additional capital improvements with the amended purchase price being \$118,902,888. The closing date was moved to two days after the seller resolves all notices of violation related to SoCal Greenhouse and the closing consideration will be \$88,000,000 in cash plus a convertible promissory note (the “Camarillo Note”) issued to the seller for the remaining amount that bears no interest until certain entitlement conditions are met, more particularly the obtaining of local cannabis authorizations, and bears interest at 8% from such date. The principal and interest of the Camarillo Note is convertible at the election of the seller at any time at \$10 per subordinate voting share. The Camarillo Note is secured at the Company’s election by either an escrow agreement funded by cash equal to the principal amount under the Camarillo Note or a first deed of trust to SoCal Greenhouse.

Critical Accounting Estimates

Use of Estimates

The preparation of the unaudited Condensed Interim 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 unaudited Condensed Interim 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, share-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 will be affected.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

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”). 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

In accordance with ASU 2016-02 "Leases", the Company determines if an arrangement is a lease at inception. The Company elected the package of practical expedients provided by ASC 842, which forgoes reassessment of the following upon adoption of the new standard: (1) whether contracts contain leases for any expired or existing contracts, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing or expired leases. In addition, the Company elected an accounting policy to exclude from the balance sheet the right-of-use assets and lease liabilities related to short-term leases, which are those leases with a lease term of twelve months or less that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

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. In adoption of ASC 842, the Company applied the practical expedient which applies hindsight in determining the lease term and assessing impairment of right-of-use assets by using its actual knowledge or current expectation as of the effective date. The Company also applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right of-use asset. Lessees are required to record a right of use asset and a lease liability for all leases with a term greater than twelve months. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. The incremental borrowing rate is determined 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.

Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the combined balance sheet. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

The Company follows accounting guidance issued by the Financial Accounting Standards Board ("FASB") related to the application of accounting for uncertainty in income taxes. Under this guidance, the Company assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, "Accounting for Derivative Instruments and Hedging Activities". Professional standards 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. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt 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 470, “Accounting for Convertible Securities with Beneficial Conversion Features”, as those professional standards pertain to “Certain Convertible Instruments”. On January 1, 2021, Company early adopted 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”, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. 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 815-40 provides that generally, if an event 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 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 unaudited Condensed Interim 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 unaudited Condensed Interim 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.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred and included in the unaudited Condensed Interim Consolidated Statements of Operations. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the unaudited Condensed Interim Consolidated Statements of Operations immediately as a gain on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company’s estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, "Contingencies", as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805.

Share-Based Compensation

The Company has a share-based compensation plan comprised of stock options ("Options") and stock appreciation rights ("SARs"), and restricted stock units ("RSU's). Options provide the right to the purchase of one Subordinate Voting share per option. SAR's provide the right to receive cash from the exercise of such right based on the increase in value between the exercise price and the fair market value of Subordinate Voting shares of the Company at the time of exercise. RSU's provide the right to receive one Subordinate Voting share per unit.

The Company accounts for its share-based awards in accordance with ASC Subtopic 718-10, "Compensation – Stock Compensation", which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. 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 restricted share awards 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 Condensed Interim 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 share price volatility of the underlying share. The assumptions used in calculating the fair value of share-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, share-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 share-based compensation expense could be significantly different from what the Company has recorded in the current period.

Financial Instruments

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered separately when determining whether their cash flows are solely payment of principal and interest. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Fair Value

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.

Impairment

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.

Changes in Accounting Policies Including Adoption

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 intra-period 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 January 1, 2021. The adoption of the standard did not have a material impact on the Company’s unaudited Condensed Interim 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. The Company adopted ASU 2020-01 on January 1, 2021. The adoption of the standard did not have a material impact on the Company’s unaudited Condensed Interim Consolidated Financial Statements.

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 early adopted ASU 2020-06 on January 1, 2021. The adoption of the standard did not have a material impact on the Company’s unaudited Condensed Interim Consolidated Financial Statements.

Financial Instruments and Other Instruments

Fair Value of Financial Instruments

Glass House's financial instruments consist of cash and cash equivalents, accounts receivables, investments, notes receivable, trade payables, accrued liabilities, operating lease liabilities, derivatives, notes payable, acquisition consideration of assets and liabilities. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

Level 3 – inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

There have been no transfers between fair value levels during the years.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of June 30, 2021 and December 31, 2020 is the carrying values of cash and cash equivalents, accounts receivable, due from related party. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As of June 30, 2021 and December 31, 2020, cash generated from ongoing operations was not sufficient to fund operations and growth strategy as discussed above in "Liquidity and Capital Resources".

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial liabilities have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's investments are susceptible to price risk arising from uncertainties about their future outlook, future values and the impact of market conditions. The fair value of investments held in privately-held entities are based on a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Shares Outstanding

As of the date of this MD&A, the Company had 4,754,979 Multiple Voting Shares, 22,860,947 Subordinate Voting Shares, 27,290,154 Exchangeable Shares issued and outstanding. In addition, the Company had an aggregate of 33,417,748 warrants issued and outstanding. Additionally, as of the date of this MD&A, the Company has 2,055,543 stock options and 3,610,642 restricted stock units issued and outstanding.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Forward looking statements include, but are not limited to: statements concerning the completion of, and matters relating to, the various proposed transactions discussed by the Company herein and the expected timing related thereto; the expected operations, financial results and condition of the Company; general economic trends; the regulatory and legal environment relating to cannabis in the United States; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; expectations of market size and growth in the United States and the States the Company operates; cannabis cultivation, production and extraction capacity estimates and projections; additional funding requirements; statements based on the Company’s Q2 2021 financial statements; the Company’s future objectives and strategies to achieve those objectives; the Company’s estimated cash flow, capitalization and adequacy thereof; and other statements with respect to management’s beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

The material assumptions used to develop such forward-looking statements, include, without limitation: the anticipated completion of the acquisition of the Greenhouse Option; the completion of the anticipated merger of the Company with certain subsidiary entities of Element 7 and that Element 7 will be successful in applying for the licenses; the anticipated receipt of any required regulatory approvals and consents; the expectation that no event, change or other circumstance will occur that could give rise to the termination of definitive agreements entered into or to be entered into in connection with the transactions discussed herein; that no unforeseen changes in the legislative and operating frameworks for the Company will occur; that the Company will meet its future objectives and priorities; that the Company will have access to adequate capital to fund its future projects and plans; that the Company’s future projects and plans will proceed as anticipated; that there will be no material adverse changes in the U.S. legal and regulatory environment relating to cannabis, customer growth, pricing, usage; data based on good faith estimates that are derived from management’s knowledge of the industry and other independent sources; and assumptions concerning general economic and industry growth rates, commodity prices, currency exchange and interest rates and competitive intensity.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond the Corporation’s ability to predict or control. Factors that could cause such differences include, but are not limited to: cannabis is a controlled substance under applicable legislation; the enforcement of cannabis laws could change; differing regulatory requirements across State jurisdictions may hinder economies of scale; legal, regulatory or other political change; the unpredictable nature of the cannabis industry; regulatory scrutiny; the impact of regulatory scrutiny on the ability to raise capital; anti-money laundering laws and regulations; any reclassification of cannabis or changes in U.S. controlled substances and regulations; restrictions on the availability of favorable locations; enforceability of contracts; general regulatory and licensing risks; California regulatory regime and transfer and grant of licenses; limitations on ownership of licenses; regulatory action from the Food and Drug Administration; competition; ability to attract and retain customers; unfavorable publicity or consumer perception; results of future clinical research and/or controversy surrounding vaporizers and vaporizer products; limited market data and difficulty to forecast; constraints on marketing products; effects of the COVID-19 pandemic; execution of the Company’s business strategy; reliance on management; the Greenhouse Option Acquisition and/or Element 7 Merger may not be completed or, if completed, may not be successful; ability to establish and maintain effective internal control over financial reporting; competition from synthetic production and technological advances; fraudulent or illegal activity by employees, contractors and consultants; product liability and recalls; risks related to product development and identifying markets for sale; dependence on suppliers, manufacturers,

and contractors; reliance on inputs; reliance on equipment and skilled labor; service providers; litigation; intellectual property risks; information technology systems, cyber-attacks, security, and privacy breaches; bonding and insurance coverage; transportation; energy costs; risks inherent in an agricultural business; management of growth; risks of leverage; future acquisitions or dispositions; difficulty attracting and retaining personnel; and past performance not being indicative of future results.

Readers are cautioned that the factors outlined herein are not an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation's actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether because of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.



GLASS HOUSE BRANDS

**GLASS HOUSE BRANDS INC.
(FORMERLY MERCER PARK BRAND ACQUISITION
CORP.)**

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF
JUNE 30, 2021 AND DECEMBER 31, 2020
AND FOR THE THREE AND SIX MONTHS ENDED JUNE
30, 2021 AND 2020**

**GLASS HOUSE BRANDS INC.
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**GLASS HOUSE BRANDS INC.
Condensed Consolidated Balance Sheets
As of June 30, 2021 and December 31, 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)**

ASSETS	2021	2020
	Unaudited	
Current Assets:		
Cash	\$ 134,280,335	\$ 4,535,251
Accounts Receivable, Net	2,521,596	5,141,021
Prepaid Expenses and Other Current Assets	5,626,287	1,922,746
Inventory	11,570,396	6,866,002
Total Current Assets	153,998,614	18,465,020
Operating Lease Right-of-Use Assets, Net	2,653,225	2,532,629

Investments	8,614,572	10,701,868
Property, Plant and Equipment, Net	28,200,270	27,192,027
Intangible Assets, Net	4,960,333	5,279,000
Goodwill	4,918,823	4,815,999
Other Assets	124,480	554,266
TOTAL ASSETS	\$ 203,470,317	\$ 69,540,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 19,601,860	\$ 11,310,718
Contingent Earnout Liability	7,640,334	-
Shares Payable	2,756,830	-
Derivative Liabilities	-	7,365,000
Current Portion of Operating Lease Liabilities	197,601	327,329
Current Portion of Notes Payable	34,950	601,187
Total Current Liabilities	30,231,575	19,604,234
Operating Lease Liabilities, Net of Current Portion	2,494,028	2,318,852
Other Non-Current Liabilities	1,246,669	849,358
Deferred Tax Liabilities	1,143,327	1,420,583
Notes Payable, Net of Current Portion	216,993	15,368,892
Notes Payable, Net of Current Portion - Related Parties	-	3,703,966
TOTAL LIABILITIES	35,332,592	43,265,885
SHAREHOLDERS' EQUITY:		
Subordinate Voting Shares (No Par value, Unlimited shares authorized, 22,860,947 and 0 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively)	-	-
Exchangable Shares (No Par value, Unlimited shares authorized, 27,109,689 and 23,191,563 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively)	-	-
Additional Paid-In Capital	202,667,717	42,934,402
Accumulated Deficit	(34,529,992)	(16,659,478)
TOTAL SHAREHOLDERS' EQUITY	168,137,725	26,274,924
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 203,470,317	\$ 69,540,809

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

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GLASS HOUSE BRANDS, INC.
Unaudited Condensed Interim Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Revenues, Net	\$ 18,674,277	\$ 11,562,723	\$ 33,914,558	\$ 18,012,050
Cost of Goods Sold	10,079,539	6,029,804	19,877,824	11,015,647
Gross Profit	8,594,738	5,532,919	14,036,734	6,996,403
Operating Expenses:				
General and Administrative	5,886,655	4,608,802	11,722,386	8,716,660
Sales and Marketing	1,006,747	427,164	1,495,282	781,589
Professional Fees	1,951,450	502,520	5,304,201	1,147,566
Depreciation and Amortization	738,402	617,114	1,462,856	1,148,519
Total Operating Expenses	9,583,254	6,155,600	19,984,725	11,794,334
Loss from Operations	(988,516)	(622,681)	(5,947,991)	(4,797,931)
Other Expense (Income):				
Interest Expense	1,171,282	491,216	2,181,710	854,285
Interest Income	(16,136)	(64,492)	(32,222)	(162,833)
Loss on Investments	285,646	55,711	284,258	74,908
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(154,000)	807,289	(825,000)	936,988
Loss on Disposition of Subsidiary	-	-	6,090,339	-
Loss on Extinguishment of Debt	-	389,056	-	389,056
Other Income, Net	(46,538)	(12,956)	(40,514)	(27,769)
Total Other Expense, Net	1,240,254	1,665,824	7,658,571	2,064,635
Loss from Operations Before Provision for Income Tax Expense	(2,228,770)	(2,288,505)	(13,606,562)	(6,862,566)
Provision for Income Tax Expense	2,487,951	1,366,110	4,263,952	1,932,703
Net Loss	\$ (4,716,721)	\$ (3,654,615)	\$ (17,870,514)	\$ (8,795,269)
Loss Per Share - Basic and Diluted	\$ (0.19)	\$ (0.16)	\$ (0.74)	\$ (0.46)
Weighted-Average Shares Outstanding - Basic and Diluted	24,262,497	23,191,563	24,117,056	19,307,717

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

GLASS HOUSE BRANDS INC.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	\$ Amount	Units	Units	Units	Units	\$		\$		Additional Paid-In Capital	Accumulated Deficit	TOTAL EQUITY		
						Class A Common Shares	Class B Common Shares	Class B Common Shares	Class B Common Shares			ATTRIBUTABLE TO SHAREHOLDERS'	Non-Controlling Interest	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS OF DECEMBER 31, 2019	\$ 35,047,515	-	-	-	-	-	-	-	-	-	-	\$ 35,047,515	\$ 3,554,731	\$ 38,602,246.00
Retroactive Application of Recapitalization (1)	(35,047,515)	-	-	22,388,322	-	-	-	-	38,602,246	-	-	3,554,731	(3,554,731)	-
Balance at December 31, 2019, After Effect of Retroactive Application of Recapitalization (1)	-	-	-	22,388,322	-	-	-	-	38,602,246	-	-	38,602,246	-	38,602,246
Net Loss	-	-	-	-	-	-	-	-	-	-	(8,795,269)	-	-	(8,795,269)
Distributions (1)	-	-	-	-	-	-	-	-	(24,574)	-	-	(24,574)	-	(24,574)
Share based compensation from Options	-	-	-	-	-	-	-	-	1,317,812	-	-	1,317,812	-	1,317,812
Issuance for Business Acquisition (1)	-	-	-	1,004,676	-	-	-	-	3,095,642	-	-	3,095,642	-	3,095,642
Cancellation of Shares for Issuance of Convertible Debt (1)	-	-	-	(201,435)	-	-	-	-	(1,750,000)	-	-	(1,750,000)	-	(1,750,000)
BALANCE AS OF JUNE 30, 2020	\$ -	-	-	23,191,563	-	-	-	-	41,241,126	-	(8,795,269)	32,445,857	-	32,445,857
BALANCE AS OF DECEMBER 31, 2020 As previously Reported	\$ -	-	-	-	205,900,164	2,059	32,295,270	323	\$ 42,932,020	\$ (16,659,478)	\$ -	26,274,924	\$ -	\$ 26,274,924
Retroactive Application of Recapitalization (1)	-	-	-	23,191,563	(205,900,164)	(2,059)	(32,295,270)	(323)	2,382	-	-	-	-	-
Balance at December 31, 2020, After Effect of Retroactive Application of Recapitalization (1)	-	-	-	23,191,563	-	-	-	-	42,934,402	(16,659,478)	-	26,274,924	-	26,274,924
Net Loss	-	-	-	-	-	-	-	-	-	-	(17,870,514)	(17,870,514)	-	(17,870,514)
Share-Based Compensation from Options and RSU's	-	-	-	-	-	-	-	-	2,205,524	-	-	2,205,524	-	2,205,524
Share-Based Compensation from Common Shares (1)	-	-	-	48,682	-	-	-	-	225,000	-	-	225,000	-	225,000
Issuance for Business Acquisition (1)	-	-	-	731,369	-	-	-	-	3,380,278	-	-	3,380,278	-	3,380,278
Issuance for Conversion of Convertible Debt (1)	-	-	-	646,096	-	-	-	-	1,925,000	-	-	1,925,000	-	1,925,000
Preferred Shares of Subsidiary Issued for Conversion of Debt (1)	-	-	-	-	-	-	-	-	31,288,392	-	-	31,288,392	-	31,288,392
Derivative Liability Reclassified to Equity Upon Conversion of Debt	-	-	-	-	-	-	-	-	6,722,000	-	-	6,722,000	-	6,722,000
Issuance for Conversion of Preferred Shares (1)	-	-	-	2,512,295	-	-	-	-	-	-	-	-	-	-
Issuance for Exercise of Warrants (1)	-	-	-	160,149	-	-	-	-	-	-	-	-	-	-
Issuance for Exercise of Options	-	-	-	525,039	-	-	-	-	88,654	-	-	88,654	-	88,654
Reclass to Share Payable	-	-	-	-	-	-	-	-	(2,756,830)	-	-	(2,756,830)	-	(2,756,830)
Shares issued in Business Combination for Cash	-	4,754,979	22,335,908	-	-	-	-	-	116,675,330	-	-	116,675,330	-	116,675,330
Distributions	-	-	-	-	-	-	-	-	(20,033)	-	-	(20,033)	-	(20,033)
BALANCE AS OF JUNE 30, 2021	\$ -	4,754,979	22,860,947	27,290,154	-	-	-	-	202,667,717	(34,529,992)	-	168,137,725	-	168,137,725

(1) Amounts shown have been retroactively restated to give effect to the recapitalization transaction at a rate of 1 to 10.27078 GH Group Share.

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

GLASS HOUSE BRANDS INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2021 and 2020
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (17,870,514)	\$ (8,795,269)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Deferred Tax (Recovery) Expense	(277,247)	200,643
Interest Capitalized to Notes Payable	1,426,933	136,037
Interest Income Capitalized to Principal Balance	(32,085)	(61,789)
Depreciation and Amortization	1,462,856	1,148,519
Loss on Investments	284,258	74,908
Loss on Disposition of Subsidiary	6,070,902	-
Loss on Extinguishment of Debt	-	389,056
Non-Cash Operating Lease Costs	314,699	494,480
Accretion of Debt Discount and Loan Origination Fees	760,226	351,428
(Gain) Loss on Change in Fair Value of Derivative Liabilities	(825,000)	936,988
Share-Based Compensation	2,430,524	1,317,812
Changes in Operating Assets and Liabilities:		
Accounts Receivable	2,598,358	(963,549)
Prepaid Expenses and Other Current Assets	(2,022,671)	(570,329)
Inventory	(4,361,105)	(1,297,146)
Other Assets	334,367	(110,278)
Accounts Payable and Accrued Liabilities	3,622,009	315,675
Cash Payments - Operating Lease Liabilities	(314,676)	(420,329)
Income Taxes Payable	4,057,559	1,560,934
Other Non-Current Liabilities	397,311	124,857
NET CASH USED IN OPERATING ACTIVITIES	(1,943,296)	(5,167,352)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(1,742,031)	(2,445,851)
Issuance of Note Receivable	-	(1,140,000)
Purchase of Investments	(472,500)	(2,162,066)
Distributions Received from Equity Method Investments	230,229	131,660

Cash Paid for Business Acquisition, Net of Cash and Cash Equivalents Acquired	(284,028)	(81,522)
NET CASH USED IN INVESTING ACTIVITIES	(2,268,330)	(5,697,779)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the Issuance of Notes Payable, Third Parties and Related Parties	10,512,820	11,076,042
Payments on Notes Payable, Third Parties and Related Parties	(940,395)	(166,588)
Cash Received upon Issuance of Equity	124,404,318	-
Distributions - Controlling and Non-Controlling Interest	(20,033)	(24,574)
NET CASH PROVIDED BY FINANCING ACTIVITIES	133,956,710	10,884,880
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,745,084	19,749
Cash and Cash Equivalents, Beginning of Period	4,535,251	2,631,886
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 134,280,335	\$ 2,651,635

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

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GLASS HOUSE BRANDS INC.

**Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2021 and 2020**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2021	2020
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 174,374	\$ 148,875
Cash Paid for Taxes	\$ 35,829	\$ 10,200
Non-Cash Investing and Financing Activities:		
Net Assets Acquired From an Acquisition, Excluding Cash Acquired	\$ 5,709,615	\$ 7,902,973
Proceeds Deposited Into Escrow Account	\$ 2,029,932	\$ -
Purchase of Property and Equipment from Proceeds of Note Payable, Third Parties	\$ 255,757	\$ -
Conversion of Convertible Debt and Derivative Liability to Equity	\$ 39,935,392	\$ -
Cancellation of Shares for Issuance of Convertible Debt	\$ -	\$ 1,750,000
Recognition of Right-of-Use Assets for Operating Leases	\$ 1,160,730	\$ 1,182,942
Acquisition of Non-Controlling Interest Upon Roll - Up	\$ -	\$ 3,554,731
Derivative Liability Incurred Upon Issuance of Convertible Debt	\$ 182,000	\$ 4,959,337
Shares Payable to Vested Option Holders	\$ 2,756,830	\$ -
Contingent Earnout Recorded as a liability	\$ 7,640,334	\$ -

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

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GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

1. NATURE OF OPERATIONS

Glass House Brands Inc. (the "Company"), formerly known as Mercer Park Brand Acquisition Corp., was incorporated under the Business Corporations Act (British Columbia) on April 16, 2019. The Company is a vertically integrated cannabis company that operates in the state of California. The Company cultivates, manufactures, and distributes cannabis consumer packaged goods primarily to third-party retail stores in the state of California. The Company also owns and operates retail cannabis stores in the state of California. The Company's Subordinate Voting Equity Shares and Warrants are listed on the Aequitas NEO exchange, trading under the symbol "GLAS.A.U" and "GLAS.WT.U". The head office and principal address of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The Company's registered recorded office is 666 Burrard Street, Suite 1700 Park Place, Vancouver, British Columbia Canada V6C 2X8.

On January 31, 2020, pursuant to an Agreement and Plan of Merger (and various Securities Exchange Agreements) (the "Roll-Up Agreements"), a roll-up transaction ("Roll-up") was consummated whereby the assets and liabilities of a combined group of investment fund entities were merged with and into GH Group, Inc., formerly known as California Cannabis Enterprises, Inc. ("GH Group"), whereby GH Group now owns and controls the assets from such entities previously merged into GH Group.

Reverse recapitalization

On June 29, 2021, Mercer Park Brand Acquisition Corp. consummated its qualifying transaction (the "Business Combination") contemplated by an Agreement and Plan of Merger dated as of April 8, 2021, as amended, pursuant to which Mercer Park Brand Acquisition Corp. acquired indirectly 100% of the common equity interests of GH Group, i.e., the Class A and Class B common shares outstanding as well as assuming all outstanding warrants and incentive stock options of GH Group. As a result of the Business Combination, GH Group's shareholders became the controlling shareholders of the Company. The Business Combination was effectuated by a reverse merger of a merger subsidiary of the Company's subsidiary with GH Group, with GH Group as the surviving corporation and a majority-owned subsidiary of the Company's subsidiary. GH Group is considered the acquirer for accounting and financial reporting purposes and the Business Combination is treated as a recapitalization of GH Group. Concurrent with the closing of the Business Combination, Mercer Park Brand Acquisition Corp. changed its name to Glass House Brands Inc.

Upon closing of the Business Combination, the Company indirectly acquired all of the issued and outstanding securities of GH Group with the exception of GH Group's Preferred Shares resulting in an aggregate of 50,151,101 Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) of the Company issued and outstanding. The Company also issued 4,754,979 Multiple Voting Shares to certain founders of GH Group. In addition, 28,489,500 of the warrants previously issued and outstanding from Mercer Park Brand Acquisition Corp. were assumed and remain outstanding. Of the 50,151,101 Subordinate Voting Shares and (including Exchangeable Shares on an as-exchanged basis) issued and outstanding from the Business Combination, 731,360 Exchangeable shares are held in escrow pending any working capital adjustments. Additionally, 1,008,975 Subordinate Voting Shares related to the sponsors of Mercer Park Brand Acquisition Corp. were locked up by the Company. These shares are to be released from the lockup restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. As of June 30, 2020, the Company released 392,819 Subordinate Voting Shares that were originally subject to lock up restrictions. Additional earnout payments consisting of up to an additional 6,306,095 of the Company's Subordinate Voting shares are issuable to the sponsors of Mercer Park Brand Acquisition Corp. and all holders of record of the Company's Subordinate Voting Shares, the Company subsidiary's Exchangeable Shares, vested stock options and vested RSUs as of June 29, 2021 if the Company's Subordinate Voting Shares meet certain share price targets through June 2023. In the event that the cash raised by Company and Subordinate Voting share price targets are not met, the earnout payments will be forfeited.

GH Group, Inc. was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification ("ASC") 805. This determination was primarily based on GH Group's stockholders prior to the Business Combination having a majority of the voting interests in the Company following the closing of the Business Combination, GH Group's operations comprising the ongoing operations of the Company, GH Group's designees comprising a majority of the board of directors of Company, and GH Group's senior management comprising the senior management of the Company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of GH Group issuing stock for the net assets of Mercer Park Brand Acquisition Corp., accompanied by a recapitalization. The net assets of Mercer Park Brand Acquisition Corp. are stated at historical cost, with no goodwill or other intangible assets recorded.

While Mercer Park Brand Acquisition Corp. was the legal acquirer in the Business Combination, because GH Group was deemed the accounting acquirer, the historical financial statements of GH Group became the historical financial statements of the Company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of GH Group prior to the Business Combination; (ii) the combined results of the Company and GH Group following the closing of the Business Combination; (iii) the assets and liabilities of GH Group at their historical cost; and (iv) the Company's equity structure before and after the Business Combination.

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

1. NATURE OF OPERATIONS *(Continued)*

In accordance with applicable guidance, the equity structure of the Company has been restated in all comparative periods to reflect the number of Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) issued to GH Group's shareholders in connection with the Business Combination on the statement of changes in shareholders equity and the footnotes to the consolidated financial statements. As such, the shares and corresponding capital amounts and earnings per share related to GH Group, Inc.'s Class A and B common shares prior to the Business Combination have been retroactively restated as shares reflecting an exchange ratio of 10.27078 shares established in the Business Combination Agreement.

COVID-19

In March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus, COVID-19. The pandemic is having an unprecedented impact on the U.S. economy as federal, state and local governments react to this public health crisis, which has created significant uncertainties. The Company is unable to currently quantify the economic effect, if any, on the Company's results of operations.

These developments could have a material adverse impact on the Company's revenues, results of operations and cash flows. This situation is rapidly changing and additional impacts to the Company's business may arise that the Company is not aware of currently. The ultimate magnitude and duration of COVID-19, including the extent of its overall impact on the Company's results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and critical estimates applied by the Company in these Unaudited Condensed Interim Consolidated Financial Statements are the same as those applied in the Company's audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2020 which can be found on Mercer Park Brand Acquisition Final Long form Prospectus filed on Sedar.com on May 7, 2021, unless otherwise disclosed in these accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2021.

Basis of Preparation

The accompanying Unaudited Condensed Interim 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") for interim financial information. The Unaudited Condensed Interim Consolidated Financial Statements include the accounts and operations of the Company and those of the Company's subsidiaries in which the Company has a controlling financial interest, 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 30, 2021 and December 31, 2020, the consolidated results of operations for the three and six months ended June 30, 2021 and 2020, and cash flows for the six months ended June 30, 2021 and 2020 have been included.

The accompanying Unaudited Condensed Interim Consolidated Financial Statements do not include all of the information required for full annual financial statements. Accordingly, certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with GAAP, have been condensed or omitted. The financial data presented herein should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, and the related notes thereto, and have been prepared using the same accounting policies described therein.

Basis of Consolidation

These Unaudited Condensed Interim Consolidated Financial Statements as of June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and 2020 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in ASC 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 fifty percent of the outstanding voting securities of another entity. In assessing control, potential voting rights that are currently exercisable are considered.

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Functional Currency

The Company and its subsidiaries' functional currency, as determined by management, is the United States ("U.S.") dollar. These Unaudited Condensed Interim Consolidated Financial Statements are presented in U.S. dollars as this is the primary economic environment of the group.

Loss per Share

The Company calculates basic loss per share by dividing net loss by the weighted-average number of Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) outstanding during the period. Diluted loss per share is determined by adjusting profit or loss attributable to Company shareholders and the weighted-average number of Subordinate Voting Shares (including Exchangeable Shares on an as-exchanged basis) outstanding, for the effects of all dilutive potential Subordinate Voting Shares, the Company takes into account all convertible debentures, warrants and stock options issued.

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 intra-period 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 January 1, 2021. The adoption of the standard did not have a material impact on the Company's Unaudited Condensed Interim 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. The Company adopted ASU 2020-01 on January 1, 2021. The adoption of the standard did not have a material impact on the Company's Unaudited Condensed Interim Consolidated Financial Statements.

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", 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 early adopted ASU 2020-06 on January 1, 2021. The adoption of the standard did not have a material impact on the Company's Unaudited Condensed Interim Consolidated Financial Statements.

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash at its physical locations, which are not currently insured and 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. As of June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and 2020, the Company has not experienced any losses with regards to its cash balances.

The Company provides credit in the normal course of business to customers located throughout California. 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 one (2021) and two (2020) customers for the three months ended June 30, 2021 and 2020 that comprised 27% and 37%, respectively, of the Company's revenues. There were one (2021) and two (2020) customers for the six months ended June 30, 2021 and 2020 that comprised 28% and 34%, respectively, of the Company's revenues. As of June 30, 2021, one of these customers had a balance due to the Company of \$1,676,083. As of December 31, 2020, there were two customers that comprised 37% of the Company's revenues, these customers had balances due the Company \$4,053,718.

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

4. INVENTORY

As of June 30, 2021 and December 31, 2020, inventory consists of the following:

2021 **2020**

Raw Materials	\$ 3,897,025	\$ 4,109,434
Work-in-Process	5,463,099	1,793,094
Finished Goods	2,210,272	963,474
Total Inventory	\$ 11,570,396	\$ 6,866,002

5. INVESTMENTS

The Company has various investments in entities in which it holds a significant but non-controlling interest through voting equity or through representation on the entities' board of directors or equivalent governing bodies. Accordingly, the Company was deemed to have significant influence resulting in equity method accounting.

As of June 30, 2021, activity related to investments consist of the following:

	LOB Group, Inc.	NRO Management, LLC	SoCal Hemp JV, LLC	ICANN, LLC	5042 Venice, LLC	Lompoc TIC, LLC	TOTAL
Fair Value as of December 31, 2020	\$ 2,809,412	\$ 2,336,713	\$ 1,058,778	\$ 2,045,309	\$ 2,222,695	\$ 228,961	\$ 10,701,868
Additions	-	-	472,500	-	-	-	472,500
Distributions	-	-	-	-	(133,329)	(96,900)	(230,229)
Reclass of Investment for Acquisition	-	-	-	(2,045,309)	-	-	(2,045,309)
Income (Loss) on Equity Method Investments	64,389	(83,700)	(445,266)	-	121,740	58,579	(284,258)
Fair Value as of June 30, 2021	\$ 2,873,801	\$ 2,253,013	\$ 1,086,012	\$ -	\$ 2,211,106	\$ 190,638	\$ 8,614,572

During the three and six months ended June 30, 2021, the Company recorded net losses from equity method investments of \$285,646 and \$284,258, respectively. During the three and six months ended June 30, 2020, the Company recorded net losses from equity method investments of \$55,711 and \$74,908, respectively. These investments are recorded at the amount of the Company's investment and as adjusted for the Company's share of the investee's income or loss, and dividends paid.

6. PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2021 and December 31, 2020, property, plant and equipment consist of the following:

	2021	2020
Land	\$ 8,966,874	\$ 8,966,874
Buildings	11,211,573	11,211,573
Furniture and Fixtures	327,652	44,519
Leasehold Improvements	8,564,744	7,475,295
Equipment and Software	5,004,533	4,502,869
Construction in Progress	571,600	315,306
Total Property, Plant and Equipment	34,646,976	32,516,436
Less Accumulated Depreciation	(6,446,706)	(5,324,409)
Property, Plant and Equipment, Net	\$ 28,200,270	\$ 27,192,027

For the three months ended June 30, 2021 and 2020, the Company recorded depreciation expense of \$698,902 and \$547,814, respectively. For the six months ended June 30, 2021 and 2020, the Company recorded depreciation expense of \$1,371,689 and \$1,061,186, respectively.

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GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

7. DISPOSITION OF SUBSIDIARY

On March 3, 2021, the Company entered into an agreement to assign all of its membership interests in Field Investment Co., LLC ("Field Investment Co."), a subsidiary and Field Investment Co.'s subsidiaries Field Taste Matters, Inc., ATEs Enterprises, LLC, and Zero One Seven Management, LLC for de minimis consideration to an unrelated party. On the same day, the Company immediately divested itself of Field Investment Co. and recognized a loss on disposition of a subsidiary in the amount of \$6,070,902.

The subsidiary disposed of does not qualify as a discontinued operation in accordance with ASC 205, "Discontinued Operations".

The net assets of the subsidiary that was disposed of consists of the following:

ASSETS:	
Accounts Receivable, Net	\$ 21,067
Prepaid Expenses and Other Current Assets	411,219
Operating Lease Right-of-Use Assets, Net	976,417
Property, Plant and Equipment, Net	310,501
Intangible Assets, Net	3,727,500
Goodwill	2,095,918
Other Assets	95,419
TOTAL ASSETS	\$7,638,041

LIABILITIES:

Accounts Payable and Accrued Liabilities	\$ 473,500
Operating Lease Liabilities	1,051,588
Notes Payable	42,051
TOTAL LIABILITIES	<u>\$1,567,139</u>
NET ASSETS DISPOSED	<u>\$6,070,902</u>

8. BUSINESS ACQUISITIONS

On January 1, 2021, the Company completed an acquisition of 100% of the equity interests of iCANN, LLC dba Pharmacy Berkeley (“iCANN”) a licensed retail cannabis company located in Berkeley, California. Pursuant to the terms of the merger agreement between a subsidiary of the Company and iCANN, the following occurred: (i) the Company elected to convert an earlier issued convertible note with an unpaid principal amount of \$2,000,000 and accrued interest of \$45,309 into equity interests of iCANN; (ii) the Company paid \$400,000 in cash to four founder-holders of iCANN equity interests; (iii) the Company issued 731,369 Exchangeable Shares to holders of iCANN equity interests; and (iv) \$42,956 in cash to the remaining holders of iCANN equity interests who were not accredited investors. In addition, the Company granted 48,682 Exchangeable Shares to various consultants as a finder’s fee. During the six months ended June 30, 2021, the Company recorded \$225,000 in share-based compensation associated with grants to founder-holders.

The purchase price allocations for the business acquisition, as set forth in the table below, reflect various preliminary fair value estimates and analyses that are subject to change within the measurement period as valuations are finalized. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair values of certain tangible assets, the valuation of intangible assets acquired and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company’s consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected. All the acquisitions noted below were accounted for in accordance with ASC 805, “Business Combinations”.

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GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements (Amounts Expressed in United States Dollars Unless Otherwise Stated)

8. BUSINESS ACQUISITIONS (Continued)

Preliminary allocation of purchase price of business acquisitions completed during the six months ended June 30, 2021 are as follows:

Total Consideration	
Cash	\$ 442,956
Equity Investment Converted	2,045,309
Fair Value of Equity Issued	3,380,278
Total Consideration	<u>\$ 5,868,543</u>
Net Assets Acquired (Liabilities Assumed)	
Current Assets	\$ 562,221
Operating Right-of-Use Asset	1,160,730
Property, Plant and Equipment	692,645
Deferred Tax Assets, Net	(209,466)
Current Liabilities Assumed	(922,745)
Long-Term Liabilities Assumed	(1,113,584)
Intangible Assets:	
Intellectual Property	600,000
Dispensary License	2,900,000
Total Intangible Assets	3,500,000
Total Identifiable Net Assets Acquired (Net Liabilities Assumed)	3,669,801
Goodwill ⁽¹⁾	2,198,742
Total Net Assets Acquired	<u>\$ 5,868,543</u>
Pro Forma Revenues ⁽²⁾	n/a
Pro Forma Net Loss ⁽²⁾	n/a

(1) Goodwill arising from acquisitions represent expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. Generally, goodwill related to dispensaries acquired within a state adds to the footprint of the Company’s dispensaries within the state, giving the Company’s customers more access to the Company’s branded stores. Goodwill related to cultivation and wholesale acquisitions provide for lower costs and synergies of the Company’s growing and wholesale distribution methods which allow for overall lower costs.

(2) As the acquisition was completed on January 1, 2021, no pro forma information is required.

9. INTANGIBLE ASSETS

As of June 30, 2021 and December 31, 2020, intangible assets consist of the following:

	2021	2020
Definite Lived Intangible Assets		
Intellectual Property	\$ 790,000	\$ 940,000
Total Definite Lived Intangible Assets	790,000	940,000

Less Accumulated Amortization	(129,667)	(201,000)
Definite Lived Intangible Assets, Net	660,333	739,000
Indefinite Lived Intangible Assets		
Cannabis Licenses	4,300,000	4,540,000
Total Indefinite Lived Intangible Assets	4,300,000	4,540,000
Total Intangible Assets, Net	\$ 4,960,333	\$ 5,279,000

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

9. INTANGIBLE ASSETS (Continued)

For the three months ended June 30, 2021 and 2020, the Company recorded amortization expense related to intangible assets of \$39,500 and \$50,500, respectively. For the six months ended June 30, 2021 and 2020, the Company recorded amortization expense related to intangible assets of \$91,167 and \$87,333, respectively.

The following is the future minimum amortization expense to be recognized for the years ended December 31:

December 31:	
2021 (remaining)	\$ 79,000
2022	158,000
2023	158,000
2024	145,333
2025	120,000
Total Future Amortization Expense	<u>\$ 660,333</u>

10. GOODWILL

As of June 30, 2021 and December 31, 2020, goodwill was \$4,918,823 and \$4,815,999, respectively. See "Note 7 – Disposition of Subsidiary" and "Note 8 – Business Acquisitions" for further information.

Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. Goodwill arises when the purchase price for acquired businesses exceeds 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 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 fiscal year.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2021 and December 31, 2020, accounts payable and accrued liabilities consist of the following:

	2021	2020
Accounts Payable	\$ 5,433,238	\$ 2,583,910
Accrued Liabilities	2,019,448	1,082,980
Accrued Payroll and Related Liabilities	1,316,358	1,724,921
Income Taxes Payable	9,007,037	4,740,003
Sales Tax and Cannabis Taxes	1,825,779	1,178,904
Total Accounts Payable and Accrued Liabilities	<u>\$ 19,601,860</u>	<u>\$ 11,310,718</u>

The Company offers a customer loyalty rewards program that allows members to earn discounts on future purchases. Unused discounts earned by loyalty rewards program members are included in accrued liabilities and recorded as a sales discount at the time a qualifying purchase is made. The value of points accrued as of June 30, 2021 and December 31, 2020 was approximately \$483,000 and \$1,007,000, respectively.

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

12. DERIVATIVE LIABILITIES

During the six months ended June 30, 2021 and the year ended December 31, 2020, the Company issued convertible debt to third parties and related parties, see Note 14 and Note 15, respectively. Upon the analysis of the conversion feature of the convertible debt under ASC 815, the Company determined that the conversion features are to be accounted as derivative liabilities. The Company valued the conversion feature using the Binomial Lattice Model using the following level 3 inputs:

	2021*	2020
Weighted-Average Risk Free Annual Rate	0.25%	0.82%
Weighted-Average Average Probability at Maturity	0.00%	0.31%
Weighted-Average Average Probability Before Maturity	100.00%	59.00%

Weighted-Average Average Probability at Change of Control	0.00%	33.00%
Weighted-Average Expected Annual Dividend Yield	0.0%	9.0%
Weighted-Average Expected Stock Price Volatility	0.0%	70.9%
Weighted-Average Expected Life in Years	-	2.28

* represents inputs immediately prior to the conversion on June 29, 2021

A reconciliation of the beginning and ending balance of derivative liabilities and change in fair value of derivative liabilities as of June 30, 2021 and December 31, 2020 is as follows:

	2021	2020
Balance at Beginning of Period	\$ 7,365,000	\$ -
Derivative Liability Incurred Upon Issuance of Convertible Debt	182,000	7,113,337
Change in Fair Value	(825,000)	251,663
Reclassified to Equity Upon Conversion of Debt	(6,722,000)	-
Balance at End of Period	\$ -	\$ 7,365,000

Derivative liabilities are included in current liabilities as the holders of the convertible notes can convert at any time.

During the six months ended June 30, 2021, the Company converted all its convertible debt with derivative conversion features to Preferred Shares. As a result, the Company fair valued the derivative through the date of conversion. The remaining derivative balance was reclassified to shareholders equity upon conversion of the related convertible debt, see Note 14 and Note 15 for further information. Management views that conversions of debt with bifurcated conversion features that are deemed derivatives should accounted under the conversion accounting model. As a result of the conversion of debt and relief of the derivative conversion feature, the Company recognized no loss on extinguishment of debt or additional amortization of debt discount as the conversion of the debt was executed under the original terms of the agreement as required under ASC 470 "Debt".

13. LEASES

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 Unaudited Condensed Interim Consolidated Balance Sheets.

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. The Company classifies a lease as an operating lease when it does not meet any criteria of a finance lease as set forth by ASC 842.

ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Most operating leases contain renewal options that provide for rent increases based on prevailing market conditions. The Company has lease extension terms at its properties that have either been extended or are reasonably certain to be extended. The terms used to calculate the lease liabilities and ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise.

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GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

13. LEASES (Continued)

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. Leases with an initial term of 12 months or less are not recorded on the Unaudited Condensed Interim Consolidated Balance Sheets and are expensed in the Unaudited Condensed Interim Consolidated Statements of Operations on the straight-line basis over the lease term.

The below are the details of the lease cost and other disclosures regarding the Company's leases for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Operating Lease Cost	\$ 128,035	\$ 236,578	\$ 314,699	\$ 494,480
Short-Term Lease Costs	128,229	176,935	250,982	241,423
Total Lease Expenses	\$ 256,264	\$ 413,513	\$ 565,681	\$ 735,903
			Six Months Ended	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:			2021	2020
Operating Cash Flows from Operating Leases			\$ 314,676	\$ 420,329
Non-Cash Additions to Right-of-Use Assets and Lease Liabilities:				
Recognition of Right-of-Use Assets for Operating Leases			\$ 1,160,730	\$ 1,182,942

The weighted-average remaining lease term and discount rate related to the Company's operating lease liabilities as of June 30, 2021 were 8 years and 17.00%, respectively. The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes its secured borrowing rate. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. 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. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Future minimum operating lease payments under non-cancelable operating leases as of June 30, 2021 is as follows:

December 31:	Third Parties	Related Parties	Total
2021 (remaining)	\$ 120,000	\$ 194,968	\$ 314,968
2022	240,000	393,127	633,127
2023	240,000	396,783	636,783

2024	240,000	393,596	633,596
2025	240,000	320,004	560,004
Thereafter	1,220,000	880,011	2,100,011
Total Future Minimum Lease Payments	2,300,000	2,578,489	4,878,489
Less Imputed Interest	(1,152,221)	(1,034,639)	(2,186,860)
Total Amount Representing Present Value	1,147,779	1,543,850	2,691,629
Less Current Portion of Operating Lease Liabilities	(52,223)	(145,378)	(197,601)
Operating Lease Liabilities, Net of Current Portion	\$ 1,095,556	\$ 1,398,472	\$ 2,494,028

The Company leases certain business facilities from related parties and third parties under non-cancellable operating lease agreements that specify minimum rentals. The operating leases require monthly payments ranging from \$2,700 to \$27,000 and expire through September 2028. Certain lease monthly payments may escalate up to 5.0% each year. In such cases, the variability in lease payments are included within the current and noncurrent operating lease liabilities.

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
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14. NOTES PAYABLE

As of June 30, 2021 and December 31, 2020, notes payable consist of the following:

	2021	2020
Note payable maturing in June 2021, bearing interest at 7.00 percent per annum.	\$ - (i)	343,435
Note payable maturing in December 2020, bearing interest at 8.00 percent per annum.	-	212,821 (ii)
Convertible notes payable maturing in February 2023, bearing interest at 8.00 percent per annum.	-	20,790,514 (iii)
Funds raised for Series A Preferred Stock financing. Recorded as debt bearing interest at 15.00 percent per annum prior to close of financing.	-	- (iv)
Other - Vehicle Loans	251,943	44,931
Total Notes Payable	251,943	21,391,701
Less Unamortized Debt Issuance Costs and Loan Origination Fees	-	(5,421,622)
Net Amount	\$ 251,943	\$ 15,970,079
Less Current Portion of Notes Payable	(34,950)	(601,187)
Notes Payable, Net of Current Portion	\$ 216,993	\$ 15,368,892

- (i) During the year ended December 31, 2017, the Company issued debt to an unrelated third party for working capital needs in the amount of \$2,000,000. The debt matures in June 2021 and bears interest at 7.00 percent per year. The balance was fully paid during the six months ended June 30, 2021.
- (ii) During the year ended December 31, 2019, the Company issued debt to an unrelated third party for working capital needs in the amount of \$377,658. The debt matured in December 2020 and bears interest at 7.00 percent per year. The balance was fully paid during the six months ended June 30, 2021.
- (iii) On January 8, 2020, the board of directors approved approximately \$17,500,000 of private placement of Senior Convertible Notes. On January 4, 2021, the board of directors approved an increase of the Senior Convertible Notes offering to \$22,599,844. The Senior Convertible Notes are automatically converted in the event of a Qualified Equity Financing ("QEF") at the better of an 80% discount or a valuation cap of \$250,000,000 or may be optionally converted at the election of the holder. The Senior Convertible Notes bear cash interest at a rate of 4.00 percent per year paid quarterly and generally accrue interest at a rate of 4.30 percent per year. The Senior Convertible Note holders were issued a security interest in the stock and membership interests held by the Company in its subsidiaries. On June 29, 2021, all principal and accrued interest under the Senior Convertible Notes were converted to Preferred Shares. See Note 12 and 16 for further details on aggregate shares issued and amounts.
- (iv) In March 2021, the Company began to raise a Series A Preferred Stock Financing round of \$12,000,000. The Preferred Stock will carry an annual 15.0 percent cumulative dividend in year 1. During March 2021, the Company raised \$7,625,000 from unrelated third parties recorded as debt. On June 29, 2021, all principal and accrued interest of such debt was converted to Preferred Shares. See Note 12 and 16 for further details on aggregate shares issued and amounts.

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
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14. NOTES PAYABLE (Continued)

Scheduled maturities of notes payable are as follows:

December 31:	Principal Payments
2021 (remaining)	\$ 16,139
2022	38,171
2023	40,433
2024	42,830

2025	45,368
Thereafter	69,002
Total Future Minimum Principal Payments	\$ 251,943

15. NOTES PAYABLE – RELATED PARTIES

As of June 30, 2021 and December 31, 2020, notes payable from related parties consist of the following:

	2021		2020
Convertible notes payable maturing in February 2023, bearing interest at 8.00 percent per annum.	\$ -	(i)	\$ 2,049,037
Convertible note payable maturing in March 2023, bearing interest at 6.00 percent per annum.	-	(ii)	2,189,264
Total Notes Payable - Related Parties	-		4,238,301
Less Unamortized Debt Issuance Costs and Loan Origination Fees	-		(534,335)
Net Amount	\$ -		\$ 3,703,966
Less Current Portion of Notes Payable - Related Parties	-		-
Notes Payable, Net of Current Portion - Related Parties	\$ -		\$ 3,703,966

(i) On January 8, 2020, the board of directors approved approximately \$17,500,000 of private placement of Senior Convertible Notes. On January 4, 2021, the board of directors approved an increase of the Senior Convertible Notes offering to \$22,599,844. The Senior Convertible Notes are automatically converted in the event of a Qualified Equity Financing (“QEF”) at the better of an 80% discount or a valuation cap of \$250,000,000 or may be optionally converted at the election of the holder. The Senior Convertible Notes bear cash interest at a rate of 4% per year paid quarterly and generally accrue interest at a rate of 4.3% per year. The Senior Convertible Note holders were issued a security interest in the stock and membership interests held by the Company in its subsidiaries. On June 29, 2021, all principal and accrued interest under the Senior Convertible Notes were converted to Preferred Shares. See Note 12 and 16 for further details on aggregate shares issued and amounts.

(ii) During the year ended December 31, 2018, Magu Farm LLC (“Magu Farm”) issued approximately \$9,925,000 in secured promissory notes convertible into equity interests (collectively, the “Magu Farm Convertible Notes”) in Magu Investment Fund LLC (“Magu Investment Fund”) to certain lenders who are affiliates of shareholders of the Company (collectively, the “Magu Farm Lenders,” and individually, a “Magu Farm Lender”)

On October 7, 2019, Magu Farm and Magu Investment Fund notified each Magu Farm Lender of Magu Investment Fund’s intention to merge with and into the Company at the closing of the Roll-Up. Subsequent to such notification, effective as of October 7, 2019, each Magu Farm Lender other than Kings Bay Investment Company Ltd., a Cayman Islands company (“KBIC”), entered into a letter agreement pursuant to which such Magu Farm Lender, among other things, (a) converted its respective Magu Farm Convertible Note with an aggregate value of \$8,000,000 into equity interests in Magu Investment Fund and (b) agreed to terminate both the Co-Lending Agreement and its respective security interest as defined in the agreement. All accrued and unpaid interest were paid prior to conversion. Effective March 1, 2020, KBIC assigned its balance of its respective Magu Farm Convertible Note (the “Kings Bay Note”) to Kings Bay Capital Management Ltd., a Cayman Islands company (“KBCM”).

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GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

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15. NOTES PAYABLE - RELATED PARTIES (Continued)

Effective as of April 10, 2020, KBCM and the Company entered into an Assignment, Novation and Note Modification Agreement and a Security Agreement, pursuant to which, among other things, (a) the Company assumed all of Magu Farm LLC’s rights, duties, liabilities and obligations under the Kings Bay Note, (b) the Kings Bay Note was modified, among other things, such that KBCM has the right to convert the Kings Bay Note into Class A Common Stock at the same conversion price accorded to the other Magu Farm Lenders, and (c) the obligations under the Kings Bay Note were secured by a pledge of the securities of the Company’s subsidiaries but expressly subordinated to the holders of the Senior Convertible Notes. As a result of the modification, the Company recorded a loss on extinguishment of debt due to modification for approximately \$ 389,000 which is included as a component of other income, net in the accompanying Unaudited Condensed Interim Consolidated Statement of Operations. On June 29, 2021, all principal and accrued interest under the Kings Bay Note was converted to Preferred Shares, and the Kings Bay security interest was terminated by filing of a UCC-3 termination statement. See Note 16 for further details on shares issued and amount.

During the six months ended June 30, 2021, the Company issued a \$2,000,000 promissory note to Beach Front Properties, LLC. The debt matures in February 2023 and bears interest at 15.00 percent per year. On June 29, 2021, all principal and accrued interest under such promissory note was converted to Preferred Shares. See Note 12 and 16 for further details on aggregate shares issued and amounts.

In March 2021, the Company began to raise a Series A Preferred Stock Financing round of \$12,000,000. The Preferred Stock will carry an annual 15.00 percent cumulative dividend in year 1. During March 2021, the Company raised \$2,125,000 from certain parties recorded as debt. On June 29, 2021, all principal and accrued interest from such debt was converted to Preferred Shares. See Note 12 and 16 for further details on aggregate shares issued and amounts.

16. SHAREHOLDERS’ EQUITY

As of June 30, 2021, the authorized share capital of the Company is comprised of the following:

Authorized

Multiple Voting Shares

The Company is authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares will be entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share will be entitled to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends.

Subordinate Voting Shares

The Company is authorized to issue an unlimited number of Subordinate Voting Shares without nominal or par value. Holders of Subordinate Voting Shares will be entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). On all matters upon which holders of Subordinate Voting Shares are entitled to vote, each Subordinate Voting Share will be entitled to one vote per Subordinate Voting Share.

Holders of Subordinate Voting Shares will be entitled to receive dividends out of the assets available for the payment or distribution of dividends at such times and in such amount and form as the board of directors of the Company may from time to time determine.

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GLASS HOUSE BRANDS INC.
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16. SHAREHOLDERS' EQUITY (Continued)

Exchangeable Shares (MPB Acquisition Corp.)

Exchangeable Shares are shares issued by MPB Acquisition Corp., a wholly-owned subsidiary of the Company ("MPB"), and will entitle their holders to rights that are comparable to those rights attached to the Subordinate Voting Shares, except that (i) the Exchangeable Shares will have 1.1 votes per share (this will expire after one (1) year, after which they will have one vote per share), and (ii) the aggregate voting power of the Exchangeable Shares will not exceed 49.9% of the total voting power of all classes of shares of MPB. Until the Exchangeable Shares are exchanged for Subordinate Voting Shares, holders of Exchangeable Shares will not have the right to vote at meetings of the Company, though they will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares will be exchangeable at any time, on a one-for-one basis, for Subordinate Voting Shares, at the option of the holder.

The Company treats the Exchangeable Shares as options with a value equal to a share of Subordinate Voting Shares, which represents the holder's claim on the equity of the Company. In order to comply with certain contractual requirements of the RTO, the Company and MPB are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Subordinated Voting Shares of the Company. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Company as the holders of the Company's publicly traded Subordinated Voting Shares. The Company has presented these Exchangeable Shares as a part of shareholders' equity within these consolidated financial statements due to (i) the fact that they are economically equivalent to the Corporation's publicly traded Subordinated Voting Shares (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under US securities laws, but may dispose of the Exchangeable Shares without such restriction by exchanging them for Subordinate Voting Shares of the Company. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on earnings per share.

Preferred Shares (GH Group)

The authorized total number of Preferred Shares of GH Group is 50,000,000. As of June 30, 2019, there are 19,024,159 Preferred Shares issued and outstanding. Holders of Preferred Shares are entitled to notice of and to attend any meeting of the shareholders of GH Group but are not entitled to vote. The Preferred Shares do not carry any voting rights and include a 15% cumulative dividend rate, which is increased by 5% in the year following the first anniversary of the date of issuance. Dividends are payable when and if declared by the Board of Directors. The Preferred Shares have a conversion option to convert the Preferred Shares into Class A Common Stock of GH Group within 60 days after the issuance by the holder. In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of the Company, the holders of the Preferred Shares outstanding are entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment shall be made to the holders of Junior Securities an amount in cash equal to the aggregate Liquidation Value which is a) all Preferred Shares held, b) plus unpaid accrued and accumulated dividends on the Preferred Shares (declared or undeclared) c) divided by the fair market value of 1 Series A Common Stock at the conversion time. The Company has the right to redeem all or some of the Preferred Shares from a holder for an amount equal to the Liquidation Value and all unpaid accrued and accumulated dividends. Capitalized terms not defined in this paragraph shall have the meanings ascribed in GH Group's Certificate of Designation.

Transactions prior to the Business Combination through June 30, 2020 (GH Group)

On January 31, 2020, pursuant to the Roll-Up Agreements, the Roll-Up was consummated whereby the assets and liabilities of a combined group of companies were rolled into GH Group through a series of mergers whereby GH Group now owns and controls the interest of all the entities previously combined. As a result of the Roll-Up, GH Group issued to the investors of the combined entities 22,388,322 Exchangeable Shares to certain GH Group Founder parties.

On February 11, 2020, GH Group issued 1,004,676 Exchangeable Shares valued at \$3,095,642 related to an acquisition.

In February 2020, GH Group repurchased 201,435 Exchangeable Shares from an investor and issued as part of the Senior Convertible Notes in February 2020, \$1,750,000 Senior Convertible Notes. The shares repurchased were simultaneously cancelled.

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GLASS HOUSE BRANDS INC.
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16. SHAREHOLDERS' EQUITY (Continued)

Transactions prior to the Business Combination through June 29, 2021 (GH Group)

On January 1, 2021, GH Group issued 731,369 Exchangeable Shares valued at \$3,380,278 related to an acquisition, see "Note 8 – Business Acquisitions". In addition, GH Group issued an additional 48,682, Exchangeable Shares to brokers and consultants for the acquisition. The shares issued to brokers and consultants for the acquisition were recorded as share based compensation in the amount of \$225,000.

In June 2021, GH Group issued 646,096 Exchangeable Shares in conversion of \$1,925,000 in Senior Convertible Notes.

In June 2021, GH Group issued 160,149 Exchangeable Shares for the cashless exercise of 1,968,300 warrants.

Transactions Contemporaneous to the Business Combination between June 29, 2021 – June 30, 2021 (Glass House Brands, Inc.)

On June 29, 2021, contemporaneously with the Business Combination, the Company issued 4,754,979 Multiple Voting Shares to the founders of GH Group, Inc and issued 22,335,908 Subordinate Voting Shares to investors for approximately \$124,409,000 in cash, net of fees but before the value of the earnout liability recorded of \$7,640,334, see Note 20.

During the six months ended June 30, 2021, the Company through its GH Group, issued 38,806,009 Preferred Shares in connection with the Series A Preferred Stock financing and conversion of Senior Convertible Notes into Preferred Shares with an aggregate value of \$31,288,392. In conjunction with these transactions, the Company issued 4,928,248, as converted, Company warrants with an exercise price of \$10.00 per warrant which expire in June 2024. Simultaneously, Preferred Shareholders holding 19,024,159 Preferred Shares elected to convert their Preferred Shares to 2,512,295 Exchangeable Shares.

On June 29, 2021, holders of 5,392,564 vested options of GH Group exercised their vested options (some on a cashless basis and cash exercise) and were issued Subordinate Voting Shares. As a result, the Company issued 525,039 Subordinate Voting Shares.

17. SHARE-BASED COMPENSATION

The Company has an equity incentive plan (the “Incentive Plan”) under which the Company may issue various types of equity instruments or instruments that track to equity, more particularly the Company’s Subordinate Voting Shares, to any employee, officers, consultants or directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, stock appreciation rights, restricted stock and or other awards (together, “Awards”). Share-based compensation expenses are recorded as a component of general and administrative. Compensation issuable under the Incentive Plan is governed by the policies and procedures promulgated by the Company’s Compensation, Nominating, and Governance Committee as adopted by the Board of Directors. The maximum number of Awards that may be issued under the Incentive Plan is 15% of the outstanding capitalization of the Company, including the Exchangeable Shares, as calculated using the treasury method. If an Award expires, becomes exercisable, or is cancelled, forfeited or otherwise terminated without having been exercised or settled in full, as the case may be, the shares allocable to the unexercised portion of the Award shall again become available for future grant or sale under the Incentive Plan (unless the Incentive Plan has terminated by its terms). Shares that have been issued under the Incentive Plan will result in additional capacity in the Incentive Plan. Granting and vesting of Awards will be determined by the Compensation Committee or the Board of Directors as applicable. The exercise price for options (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 5 years.

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17. SHARE-BASED COMPENSATION (Continued)

Stock Options

At the close of the Business Combination, GH Group had 31,417,654 outstanding vested options with a blended average exercise price of \$0.23 and 29,474,324 outstanding unvested options with a blended average exercise price of \$0.26. Incident to the close 5,392,564 options were exercised resulting in the issuance of 525,039 Subordinate Voting Shares.

Of the remaining options, the vested GH Group non-qualified stock options (“NQSOs”) were paid the net-value of their outstanding options at close by reserving 1,395,992 Subordinate Voting Shares to be issued on or before June 29, 2024. As these shares have not been issued and are payable on or before June 29, 2024, the Company reclassified out from equity to shares payable, \$ 2,756,830. Unvested NQSOs were exchanged to restricted stock units (“RSUs”) of the Company on substantially similar terms to the NQSO grants equal to the net-value of such options at close using a share price of \$10 and a GH Group Class A Common share value of \$0.97 prior to close. As a result, the Company issued 1,047,838 RSUs.

Vested and unvested GH Group incentive stock options (“ISOs”) were exchanged for Company incentive stock options using an exchange ratio of 10.27 to 1. This resulted in the exchange of 21,112,030 ISO’s for 2,055,543 Company incentive 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 December 31, 2020	48,403,624	\$ 0.22
Granted	12,604,612	\$ 0.30
Forfeited	(296,345)	\$ 0.24
Exercised	(5,392,564)	\$ 0.26
Exchanged for Subordinate Shares	(19,320,931)	\$ 0.26
Converted to RSU’s	(14,886,359)	\$ 0.26
Effect on Conversion related to the Business Combination	(19,056,494)	\$ 0.28
Balance as of June 30, 2021	2,055,543	\$ 2.69

The following table summarizes the stock options that remain outstanding as of June 30, 2021:

Security Issuable	Exercise Price	Expiration Date	Stock Options Outstanding	Stock Options Exercisable
Subordinate Voting Shares	\$ 2.26	October 2024	976,925	-
Subordinate Voting Shares	\$ 3.08	January 2025	37,832	-
Subordinate Voting Shares	\$ 3.08	April 2025	148,381	-
Subordinate Voting Shares	\$ 3.08	January 2026	892,405	-
			2,055,543	-

For the three and six months ended June 30, 2021 and year ended December 31, 2020, 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:

	2021	2020
Weighted-Average Risk-Free Annual Interest Rate	0.29%	0.31%
Weighted-Average Expected Annual Dividend Yield	0.0%	0.0%
Weighted-Average Expected Stock Price Volatility	84.6%	85.3%
Weighted-Average Expected Life in Years	4.00	4.00
Weighted-Average Estimated Forfeiture Rate	0.0%	0.0%

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17. SHARE-BASED COMPENSATION (Continued)

Stock price volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly-traded cannabis companies. The expected life represents the period of time that stock options granted are expected to be outstanding. The risk-free rate was based on United States Treasury zero coupon bond with a remaining term equal to the expected life of the options.

During the six months ended June 30, 2021 and year ended December 31, 2020, the weighted-average fair value of stock options granted was \$0.31 and \$0.18, respectively, per option. As of June 30, 2021 and December 31, 2020, stock options outstanding have a weighted-average remaining contractual life of 4.0.

For the three months ended June 30, 2021 and 2020, the Company recognized \$887,277 and \$761,120, respectively, in share-based compensation expense related to these stock options. For the six months ended June 30, 2021 and 2020, the Company recognized \$2,268,739 and \$1,317,812, respectively, in share-based compensation expense related to these stock options.

Restricted Stock Units

As previously noted, 1,047,838 RSU's were issued for the exchange of 14,886,359 GH Group stock options prior to the Business Combination. An additional grant of 2,562,804 RSU's were made to certain members of the Company's management which vests over three years and are subject to accelerated vesting if certain performance metrics are achieved.

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

	Number of Restricted Stock
Balance as of December 31, 2020	-
Granted	2,562,804
Exchanged and Converted from Options	1,047,838
Balance as of June 30, 2021	3,610,642

During the three and six months ended June 30, 2021, the Company recognized \$46,809 in stock-based compensation related to RSU's. No stock-based compensation was recognized with regards to RSU's for the three and six months ended June 30, 2020.

Stock Appreciation Right Units

During the six months ended June 30, 2021, the Company issued 230,752 stock appreciation right ("SAR") units to various employees of the Company. The SAR units vest 33% one year after the grant date and the remaining 67% vest monthly over two years. Vested and exercised SAR units will receive cash in the amount of the units they exercise multiplied by the excess of the fair market value of the Company's Subordinate Voting Share over the stated strike price of the SAR unit. As the SAR units are cash settled, the Company recognizes the value of the SAR units as liabilities which are included in accounts payable and accrued liabilities in the condensed interim consolidated balance sheet. As of June 30, 2021, the Company recorded a liability of approximately \$251,000.

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

	Number of Stock Appreciation Right Units
Balance as of December 31, 2020	-
Granted	230,752
Forfeited	(12,657)
Balance as of June 30, 2021	218,095

During the three and six months ended June 30, 2021, the Company recognized approximately \$251,000 in expense related to SAR units.

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Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

17. SHARE-BASED COMPENSATION (Continued)

Warrants

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

	Number of Warrants	Weighted- Average Exercise Price
Balance as of December 31, 2020	1,968,300	\$ 0.16
Exercised	(1,968,300)	\$ 0.16
Assumed from the Business Combination	28,489,500	\$ 11.50
Granted	4,928,248	\$ 10.00
Balance as of June 30, 2021	33,417,748	\$ 11.28

The following table summarizes the warrants that remain outstanding as of June 30, 2021:

Security Issuable	Exercise Price	Expiration Date	Warrants Outstanding	Warrants Exercisable
Subordinate Voting Shares	\$ 11.50	June 2026	28,489,500	28,489,500
Subordinate Voting Shares	\$ 10.00	June 2024	4,928,248	4,928,248
			33,417,748	33,417,748

As of June 30, 2021 and December 31, 2020, warrants outstanding have a weighted-average remaining contractual life of 4.7 and 2.6 years, respectively.

18. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Net Loss	\$ (4,716,721)	\$ (3,654,615)	\$ (17,870,514)	\$ (8,795,269)
Weighted-Average Shares Outstanding - Basic and Diluted	24,262,497	23,191,563	24,117,056	19,307,717
Loss Per Share - Basic and Diluted	\$ (0.19)	\$ (0.16)	\$ (0.74)	\$ (0.46)

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

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GLASS HOUSE BRANDS INC.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

19. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

Provision for income taxes consists of the following for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Current:				
Federal	\$ 2,052,336	\$ 1,035,952	\$ 3,451,722	\$ 1,328,048
State	655,065	347,486	1,089,477	404,012
Total Current	2,707,401	1,383,438	4,541,199	1,732,060
Deferred:				
Federal	(156,682)	(15,374)	(201,487)	135,472
State	(62,768)	(1,954)	(75,760)	65,171
Total Deferred	(219,450)	(17,328)	(277,247)	200,643
Total Provision for Income Taxes	\$ 2,487,951	\$ 1,366,110	\$ 4,263,952	\$ 1,932,703

The Company has used a discrete effective tax rate method to calculate taxes for the fiscal three- and six-month periods ended June 30, 2021 and 2020. The Company determined that since small changes in estimated ordinary income would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the fiscal three- and six-month periods ended June 30, 2021 and 2020.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E ("Section 280E") for U.S. federal income tax purposes under which the Company is only allowed to deduct expenses directly related to the sales of product. This results in permanent differences between ordinary and necessary business expenses deemed nonallowable under Section 280E, and the Company deducts all operating expenses on its state tax returns.

The Company has determined that the tax impact of its corporate overhead allocation was not more likely than not to be sustained on the merits as required under ASC 740 due to the evolving interpretations of Section 280E. As a result, the Company included in the balance of total unrecognized tax benefits at June 30, 2021 and December 31, 2020, potential benefits of \$ 1,246,669 and \$849,358, respectively, that if recognized would impact the effective tax rate on income from continuing operations. Unrecognized tax benefits that reduce a net operating loss, similar to tax loss or tax credit carryforwards, are presented as a reduction to deferred income taxes.

The Company's evaluation of tax positions was performed for those tax years which remain open to for audit. The Company may from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

As of June 30, 2021, the Company's federal tax returns since 2017 and state tax returns since 2016 are still subject to adjustment upon audit. No tax returns are currently being examined by any taxing authorities. While it is reasonably possible that certain portions of the unrecognized tax benefit may change from a lapse in applicable statute of limitations, it is not possible to reasonably estimate the effect of any amount of such a change to previously recorded uncertain tax positions in the next 12 months.

20. 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 revocation, cancellation, non-renewal or other losses of permits, licensed and entitlements 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 statutes, regulations, and ordinances as of June 30, 2021 and December 31, 2020, cannabis laws and 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.

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GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

20. COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Earnouts

Upon closing of the Business Combination, 1,008,975 Subordinate Voting Shares related to the sponsors of Mercer Park Brand Acquisition Corp. were locked up by the Company. These shares are to be released from the lockup restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. As of June 30, 2020, the Company released 392,819 Subordinate Voting Shares that were originally subject to lock up restrictions. In accordance with ASC 480 "Distinguishing Liabilities from Equity", management determined the provisions of these earnouts required liability treatment. Accordingly, the remaining 616,156 shares which remained locked up as of June 30, 2019 were valued and recorded as a liability in the amount of \$7,640,334.

Additional earnout payments consisting of up to an additional 6,306,095 of the Company's Subordinate Voting shares are issuable to the sponsors of Mercer Park Brand Acquisition Corp. and all holders of record of the Company's Subordinate Voting Shares, the Company subsidiary's Exchangeable Shares, vested stock options and vested RSUs as of June 29, 2021 if the Company's Subordinate Voting Shares meet certain share price targets through June 2023. In the event that the cash raised by Company and Subordinate Voting share price targets are not met, the earnout payments will be forfeited. In accordance with ASC 480 "Distinguishing Liabilities from Equity", management determined the provisions of these earnouts did not require liability treatment. As of June 30, 2021, no shares were issued in connection with these earnouts.

Royalty

Effective as of May 9, 2019, Sweet & Salty, Inc., a California corporation ("Lender") and GH Brands LLC, a California limited liability company and subsidiary of the Company ("GH Brands") entered into a License and Services Agreement, pursuant to which Lender granted to GH Brands an exclusive, transferable, sublicensable, right and license to use, exploit and incorporate the name, nicknames, initials, signature, voice, image, likeness, and photographic or graphic representations of likeness, statements and biography of the artist Annabella Avery Thorne professionally known as Bella Thorne for all purposes relating to or in connection with the development, quality control, cultivation, extraction, manufacture, production, branding, testing, advertising, marketing, promotion, commercialization, packaging, distribution, exploitation and/or sale of the products of GH Brands and its affiliates. The term of License and Service Agreement is 3 years, with the right to renew upon 60- days prior notice for additional 2-year term. Royalty fees for Bella boxes are 10% for the 1st year and 12% for 2-5 years. Royalty fees for flower products and accessories are 6% for the 1st year, 7% for the 2nd year and 8% for 3-5 years. Minimum guarantee fees are recoupable against royalties for an initial term of \$1,000,000 (\$50,000 initial payment, \$200,000 for the 1st year, \$375,000 for the 2nd year and \$375,000 for the 3rd year). For a renewal term, the minimum guarantee fee is \$1,500,000 (\$750,000 for the 4th year, \$750,000 for the 5th year). During the three and months ended June 30, 2021, the Company recognized expenses related to these royalties in the amount of \$93,750 and \$187,500, respectively. During the three and months ended June 30, 2020, the Company recognized expenses related to these royalties in the amount of \$75,000 and \$137,500, respectively. As of June 30, 2021 and December 31, 2020, the Company has \$187,500 and no amounts, respectively, due under this royalty agreement.

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 30, 2021 and December 31, 2020, 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 unaudited condensed interim consolidated financial statements relating to claims and litigations. As of June 30, 2021 and December 31, 2020, 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.

21. RELATED PARTY TRANSACTIONS

Incubation Services

Effective January 1, 2019, GH Group and Magu Capital LLC, a California limited liability company ("Magu Capital"), entered into a Services and Incubation Agreement, pursuant to which Magu Capital agreed to perform certain advisory and business "incubation" services for GH Group (and incur certain fees and expenses on behalf of GH Group as part of and as performance for such services) in consideration of Glass House's agreement to issue to Magu Capital, upon a date certain following the closing of the Roll-Up as reasonably determined by the board of directors of Glass House, a warrant to purchase a fixed number of Class A Common shares at an agreed upon strike price and no later than three years following the grant date. On June 28, 2021, GH Group notified Magu Capital of its termination of the Services and Incubation Agreement, and by extension the automatic exercise of Magu Capital's warrant issued in connection with the Services and Incubation Agreement.

GLASS HOUSE BRANDS INC.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

21. RELATED PARTY TRANSACTIONS (Continued)

Issuance of Exchangeable Shares of GH Group for Management Services

In January 2020, as part of the Roll-Up, GH Group: (a) issued to APP Investment Advisors LLC, a California limited liability company (“APP Investment Advisors”), an affiliate of certain significant shareholders of GH Group, 880,870 Exchangeable Shares, in exchange for certain management services rendered by APP Investment Advisors for AP Investment Fund (i.e., one of the entities that merged with GH Group I the Roll-Up); and (b) issued to Magu Capital, an affiliate of certain significant shareholders GH Group, 2,263,513 Exchangeable Shares, in exchange for certain management services rendered by Magu Capital for CA Brand Collective, Magu Investment Fund and MG Padaro Fund (i.e., entities that merged with GH Group in the Roll-Up).

22. 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. All the Company’s operations are in the United States of America in the State of California. Intercompany sales and transactions are eliminated in consolidation.

23. REVENUES, NET

Revenues are disaggregated as follows for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Retail	\$ 6,393,757	\$ 3,605,418	\$ 11,376,642	\$ 6,947,734
Wholesale	12,280,520	7,957,305	22,537,916	11,064,316
Revenues, Net	\$ 18,674,277	\$ 11,562,723	\$ 33,914,558	\$ 18,012,050

24. RECLASSIFICATIONS

Certain comparative amounts have been reclassified to conform with current period presentation. There were no impacts on net loss, or cash flows for the periods presented.

25. SUBSEQUENT EVENTS

On July 30, 2021 the Company amended its purchase agreement for SoCal Greenhouse (as defined in the Company’s preliminary prospectus). The purchase price was increased by \$12,888 to account for the Seller’s additional capital improvements with the amended purchase price being \$118,902,888. The closing date was moved to two days after the seller resolves all notices of violation related to SoCal Greenhouse and the closing consideration will be \$88,000,000 in cash plus a convertible promissory note (the “Camarillo Note”) issued to the seller for the remaining amount that bears no interest until certain entitlement conditions are met, more particularly the obtaining of local cannabis authorizations, and bears interest at 8% from such date. The principal and interest of the Camarillo Note is convertible at the election of the seller at any time at \$10 per Subordinate Voting Share. The Camarillo Note is secured at the Company’s election by either an escrow agreement funded by cash equal to the principal amount under the Camarillo Note or a first deed of trust to SoCal Greenhouse.



Glass House Brands Reports Second Quarter 2021 Financial Results

--Net Revenue Increased 62% Year-over-Year

--Generates Sustained Positive Adjusted EBITDA

--Conference Call to be Held August 17, 2021 at 8:00 a.m. EDT

LONG BEACH, CA and TORONTO, August 16, 2021 // -- Glass House Brands Inc. (“Glass House” or the “Company”) (NEO: GLAS.A.U and GLAS.WT.U), one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S. today reported financial results for its second quarter ending June 30, 2021 (“Q2 2021”).

Second Quarter 2021 Financial Highlights

(Unless otherwise stated, all results are in U.S. dollars)

- **Net Sales** increased 62% to \$18.7 million from \$11.6 million in Q2 2020.
- **Gross Profit** increased 56% to \$8.6 million from \$5.5 million in Q2 2020.
- **Gross Margin** of 46% compared to 48% in Q2 2020.
- **Adjusted EBITDA** increased 100% to \$2.2 million from \$1.1 million in Q2 2020.
- **Adjusted EBITDA Margin** was 12% compared to 9% in Q2 2020.
- **Cash balance** of \$134.3 million at quarter-end to support future growth initiatives.

Management Commentary

“We have continued to build on the substantial forward momentum we developed coming out of our qualifying transaction by executing on our expansion strategies and scaling our operations,” said Kyle Kazan, Glass House Chairman, and CEO. “While our results are strong and show consistent growth for both the top and bottom lines, we did face a few challenges at our Padaro farm coupled with a softer California wholesale flower market that have negatively impacted some of our yields and our COGS. “With our strong balance sheet, a team of proven operators, and significant growth projects ahead of us, we remain confident that we are exceptionally well-positioned to take on the significant opportunities ahead of us in the world's largest cannabis market. We are on track to close the acquisition of our 5.5 million square foot cultivation facility later this month and are looking forward to accelerating the rollout of our retail network upon closing a number of these transactions under the merger and exchange agreement later this year.”

Mr. Kazan concluded, “We have built a solid foundation and our business is uniquely prepared to lead our industry by providing sustainably grown, craft cannabis to meet the growing national demand for innovative, high-quality products.”

Derrek Higgins, Chief Financial Officer, added, “Our second-quarter results reflect the topline revenue growth and cost efficiencies we can drive through scaling up our cultivation and retail footprint. We are well funded to execute on our expansion plans and we are actively evaluating non-dilutive sources of capital to fuel our future strategic objectives.”

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Second Quarter 2021 Operational Highlights

- Completed de-SPAC transaction with Mercer Park Brand Acquisition Corp., creating the largest cannabis brand-building platform in California

- Forbidden Flowers, Bella Thorne's cannabis lifestyle brand which includes a line of thoughtfully curated cannabis products in collaboration with Glass House Group, signed an exclusive distribution partnership with HERBL
- Commenced installation of state-of-the-art, sustainable DYNAGLAS® roof panel system at Padaro cultivation facility
- Awarded two additional Santa Barbara retail licenses increasing retail dispensary footprint to six stores

Subsequent Events

- Appointed Erik W. Thoresen as Chief Business Development Officer
- Provided an update on the timing of its planned Southern California greenhouse acquisition, now expecting to complete the acquisition of the SoCal Facility in Q3 2021, subject to local regulatory approval
- Announced OTC symbol change to GLASF and GHBWF
- Commenced trading on the NEO Exchange under the ticker symbols "GLAS.A.U" and "GLAS.WT.U"

Q2 2021 Financial Summary

	Q2 2021	Q2 2020
Net Revenue	\$ 18,674,277	\$ 11,562,723
<i>YoY increase</i>	62%	
Gross profit	8,594,738	5,532,919
<i>% of Net Sales</i>	46%	48%
Operating Expenses:		
Sales and Marketing	1,006,747	427,164
General & Administrative Expense	5,886,655	4,608,802
Total operating expenses	9,583,254	6,155,600
Loss from operations	(2,228,770)	(2,288,505)
Net loss	(4,716,721)	(3,654,615)
Adjusted EBITDA ¹	2,175,807	1,072,752

Revenue for the three months ended June 30, 2021, was \$18.7 million, representing an increase of \$7.1 million or 62% from \$11.6 million for the three months ended June 30, 2020 ("Q2 2020"). The increase in revenue was primarily due to an increase in cannabis production from the Company's second greenhouse cultivation facility, which commenced operations in Q1 2020. The expansion of the cultivation facility was increased from 113,000 square feet during 2020 to over 390,000 square feet by the end of 2020. In Q2 2021 the Company's wholesale and wholesale CPG revenue increased by \$4.3 million or 54% compared to Q2 2020. The Company's cannabis retail dispensaries also contributed consistent revenue growth, increasing \$2.8 million, or 77%, in Q2 2021 compared to Q2 2020.

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Cost of goods sold in Q2 2021 was \$10.0 million, an increase of \$4.0 million, or 67%, compared with \$6.0 million in Q2 2020. Q2 2021 gross profit was \$8.6 million, representing a gross margin of 46%, compared with a gross profit of \$5.5 million, representing a gross margin of 48% in Q2 2020. The decrease in gross margin was driven by increased product, labor, and overhead costs associated with the Company's cultivation expansion.

Total operating expenses in Q2 2021 were \$9.6 million, an increase of \$3.4 million, or 56%, compared to total expenses of \$6.2 million in Q2 2020. General and administrative expenses Q2 2021 and Q2 2020 were \$5.9 million and \$4.6 million, respectively, an increase of \$1.3 million, or 28%. The increase in general and administrative expenses is primarily attributed to the Company's initiatives of operational expansion and used to support corporate, cultivation, and retail operations. Professional fees Q2 2021 and Q2 2020 were \$1.9 million and \$0.5 million, respectively, an increase of \$1.4 million, or 288% related to the RTO transaction and other initiatives that occurred during the second quarter of 2021. Sales and marketing expenses in Q2 2021 and Q2 2020 were \$1.0 million and \$0.4 million, respectively, an increase of \$0.6 million, or 136%. The increase in sales and marketing expenses is primarily attributed to the increase in the Company's efforts related to digital media and marketing research and royalty expenses.

Q2 2021 adjusted EBITDA, a non-GAAP measure that excludes depreciation and amortization, interest expense, income taxes, share-based compensation, (income) loss on equity method investments, (gain) loss on change in fair value of derivative liabilities, acquisition-related professional fees, and loss on disposition of subsidiary was \$2.2 million compared to \$1.1 million in Q2 2020. The \$1.1 million increase in adjusted EBITDA is due to higher gross profit partially offset by higher operating expenses.

Cash and cash equivalents, were \$134.3 million as of June 30, 2021, compared to \$4.5 million as of June 30, 2020. During the quarter, the Company eliminated \$38.3M of debt through the completion of a Preferred Stock offering exchanging both principal and interest accrued to participating investors and issued both Company Preferred Stock and warrants, which triggered the equity conversion of all of the Company's outstanding Convertible Promissory Notes.

Financial results and analyses are available on the Company's investor relations website (<https://ir.glasshousegroup.com/>) and SEDAR (www.sedar.com).

Conference Call

The Company will host a conference call to discuss the results on Tuesday, August 17th, at 8:00 a.m. Eastern Time.

Date: August 17, 2021

Time: 8:00 a.m. EDT

Webcast: [Click Here](#)

Dial-In
Number: 1-(888)-664-6392

Conference
ID: 93174702

Replay: 1-(888)-390-0541
Replay Code: 174702 #

Available until 12:00 midnight Eastern Time Tuesday, August 24, 2021

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About Glass House

Glass House Brands Inc. is one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., with a decisive focus on the California market and building leading, lasting brands to serve consumers across all segments. From its greenhouse cultivation operations to its manufacturing practices, from brand-building to retailing, the company's efforts are rooted in the respect for people, the environment, and the community that co-founders Kyle Kazan and Graham Farrar instilled at the outset. Through its portfolio of brands, which includes [Glass House Farms](#), Forbidden Flowers, and Mama Sue Wellness, Glass House is committed to realizing its vision of excellence: outstanding cannabis products, produced sustainably, for the benefit of all. For more information and company updates, visit www.glasshousegroup.com.

Forward Looking Statements

This news release contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). Forward-looking statements reflect current expectations or beliefs regarding future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", "targets" or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could",

“would”, “should”, “might” or “will” be taken, occur or be achieved. All forward-looking statements, including those herein are qualified by this cautionary statement.

Although the Company believes that the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the statements. There are certain factors that could cause actual results to differ materially from those in the forward-looking information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release speak only as of the date of this news release or as of the date or dates specified in such statements.

Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking information. For more information on the Company, investors are encouraged to review the Company’s public filings on SEDAR at www.sedar.com. The Company disclaims any intention or obligation to update or revise any forward- looking information, whether as a result of new information, future events or otherwise, other than as required by law.

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Media Contact

MATTIO Communications
glasshouse@mattio.com

Investor Relations Contact:

MATTIO Communications
T: (416) 992-4539
Email: ir@mattio.com



Glass House Brands Pleased to Welcome Joe Aulenta as Director of Retail Construction

LONG BEACH, Calif. and TORONTO, Aug. 11, 2021 // - Glass House Brands Inc. ("Glass House" or the "Company") (NEO: GLAS.A.U) (NEO: GLAS.WT.U) (OTCQX: GLASF) (OTCQX: GHBWF), one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., today announced the appointment of Joe Aulenta as Director of Retail Construction. In this role, Mr. Aulenta will be responsible for managing the build out of 19 new stores by the end of Q2 2022.

Mr. Aulenta joins Glass House Brands with nearly 15 years of construction and store design management experience and over 20 years of visual merchandising experience. Most recently, he was the Senior Project Manager of Real Estate Construction for Foot Locker (NYSE \$FL) where he was accountable for \$15 million in capital expenditure project spending.

"Over the next 18 months, Glass House Group plans to build out what we expect to be California's largest retail chain," said Kyle Kazan, Glass House Chairman and CEO. "Our ambitious growth plans require amazing talent, and we are excited to have someone experienced like Joe on the team to assist us in meeting our goals."

Mr. Aulenta added, "Glass House has a remarkable portfolio of brands and a reputation for high-quality cannabis. I'm thrilled to be a part of the team leading the expansion of this company across California."

Prior to entering the cannabis industry, Mr. Aulenta also served as Director of Store Planning, Design and Construction for The Walking Company Holdings where he was responsible for all retail design and construction activity.

About Glass House

Glass House Brands Inc. is one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., with a decisive focus on the California market and building leading, lasting brands to serve consumers across all segments. From its greenhouse cultivation operations to its manufacturing practices, from brand-building to retailing, the company's efforts are rooted in the respect for people, the environment, and the community that co-founders Kyle Kazan and Graham Farrar instilled at the outset. Through its portfolio of brands, which includes Glass House Farms, Forbidden Flowers, and Mama Sue Wellness, Glass House is committed to realizing its vision of excellence: outstanding cannabis products, produced sustainably, for the benefit of all. For more information and company updates, visit www.glasshousegroup.com.

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Although the Company believes that the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the statements. There are certain factors that could cause actual results to differ materially from those in the forward-looking information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release speak only as of the date of this news release or as of the date or dates specified in such statements.

Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking information. For more information on the Company, investors are encouraged to review the Company's public filings on SEDAR at www.sedar.com. The Company disclaims any intention or obligation to update or revise any forward- looking information, whether as a result of new information, future events or otherwise, other than as required by law.

For further information:

Media Contact:
MATTIO Communications,
glasshouse@mattio.com

Investor Relations Contact:
MATTIO Communications,
T: (416) 992-4539,
ir@mattio.com

**FIRST AMENDMENT
TO
AGREEMENT TO SELL AND ACQUIRE REAL ESTATE
AND JOINT ESCROW INSTRUCTIONS**

THIS FIRST AMENDMENT TO AGREEMENT TO SELL AND ACQUIRE REAL ESTATE AND JOINT ESCROW INSTRUCTIONS (this “*Amendment*”) dated effective as of July 22, 2021 (the “*Amendment Date*”), is made by and among CEFF Camarillo Property, LLC, a Delaware limited liability company (“*CEFF Camarillo Propco*”), CEFF Camarillo Holdings, LLC, a Delaware limited liability company (“*CEFF Parent*,” and, together with CEFF Camarillo Propco, “*Seller*”), and GH CAMARILLO LLC, a Delaware limited liability company (“*Purchaser*”). Capitalized terms used but not defined herein shall have the meanings give to such terms in the Agreement (as defined below).

RECITALS

WHEREAS, Seller and Purchaser entered into that certain Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions dated effective as of March 29, 2021 (the “*Agreement*”), on the premises set forth therein, whereby Seller has agreed to sell the Property to Purchaser, and Purchaser has agreed to purchase the Property from Seller;

WHEREAS, the Outside Date under the Agreement is July 23, 2021; and

WHEREAS, the Parties have agreed to extend the Outside Date, and accordingly, to amend the Agreement to provide for such extension in the manner set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Outside Date. Section 2.67 of the Agreement shall be amended by replacing “July 23, 2021” with “July 31, 2021”.
2. Effect. In the event of any conflict between this Amendment and the Agreement, the terms of this Amendment shall control. The Agreement, as amended by this Amendment, shall be in full force and effect and constitutes the entire agreement between the Parties with respect to the transactions contemplated hereby and thereby.
3. Benefit and Authority. This Amendment shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, and each Party warrants and represents to the other that it has due and lawful authority to execute this Amendment.
4. Counterparts. This Amendment may be executed in any number of counterparts (which may be delivered by facsimile, electronic mail which attaches a portable document format (.pdf) document, or DocuSign), and each counterpart shall represent a fully executed original as if executed by all parties hereto, with all such counterparts together constituting but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the Amendment Date.

SELLER:

CEFF CAMARILLO PROPERTY, LLC

By: EqCEF I, LLC, its manager

By: /s/ Gavin Haladay
Name: Gavin Haladay
Title: Authorized Signatory

CEFF CAMARILLO HOLDINGS, LLC

By: EqCEF I, LLC, its manager

By: /s/ Gavin Haladay
Name: Gavin Haladay
Title: Authorized Signatory

PURCHASER:

GH CAMARILLO LLC

By: /s/ Kyle D. Kazan
Name: Kyle D. Kazan
Title: Authorized Signatory

**SECOND AMENDMENT TO AGREEMENT TO SELL AND ACQUIRE
REAL ESTATE AND JOINT ESCROW INSTRUCTIONS**

THIS SECOND AMENDMENT TO AGREEMENT TO SELL AND ACQUIRE REAL ESTATE AND JOINT ESCROW INSTRUCTIONS (this “**Second Amendment**”) is made effective as of July 30, 2021, by and among CEFF Camarillo Property, LLC, a Delaware limited liability company (“**CEFF Camarillo Propco**”), CEFF Camarillo Holdings, LLC, a Delaware limited liability company (“**CEFF Parent**,” and, together with CEFF Camarillo Propco, “**Seller**”), and GH CAMARILLO LLC, a Delaware limited liability company (“**Purchaser**”). CEFF Camarillo Propco, CEFF Parent and Purchaser are collectively referred to herein as the “**Parties**” and, individually, each a “**Party**”).

RECITALS

A. The Parties have entered into that certain Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of March 29, 2021, as amended by a First Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 22, 2021 (as so amended, the “**Purchase Agreement**”), pursuant to which Purchaser has agreed to purchase from Seller, and Seller has agreed to sell to Purchaser, the Property on the premises set forth therein. All initially capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Purchase Agreement.

B. The Parties desire to amend the Purchase Agreement to, among other things, further extend the Outside Date, in the manner and on the terms set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby acknowledge and agree as follows:

1. Outside Date. Section 2.67 of the Purchase Agreement is deleted in its entirety and replaced by the following:

“2.67 **“Outside Date”** shall mean the date that is two (2) Business Days after the date that Seller shall have caused all noncompliance items that form the basis of any Notice of Violation to be fixed and cured in accordance with Applicable Law and the requirements of applicable Governmental Authorities, all at Seller’s sole cost and expense.”

2. Purchase Price. Section 5.1 of the Purchase Agreement is deleted in its entirety and replaced by the following:

“5.1 Upon the closing of the transaction contemplated by this Agreement (the **“Closing”**) with respect to the Property (the **“Transaction”**), the aggregate purchase price (**“Purchase Price”**) payable by Purchaser for the Property shall be ONE HUNDRED EIGHTEEN MILLION NINE HUNDRED TWO THOUSAND EIGHT HUNDRED EIGHTY EIGHT AND 00/100 DOLLARS (\$118,902,888.00). The Purchase Price due from Purchaser at Closing (after crediting the Deposit and after application of prorations and adjustments provided for in this Agreement) shall be delivered by Purchaser to Escrow Holder, as follows:

(i) An amount equal to EIGHTY EIGHT MILLION AND 00/100 DOLLARS (\$88,000,000.00) minus the Deposit (such amount being the **“Cash Portion”**) shall be delivered by wire transfer of immediately available federal funds no later than 3:00 p.m. Eastern Time/12:00 p.m. Pacific Time on the Closing Date, which amount shall be disbursed to Seller at Closing in accordance with applicable provisions of this Agreement; and

(ii) In payment of the remaining portion of the Purchase Price (such portion is the **“Deferred Purchase Price”**), the Promissory Note and the Security Instrument, each executed by Purchaser, shall be delivered to Escrow Holder prior to or concurrently with the delivery to Escrow Holder of the Cash Portion. Upon the Closing: (x) the Promissory Note shall be deemed delivered to Seller; and (y) if the Purchaser elects to deliver the Escrow Agreement as the Security Instrument, then the Escrow Agreement shall be deemed effective provided that, no later than the Closing, Purchaser shall have delivered to Escrow Holder, by wire transfer of immediately available federal funds, an amount equal to the Deferred Purchase Price as contemplated by the Escrow Agreement, or if the Purchaser elects to execute the Seller Deed of Trust as the Security Instrument, then the Seller Deed of Trust shall be recorded with the County Recorder’s Office of the County of Ventura County, California. For the avoidance of doubt, if Purchaser executes the Seller Deed of Trust, then Purchaser shall have no obligation to execute the Escrow Agreement, and if Purchaser executes the Escrow Agreement, then Purchaser shall have no obligation to execute the Seller Deed of Trust.

3. Promissory Note; Security Instrument and Seller Deed of Trust. For purposes of this Second Amendment:

(i) **“Promissory Note”** means only one (1) of the following: (x) if Purchaser elects to deliver the Seller Deed of Trust as the Security Instrument, then that certain Convertible Promissory Note Secured by Deed of Trust in the form attached hereto as Exhibit A-1; or (y) if Purchaser elects to deliver the Escrow Agreement as the Security Instrument, then that certain Convertible Promissory Note in the form attached hereto as Exhibit A-2. The Promissory Note shall, among other things, evidence a loan to be made by Seller to Purchaser on the Closing, for the unpaid principal amount equal to the Purchase Price (after application of prorations and adjustments provided for in the Purchase Agreement)

minus the Cash Portion payable under Section 2 of this Second Amendment, and on such other terms as set forth in such Promissory Note.

(ii) “**Security Instrument**” means, at Purchaser’s election, (x) the Seller Deed of Trust, or (y) that certain Post-Closing Escrow Agreement in the form attached hereto as Exhibit B (the “**Escrow Agreement**”). In the event that Purchaser executes the Escrow Agreement as the Security Instrument, then prior to or concurrently with the Closing, Seller shall execute and deliver the Escrow Agreement, and Seller and Buyer shall jointly cause Escrow Holder to execute and deliver the Escrow Agreement.

(iii) “**Seller Deed of Trust**” means that certain Deed of Trust, Security Agreement, Crop Filing and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements substantially in the form attached hereto as Exhibit C with such changes as are reasonably acceptable to Seller and Purchaser, which shall secure Purchaser’s obligations under the Promissory Note and shall, for so long as any portion of the outstanding balance of the Promissory Note remains unpaid, encumber Purchaser’s interest in the Property as a first-priority lien, subject only to Permitted Exceptions (as defined in such Seller Deed of Trust).

4. Counterparts. This Second Amendment may be executed in counterparts (which may be delivered by facsimile, electronic mail which attaches a portable document format (.pdf) document, or DocuSign), each of which shall be deemed an original and all of which together shall constitute one and the same instrument. The delivery of an electronic copy of the executed signature page of this Second Amendment, together with this Second Amendment, shall constitute the effective execution and delivery hereof.

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5. Benefit and Authority. This Second Amendment shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, and each Party warrants and represents to the other that it has due and lawful authority to execute this Second Amendment.

6. Conflict; No Further Modification. In the event of any conflict between the terms of the Purchase Agreement and this Second Amendment, this Second Amendment shall prevail. Except as otherwise set forth in this Second Amendment, all of the terms and provisions of the Purchase Agreement, as amended, shall remain unmodified. The Purchase Agreement, as amended hereby, remains in full force and effect. No modification or amendment of this Second Amendment shall be binding upon the Parties unless the same is in writing and signed by the Parties.

The remainder of this page is intentionally left blank; the signature page follows this page.

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IN WITNESS WHEREOF, the Parties have duly executed this Second Amendment as of the day and year first above written.

Seller:

CEFF Camarillo Property, LLC,
a Delaware limited liability company

By: EqCEF I, LLC,
its manager

By: /s/ R. Thomas Amis

Name: R. Thomas Amis

Title: Principal

CEFF Camarillo Holdings, LLC,
a Delaware limited liability company

By: EqCEF I, LLC,
its manager

By: /s/ R. Thomas Amis

Name: R. Thomas Amis

Title: Principal

Purchaser:

GH CAMARILLO LLC,
a Delaware limited liability company

By: /s/ Kyle D. Kazan

Name: Kyle D. Kazan

Title: Authorized Signatory

[Signature Page to Second Amendment to PSA]

Exhibit A-1

Form of Promissory Note (For Deed of Trust)

(attached)

Redacted Version

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY APPLICABLE STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE HOLDER SHOULD BE AWARE THAT IT MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

**CONVERTIBLE PROMISSORY NOTE
SECURED BY DEED OF TRUST**

Principal Amount: [\$ _____]

Date of Issuance:[_____, 2021]

FOR VALUE RECEIVED, GH CAMARILLO LLC, a Delaware limited liability company (the “**Company**”), having a Taxpayer I.D. No. of [_____] , hereby promises to pay to the order of CEFF Camarillo Property, LLC, a Delaware limited liability company (“**Holder**”), the principal sum equal to the Principal Amount identified above together with interest thereon from the Date of Issuance (this “**Note**”). Interest hereunder will be simple interest, not compounded, and will accrue at eight percent (8%) per annum commencing on the Accrual Start Date (as defined below), but shall not otherwise be due and payable until the Maturity Date (as defined below). For the avoidance of doubt, if the Accrual Start Date does not occur prior to the Maturity Date, then it shall be deemed that no interest shall have accrued under this Note.

Unless earlier converted into Shares (as defined below) pursuant to the terms of this Note, the principal and all accrued and unpaid interest thereon will be due and payable in full by the Company on the date (the “**Maturity Date**”) that is the earlier to occur of:

- (i) the issuance by the State of California Department of Cannabis Control (“**DCC**”) of all licenses required under DCC regulations for commercial cultivation, nursery cultivation, processing and wholesale distribution of cannabis for at least one of the greenhouses that, as of the date hereof, are located on the Land; and
- (ii) December 31, 2021.

This Note is issued pursuant to the Purchase Agreement (as defined below) and the Deed of Trust (as defined below, which Deed of Trust, together with this Note, are collectively, the “**Loan Documents**”), and is subject to the provisions thereof. Capitalized terms without definition herein shall have the meanings ascribed in the Purchase Agreement. For purposes hereof:

- (i) “**Accrual Start Date**” shall mean the date on which the Entitlement Condition (as defined in the Purchase Agreement) shall have been fully satisfied;

- (ii) “**Conversion Effective Date**” shall mean either of the following: (a) the earliest date on which Holder is required to surrender the originally executed copy of this Note to the Company for cancellation, or (b) the date on which Holder shall have received the Amended Note (as defined below) in exchange for the surrender of the originally executed copy of this Note to the Company, in each case as required by Section 5.1 of this Note; and

- (iii) “**Purchase Agreement**” shall mean that certain Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of March 29, 2021, by and among Holder, CEFF Camarillo Holdings, LLC, a Delaware limited liability company, and Company, as amended by a First Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 22, 2021, and a Second Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 30, 2021, and as may be further amended. Notwithstanding anything in this Note or in any other Loan Document that may be construed to the contrary, the Purchase Agreement is not a Loan Document.

1. **Payment.** All payments will be made in lawful money of the United States of America at the principal office of the Holder, or at such other place as Holder may from time to time designate in writing to the Company. Payment will be credited first to Costs (as defined below), if any, then to accrued interest due and payable and the remainder applied to principal. Prepayment of principal, together with accrued interest, may not be made without Holder’s written consent in its sole discretion and shall be subject to such other terms and conditions, if any, set forth in the Loan Documents. The Company hereby waives demand, notice, presentment, protest and notice of dishonor. “**Costs**” will collectively mean, for purposes of this Note, any loss, cost, liability and legal or other expense, including reasonable attorneys’ fees of Holder’s counsel, which Holder may directly or indirectly suffer or incur by reason of the failure of the Company to materially perform any of its obligations under the Loan Documents, any agreement executed in connection herewith or therewith, any grant of or exercise of remedies with respect to any collateral at any time securing any obligations evidenced by this Note, or any agreement executed in connection herewith.

2. **Prepayment.** This Note may be pre-payable in full (but not in part) without premium or penalty upon the giving of thirty (30) days’ prior written notice by the Company to Holder only upon Holder’s written consent consistent with Section 1 above.

3. Funding. Holder shall be deemed to have disbursed to the Company the Principal Amount upon execution and delivery of all Loan Documents, and as more particularly provided for under the Purchase Agreement.

4. Security. This Note is secured by a Deed of Trust, Security Agreement, Crop Filing and Fixture Filing with Assignment of Rents and Proceeds, Leases and Agreements dated as of [_____, 2021] executed by the Company, as trustor, for the benefit of Holder, as beneficiary (the “**Deed of Trust**”), encumbering certain real property located at 645 Laguna Road, Camarillo, California, as more particularly described in the Deed of Trust (the “**Property**”).

5. Conversion of this Note.

5.1 Option to Convert. Subject to the remainder of the terms and conditions of this Section 5 of this Note, Holder shall have the right, at Holder’s sole option, at any time on or prior to the Maturity Date (the “**Conversion Deadline**”), to convert all or any portion of the outstanding principal amount of this Note and any accrued and unpaid interest thereon into certain authorized equity shares, as listed and traded on the NEO Exchange in Canada (the “**Shares**”), of GLASS HOUSE BRANDS INC., a British Columbia corporation (“**GH Brands**”), the corporate parent of MPB Acquisition Corp., a Nevada corporation, the sole holder of the authorized and issued common stock of GH Group, Inc., a Delaware corporation, the sole member of the Company. The number of Shares to be issued pursuant to this Section 5.1 (the “**Conversion Shares**”) shall be calculated by dividing (i) the outstanding Principal Amount plus all accrued and unpaid interest thereon (collectively, the “**Outstanding Amount**”) by (ii) a price of Ten and 00/100 Dollars (US\$10.00) per Share, as adjusted pursuant to Section 5.3 below. Holder shall exercise, if at all, the right of conversion by giving written notice to GH Brands at the address set forth below, which written notice shall specify the amount of the Outstanding Amount to be converted into Shares (the “**Conversion Election Notice**”). If the Conversion Election Notice is for the entire Outstanding Amount, then with the submission of the Conversion Election Notice Holder shall surrender the originally executed copy of this Note to the Company (stamped “cancelled”) at its principal office (or such other office of GH Brands as GH Brands may designate by notice in writing to Holder). If the Conversion Election Notice is for less than the entire Outstanding Amount, then this Note shall be amended and restated to reflect same (the “**Amended Note**”), and such Amended Note shall be issued to Holder in exchange for Holder’s surrender of the original executed copy of this Note (stamped “cancelled”) to the Company.

5.2 Intentionally Omitted.

5.3 Adjustments Upon Capitalization and Corporate Changes.

(a) If at any time prior to the Maturity Date (or the date that all or any portion of the Outstanding Amount under this Note is otherwise converted or paid in full), any of the outstanding Shares are changed into, or exchanged for, a different number or kind of securities of GH Brands through amalgamation, merger, business combination, recapitalization or reclassification, or other reorganization, or if the number of such outstanding Shares is changed through a split, reverse split, or similar capital adjustment, an appropriate adjustment will be made by the Board of Directors of GH Brands (the “**Board**”), if necessary, in the number or kind of securities into which this Note is convertible, and the conversion price in Section 5.1(ii) so that Holder will be entitled to the same number and kind of securities or interests in GH Brands as if Holder had converted such portion of this Note immediately prior to such event. In making such adjustments, or in determining that no such adjustments are necessary, the Board may rely upon the advice of counsel, the accountants to GH Brands, the representatives of the NEO exchange.

(b) If GH Brands undertakes any: (w) amalgamation, merger, business combination, recapitalization or reclassification, split, reverse split, consolidation, reorganization or other capital adjustment, or any other action described in Section 5.3(a), (x) grant of rights or warrants to subscribe for additional Shares, (y) a dividend, distribution, reclassification (other than as described in Section 5.3(a)), or a sale of all or substantially all of the assets involving GH Brands, or (z) a tender offer or exchange for all or a portion of the outstanding Shares of GH Brands, then at least 30 days prior to the applicable record, effective or expiration date of any such action or event, GH Brands shall provide a written notice describing in reasonable detail the action or event so that Holder may elect to convert all or a portion of this Note which notice shall include, without limitation, applicable record, effective or expiration date, a description of the action or event, the effect on the number of Conversion Shares and the price per Conversion Share thereof and any other material terms. In the event the requirements of this Section 5.3(b) are not complied with, GH Brands shall forthwith either (i) cause such event or action to be postponed until such time as the requirements of this Section 5.3(b) have been complied with or (ii) cancel such event or action.

5.4 Issuance of Certificates: Time Conversion Effected. Promptly after GH Brands' receipt of the Conversion Election Notice, GH Brands shall issue and deliver, or cause to be issued and delivered, to Holder, a Direct Registration Statement recorded on the shareholder register for GH Brands for the number of Conversion Shares issuable upon the conversion of all or any portion of this Note. The conversion shall be deemed effective as of the Conversion Effective Date. As of the Conversion Effective Date, Holder's rights under this Note shall cease, and Holder shall be deemed to have become the holder of record of the Conversion Shares upon conversion pursuant to the conversion formula set forth in Section 5.1.

6. Covenants. The following covenants and obligations by GH Brands and/or the Company (unless otherwise waived by Holder) shall be fully satisfied for so long as any amounts are due and payable under this Note:

6.1 Compliance With Laws, etc. Except for the Controlled Substances Act of 1970 (21 U.S.C. § 801 *et. seq.*) (the "CSA") (but specifically excluding any current or pending regulatory enforcement actions under the CSA against GH Brands or the Company, of which there are none as of the Date of Issuance) or as otherwise disclosed to Holder in writing, and which is approved by Holder in writing, GH Brands and/or the Company shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its respective existence, rights, licenses, permits and franchises and comply with all Canadian and U.S. laws, rules, statutes, regulations, and ordinances applicable to GH Brands, the Company and the Property, in all material respects, including, without limitation, the Medicinal and Adult-Use Cannabis Regulatory Safety Act, and any published regulations or guidelines with respect thereto.

6.2 Access to Property. The Company shall permit agents, representatives and employees of Holder to inspect the Property or any part thereof at reasonable hours upon reasonable advance written notice, which may include 24-hour notice by e-mail, and otherwise subject to the rights of tenants of the Property.

6.3 Litigation. The Company shall give prompt notice to Holder of any material litigation or governmental proceedings pending or threatened in writing with respect to the Property.

6.4 Prohibited Actions. For so long as this Note is outstanding, the Company shall not: (a) issue any indebtedness that is senior in lien priority to the Note; (b) sell, transfer or convey the Property; (c) lease the Property other than as contemplated by the Purchase Agreement or except to the extent reasonably approved by Holder in writing; (d) grant, incur, create or suffer to exist any lien or encumbrance on the Property except for the Permitted Exceptions or except to the extent reasonably approved by Holder in writing; or (e) permit or suffer any amendment or modification to any Company charter documents or GH Brands constituent documents to the extent such amendment or amendments could reasonably be expected to adversely affect Holder's exercise of its rights under the Loan Documents.

6.5 Financial Statements. Not later than sixty (60) days after the end of each quarterly period of each fiscal year of Company (each, a "Fiscal Quarter"), Company shall deliver to Holder a copy of the unaudited consolidated balance sheet of Company as at the end of such quarter, certified by an officer of Company (and such certificate shall provide that such financial statements present fairly in all material respects the financial condition of Company as of the date thereof and that the balance sheet has been prepared in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments). For the avoidance of doubt, with respect to the first such balance sheet required to be delivered pursuant to this Section 6.5, Company may deliver the same to Holder no later than the date that is sixty (60) days after the end of the Fiscal Quarter in which the Closing occurs.

6.6 Indemnity. GH Brands and the Company agree to jointly and severally indemnify and hold harmless Holder and each of its members, partners, shareholders, director(s), manager(s), officers, employees, agents, representatives, affiliates and assigns (collectively, the "Indemnitees") from and against any and all claims, damages, losses, liabilities, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) (collectively, "Losses") which may be incurred by or asserted against the Indemnitees, whether among the parties or involving a third party, related to, in connection with or arising out of (a) GH Brands' or the Company's business operations, including, without limitation, the purpose for which the Company applies the Note proceeds; (b) any investigation, subpoena, litigation or proceeding related to or arising out of the Loan Documents or in connection herewith or any

transaction contemplated hereby or thereby, including, without limitation, any assertion that GH Brands, the Company or Holder is in violation of U.S. federal laws regulating the use, facilitation, distribution or trafficking of controlled substances; (c) GH Brands' and/or the Company's failure to perform its obligations under the Loan Documents; and/or (d) any material failure at any time of any of the Company's representations or warranties set forth in the Loan Documents to be true and correct. The obligations of GH Brands and the Company under this Section 6.5 shall survive the payment in full or cancellation of this Note or waiver of Holder's rights under this Note.

7. Representations and Warranties. To induce Holder to make the loan under this Note, Company hereby represents and warrants that the following statements are true and correct as of Date of Issuance and will remain true and correct at all times until the Maturity Date:

7.1 Company is a limited liability company duly organized and validly existing in full force and effect under the laws of the State of Delaware and it has the power and authority to own and operate its assets and to conduct its business as is now done.

7.2 Each of Company and GH Brands has the full power and authority to enter into the Loan Documents and the transactions contemplated therein and has been duly authorized to do so by appropriate action, and this Note and the other Loan Documents, when executed and delivered by Company and GH Brands, will constitute the legal, valid and binding obligations of Company and GH Brands enforceable in accordance with their terms.

7.3 There does not now exist any default or violation by Company or GH Brands, of or under any of the terms, conditions or obligations of: (i) its organizational documents; (ii) any permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law or by any governmental authority, court or agency, which in the case of clauses (ii) and (iii) could reasonably be expected to result in a material adverse change in the financial condition, business, property or assets of Company or GH Brands and could reasonably be expected to materially adversely affect the ability of Company and GH Brands to perform their respective obligations under this Note; and the consummation of this Note and the other Loan Document and of the transactions set forth herein and therein will not result in any such default or violation.

8. Defaults and Remedies.

8.1 Events of Default. Each of the following events will be considered an “**Event of Default**” with respect to this Note:

(a) The Company fails to make any payment of any amount of principal, interest or other amounts when and as due and payable under this Note and such failure remains uncured as of the date that is ten (10) calendar days after the date that such payment is due;

(b) Company shall (i) make a general assignment for the benefit of creditors, (ii) have a petition initiating any proceeding for bankruptcy filed by or against it and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of one hundred twenty (120) days after the institution thereof, (iii) have a receiver, trustee, or custodian appointed for all or any material part of its assets, or (iv) seek to make an adjustment, settlement or extension of its debts with its creditors generally;

(c) A proceeding being filed by or commenced against Company for dissolution or liquidation, or Company voluntarily or involuntarily terminating or dissolving or being terminated or dissolved;

(d) Any representation or warranty made by Company or GH Brands in any Loan Document is false or erroneous in any material respect and such false representation or warranty remains unremedied for a period of thirty (30) or more days; provided, however, that Holder shall extend the 30-day period to one hundred twenty (120) days if Holder determines in its reasonable discretion that such falsity or error cannot be cured within the 30-day period but can be cured within one hundred twenty (120) days;

(e) The failure of Company or GH Brands to observe or perform, in any material respect, any covenant or other agreement contained in any Loan Document and such failure shall continue unremedied for a period of thirty (30) or more days; provided, however, that Holder shall extend the 30-day period to one hundred twenty (120) days if Holder determines in its reasonable discretion that such failure cannot be cured within the 30-day period but can be cured within one hundred twenty (120) days; or

(f) The occurrence of any other event that constitutes an “Event of Default” (as defined in the Deed of Trust), taking into account all applicable grace, notice and cure periods provided under any one or more of the Loan Documents.

8.2 Remedies; Default Interest. Upon the occurrence of an Event of Default under Section 7.1 hereof, at the option and upon the declaration of Holder, the entire outstanding principal balance and accrued and unpaid interest thereon will, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, be forthwith due and payable, and Holder may, immediately and without expiration of any period of grace, enforce payment of all amounts due and owing under this Note and exercise any and all other remedies granted to it at law, in equity or otherwise under the Loan Documents, including, without limitation, foreclosure of the Deed of Trust. Further, so long as an Event of Default remains uncured, interest shall accrue on the outstanding principal balance at a non-compounding rate per annum equal to fifteen percent (15%).

9. Use of Proceeds. Each of Holder and the Company agrees that (a) the sole purpose for the Note proceeds is for business and investment purposes (and not for personal, family or household purposes), and (b) none of such proceeds will be used to acquire (or refinance the acquisition price of) real property or personal property which was or is to be used as a primary residence.

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10. Maximum Interest. Notwithstanding anything to the contrary herein, the total liability for payments in the nature of interest shall not exceed the applicable limits imposed by any applicable state or federal interest rate or usury laws. If any payments in the nature of interest, additional interest, and other charges made hereunder are held to be in excess of the applicable limits imposed by any applicable state or federal laws, it is agreed that any such amount held to be in excess shall be considered payment of principal and the principal balance shall be reduced by such amount in the inverse order of maturity so that the total liability for payments in the nature of interest, additional interest and other charges shall not exceed the applicable limits imposed by any applicable state or federal interest rate or usury laws in compliance with the desires of Holder and Borrower.

11. Acknowledgement Regarding California Civil Code Section 2889. Holder is hereby advised of California Civil Code Section 2906 which generally provides that an option granted to a secured party by a debtor to acquire an interest in real property collateral takes priority as of its recording and is effective according to its terms if the right to exercise the option is not dependent upon the occurrence of a default with respect to the security agreement and, where the real property which is the subject of the option is other than residential real property containing four or fewer units, shall not be deemed invalid or ineffective on the basis that the secured party has impaired the debtor's equity of redemption in violation of common law or California Civil Code Section 2889. Holder acknowledges that the conversion option given to Holder pursuant to Section 5.1 above is *not* dependent on the existence of an Event of Default. Holder has had an opportunity to review and consult with counsel of its choosing regarding California Civil Code Sections 2889 and 2906 and any published authorities thereunder, and assumes any attendant risks related to the conversion of all or any portion of this Note to Shares.

12. Miscellaneous.

12.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Note will inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided, however that the no party may assign its obligations or rights, as applicable, under this Note without the written consent of the other parties. Nothing in this Note, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Note, except as expressly provided in this Note.

12.2 Governing Law. This Note will be governed by and construed under the laws of the United States of America, State of California, without reference to California's principles of conflict of laws or choice of laws.

12.3 Counterparts. This Note may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

12.4 Notices. Any notice required or permitted under this Note shall be given in writing in accordance with Section 15.5 of the Purchase Agreement.

12.5 Headings; Interpretation. In this Note, (i) the meaning of defined terms will be equally applicable to both the singular and plural forms of the terms defined; (ii) the captions and headings are used only for convenience and are not to be

considered in construing or interpreting this Note; and (iii) the words “including,” “includes” and “include” will be deemed to be followed by the words “without limitation”. All references in this Note to sections, paragraphs, exhibits and schedules will, unless otherwise provided, refer to sections and paragraphs hereof and exhibits and schedules attached hereto, all of which exhibits and schedules are incorporated herein by this reference.

12.6 Amendments and Waivers. Each party may specifically and expressly waive in writing any portion of this Note or any breach thereof, but no such waiver shall constitute a further or continuing waiver of any preceding or succeeding breach of the same or any other provisions. Any term of this Note may be amended only with the written consent of GH Brands, the Company and Holder. Any amendment effected in accordance with this Section 11.6 will be binding upon Holder, GH Brands, the Company, and any other person claiming a right under this Note.

12.7 Severability. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision will be excluded from this Note and the balance of the Note will be interpreted as if such provision were so excluded and will be enforceable in accordance with its terms.

12.8 Entire Agreement. This Note, the Purchase Agreement, and the Deed of Trust, together with all exhibits and schedules hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede, merge, and void any and all prior negotiations, correspondence, agreements, understandings duties or obligations between the parties with respect to such subject matter.

12.9 Exculpation of Holder. GH Brands and the Company agree that neither Holder nor the respective controlling persons, officers, directors, managers, partners, members, agents or employees of Holder will be liable for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with this Note and any Conversion Shares issued upon conversion thereof.

12.10 Loss of Note. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note and, in the case of any such loss, theft or destruction, receipt of an indemnity agreement reasonably satisfactory to the Company, provided that the Holder shall not be required to provide an indemnity bond or, in the case of mutilation, upon surrender and cancellation of this Note, the Company will execute and deliver in lieu thereof a new Note having the same terms as contained in the lost, stolen, destroyed or mutilated Note.

12.11 Confidentiality. The parties shall not disclose or make public any information whatsoever concerning the Loan Documents, all of which shall be strictly confidential save where disclosure is required to enforce this Agreement or if required by law or by a regulatory or tax authority having jurisdiction over the transaction contemplated by this Note; provided that the parties may disclose as necessary to such parties’ affiliates and advisors on a need-to-know basis.

[Signature page follows.]

Redacted Version

IN WITNESS WHEREOF, the undersigned has caused this Note to be issued as of the date first written above.

COMPANY:

GH CAMARILLO LLC,
a Delaware limited liability company

HOLDER:

CEFF Camarillo Property, LLC,
a Delaware limited liability company]

By: _____

Name: Kyle D. Kazan

Title: Authorized Signatory

EIN: _____

By: EqCEF I, LLC, its manager

By: _____

Name: R. Thomas Amis

Title: Principal

GH Brands hereby executes this Note for the purpose of being bound by the provisions of Sections 5 and 6.5 of this Note:

GH BRANDS:

GLASS HOUSE BRANDS INC.,
a British Columbia corporation

By: _____

Name: Kyle D. Kazan

Title: Chairman and Chief Executive Officer

Address:

3645 Long Beach Boulevard

Long Beach, CA 90807

Email: [Redaction]

Signature Page to Convertible Promissory Note

Exhibit A-2

Form of Promissory Note (For Escrow Agreement)

(attached)

REDACTED VERSION

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY APPLICABLE STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE HOLDER SHOULD BE AWARE THAT IT MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

CONVERTIBLE PROMISSORY NOTE

Principal Amount: [\$ _____] Date of Issuance: [_____, 2021]

FOR VALUE RECEIVED, GH CAMARILLO LLC, a Delaware limited liability company (the “**Company**”), having a Taxpayer I.D. No. of [_____], hereby promises to pay to the order of CEFF Camarillo Property, LLC, a Delaware limited liability company (“**Holder**”), the principal sum equal to the Principal Amount identified above together with interest thereon from the Date of Issuance (this “**Note**”). Interest hereunder will be simple interest, not compounded, and will accrue at eight percent (8%) per annum commencing on the Accrual Start Date (as defined below), but shall not otherwise be due and payable until the Maturity Date (as defined below). For the avoidance of doubt, if the Accrual Start Date does not occur prior to the Maturity Date, then it shall be deemed that no interest shall have accrued under this Note.

Unless earlier converted into Shares (as defined below) pursuant to the terms of this Note, the principal and all accrued and unpaid interest thereon will be due and payable in full by the Company on the date (the “**Maturity Date**”) that is the earlier to occur of:

(i) the issuance by the State of California Department of Cannabis Control (“**DCC**”) of all licenses required under DCC regulations for commercial cultivation, nursery cultivation, processing and wholesale distribution of cannabis for at least one of the greenhouses that, as of the date hereof, are located on the Land; and

(ii) December 31, 2021.

This Note is issued pursuant to the Purchase Agreement (as defined below) and in connection with the Escrow Agreement (as defined below, which Escrow Agreement, together with this Note, are collectively, the “**Loan Documents**”), and is subject to the provisions thereof. Capitalized terms without definition herein shall have the meanings ascribed in the Purchase Agreement. For purposes hereof:

(i) “**Accrual Start Date**” shall mean the date on which the Entitlement Condition (as defined in the Purchase Agreement) shall have been fully satisfied;

(ii) “**Conversion Effective Date**” shall mean either of the following: (a) the earliest date on which Holder is required to surrender the originally executed copy of this Note to the Company for cancellation, or (b) the date on which Holder shall have received the Amended Note (as defined below) in exchange for the surrender of the originally executed copy of this Note to the Company, in each case as required by Section 5.1 of this Note; and

(iii) “**Purchase Agreement**” shall mean that certain Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of March 29, 2021, by and among Holder, CEFF Camarillo Holdings, LLC, a Delaware limited liability company, and Company, as amended by a First Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 22, 2021, and a Second Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 30, 2021, and as may be further amended. Notwithstanding anything in this Note or in any other Loan Document that may be construed to the contrary, the Purchase Agreement is not a Loan Document.

1. **Payment.** All payments will be made in lawful money of the United States of America at the principal office of the Holder, or at such other place as Holder may from time to time designate in writing to the Company. Payment will be credited first to Costs (as defined below), if any, then to accrued interest due and payable and the remainder applied to principal. Prepayment of principal, together with accrued interest, may not be made without Holder’s written consent in its sole discretion and shall be subject to such other terms and conditions, if any, set forth in the Loan Documents. The Company hereby waives demand, notice, presentment, protest and notice of dishonor. “**Costs**” will collectively mean, for purposes of this Note, any loss, cost, liability and legal or other expense, including reasonable attorneys’ fees of Holder’s counsel, which Holder may directly or indirectly suffer or incur by reason of the failure of the Company to materially perform any of its obligations under the Loan Documents, any agreement executed in connection herewith or therewith, any grant of or exercise of remedies with respect to any collateral at any time securing any obligations evidenced by this Note, or any agreement executed in connection herewith.

2. **Prepayment.** This Note may be pre-payable in full (but not in part) without premium or penalty upon the giving of thirty (30) days’ prior written notice by the Company to Holder only upon Holder’s written consent consistent with Section 1 above.

3. Funding. Holder shall be deemed to have disbursed to the Company the Principal Amount upon execution and delivery of all Loan Documents, and as more particularly provided for under the Purchase Agreement.

4. Security. To provide security for the Company's obligations under this Note, the Company, Holder, CEFF Camarillo Holdings, LLC, a Delaware limited liability company, and [Redaction], have entered into that certain Post-Closing Escrow Agreement of even date herewith (the "**Escrow Agreement**").

5. Conversion of this Note.

5.1 Option to Convert. Subject to the remainder of the terms and conditions of this Section 5 of this Note, Holder shall have the right, at Holder's sole option, at any time on or prior to the Maturity Date (the "**Conversion Deadline**"), to convert all or any portion of the outstanding principal amount of this Note and any accrued and unpaid interest thereon into certain authorized equity shares, as listed and traded on the NEO Exchange in Canada (the "**Shares**"), of GLASS HOUSE BRANDS INC., a British Columbia corporation ("**GH Brands**"), the corporate parent of MPB Acquisition Corp., a Nevada corporation, the sole holder of the authorized and issued common stock of GH Group, Inc., a Delaware corporation, the sole member of the Company. The number of Shares to be issued pursuant to this Section 5.1 (the "**Conversion Shares**") shall be calculated by dividing (i) the outstanding Principal Amount plus all accrued and unpaid interest thereon (collectively, the "**Outstanding Amount**") by (ii) a price of Ten and 00/100 Dollars (US\$10.00) per Share, as adjusted pursuant to Section 5.3 below. Holder shall exercise, if at all, the right of conversion by giving written notice to GH Brands at the address set forth below, which written notice shall specify the amount of the Outstanding Amount to be converted into Shares (the "**Conversion Election Notice**"). If the Conversion Election Notice is for the entire Outstanding Amount, then with the submission of the Conversion Election Notice Holder shall surrender the originally executed copy of this Note to the Company (stamped "cancelled") at its principal office (or such other office of GH Brands as GH Brands may designate by notice in writing to Holder). If the Conversion Election Notice is for less than the entire Outstanding Amount, then this Note shall be amended and restated to reflect same (the "**Amended Note**"), and such Amended Note shall be issued to Holder in exchange for Holder's surrender of the original executed copy of this Note (stamped "cancelled") to the Company.

5.2 Intentionally Omitted.

5.3 Adjustments Upon Capitalization and Corporate Changes.

(a) If at any time prior to the Maturity Date (or the date that all or any portion of the Outstanding Amount under this Note is otherwise converted or paid in full), any of the outstanding Shares are changed into, or exchanged for, a different number or kind of securities of GH Brands through amalgamation, merger, business combination, recapitalization or reclassification, or other reorganization, or if the number of such outstanding Shares is changed through a split, reverse split, or similar capital adjustment, an appropriate adjustment will be made by the Board of Directors of GH Brands (the "**Board**"), if necessary, in the number or kind of securities into which this Note is convertible, and the conversion price in Section 5.1(ii) so that Holder will be entitled to the same number and kind of securities or interests in GH Brands as if Holder had converted such portion of this Note immediately prior to such event. In making such adjustments, or in determining that no such adjustments are necessary, the Board may rely upon the advice of counsel, the accountants to GH Brands, the representatives of the NEO exchange.

(b) If GH Brands undertakes any: (w) amalgamation, merger, business combination, recapitalization or reclassification, split, reverse split, consolidation, reorganization or other capital adjustment, or any other action described in Section 5.3(a), (x) grant of rights or warrants to subscribe for additional Shares, (y) a dividend, distribution, reclassification (other than as described in Section 5.3(a)), or a sale of all or substantially all of the assets involving GH Brands, or (z) a tender offer or exchange for all or a portion of the outstanding Shares of GH Brands, then at least 30 days prior to the applicable record, effective or expiration date of any such action or event, GH Brands shall provide a written notice describing in reasonable detail the action or event so that Holder may elect to convert all or a portion of this Note which notice shall include, without limitation, applicable record, effective or expiration date, a description of the action or event, the effect on the number of Conversion Shares and the price per Conversion Share thereof and any other material terms. In the event the requirements of this Section 5.3(b) are not complied with, GH Brands shall forthwith either (i) cause such event or action to be postponed until such time as the requirements of this Section 5.3(b) have been complied with or (ii) cancel such event or action.

5.4 Issuance of Certificates: Time Conversion Effected. Promptly after GH Brands' receipt of the Conversion Election Notice, GH Brands shall issue and deliver, or cause to be issued and delivered, to Holder, a Direct Registration Statement recorded on the shareholder register for GH Brands for the number of Conversion Shares issuable upon the conversion of all or any portion of this Note. The conversion shall be deemed effective as of the Conversion Effective Date. As of the Conversion Effective Date, Holder's rights under this Note shall cease, and Holder shall be deemed to have become the holder of record of the Conversion Shares upon conversion pursuant to the conversion formula set forth in Section 5.1.

6. Covenants. The following covenants and obligations by GH Brands and/or the Company (unless otherwise waived by Holder) shall be fully satisfied for so long as any amounts are due and payable under this Note:

6.1 Compliance With Laws, etc. Except for the Controlled Substances Act of 1970 (21 U.S.C. § 801 *et. seq.*) (the "CSA") (but specifically excluding any current or pending regulatory enforcement actions under the CSA against GH Brands or the Company, of which there are none as of the Date of Issuance) or as otherwise disclosed to Holder in writing, and which is approved by Holder in writing, GH Brands and/or the Company shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its respective existence, rights, licenses, permits and franchises and comply with all Canadian and U.S. laws, rules, statutes, regulations, and ordinances applicable to GH Brands and the Company, in all material respects, including, without limitation, the Medicinal and Adult-Use Cannabis Regulatory Safety Act, and any published regulations or guidelines with respect thereto.

6.2 Intentionally Omitted.

6.3 Intentionally Omitted.

6.4 Intentionally Omitted.

6.5 Financial Statements. Not later than sixty (60) days after the end of each quarterly period of each fiscal year of Company (each, a "**Fiscal Quarter**"), Company shall deliver to Holder a copy of the unaudited consolidated balance sheet of Company as at the end of such quarter, certified by an officer of Company (and such certificate shall provide that such financial statements present fairly in all material respects the financial condition of Company as of the date thereof and that the balance sheet has been prepared in conformity with GAAP applied on a consistent basis, subject to normal year-end adjustments). For the avoidance of doubt, with respect to the first such balance sheet required to be delivered pursuant to this Section 6.5, Company may deliver the same to Holder no later than the date that is sixty (60) days after the end of the Fiscal Quarter in which the Closing occurs.

6.6 Indemnity. GH Brands and the Company agree to jointly and severally indemnify and hold harmless Holder and each of its members, partners, shareholders, director(s), manager(s), officers, employees, agents, representatives, affiliates and assigns (collectively, the "**Indemnitees**") from and against any and all claims, damages, losses, liabilities, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) (collectively, "**Losses**") which may be incurred by or asserted against the Indemnitees, whether among the parties or involving a third party, related to, in connection with or arising out of (a) GH Brands' or the Company's business operations, including, without limitation, the purpose for which the Company applies the Note proceeds; (b) any investigation, subpoena, litigation or proceeding related to or arising out of the Loan Documents or in connection herewith or any transaction contemplated hereby or thereby, including, without limitation, any assertion that GH Brands, the Company or Holder is in violation of U.S. federal laws regulating the use, facilitation, distribution or trafficking of controlled substances; (c) GH Brands' and/or the Company's failure to perform its obligations under the Loan Documents; and/or (d) any material failure at any time of any of the Company's representations or warranties set forth in the Loan Documents to be true and correct. The obligations of GH Brands and the Company under this Section 6.5 shall survive the payment in full or cancellation of this Note or waiver of Holder's rights under this Note.

7. Representations and Warranties. To induce Holder to make the loan under this Note, Company hereby represents and warrants that the following statements are true and correct as of Date of Issuance and will remain true and correct at all times until the Maturity Date:

7.1 Company is a limited liability company duly organized and validly existing in full force and effect under the laws of the State of Delaware and it has the power and authority to own and operate its assets and to conduct its business as is now done.

7.2 Each of Company and GH Brands has the full power and authority to enter into the Loan Documents and the transactions contemplated therein and has been duly authorized to do so by appropriate action, and this Note and the other Loan Documents, when executed and delivered by Company and GH Brands, will constitute the legal, valid and binding obligations of Company and GH Brands enforceable in accordance with their terms.

7.3 There does not now exist any default or violation by Company or GH Brands, of or under any of the terms, conditions or obligations of: (i) its organizational documents; (ii) any permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law or by any governmental authority, court or agency, which in the case of clauses (ii) and (iii) could reasonably be expected to result in a material adverse change in the financial condition, business, property or assets of Company or GH Brands and could reasonably be expected to materially adversely affect the ability of Company and GH Brands to perform their respective obligations under this Note; and the consummation of this Note and the other Loan Document and of the transactions set forth herein and therein will not result in any such default or violation.

8. Defaults and Remedies.

8.1 Events of Default. Each of the following events will be considered an “**Event of Default**” with respect to this Note:

(a) The Company fails to make any payment of any amount of principal, interest or other amounts when and as due and payable under this Note and such failure remains uncured as of the date that is ten (10) calendar days after the date that such payment is due;

(b) Company shall (i) make a general assignment for the benefit of creditors, (ii) have a petition initiating any proceeding for bankruptcy filed by or against it and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of one hundred twenty (120) days after the institution thereof, (iii) have a receiver, trustee, or custodian appointed for all or any material part of its assets, or (iv) seek to make an adjustment, settlement or extension of its debts with its creditors generally;

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(c) A proceeding being filed by or commenced against Company for dissolution or liquidation, or Company voluntarily or involuntarily terminating or dissolving or being terminated or dissolved;

(d) Any representation or warranty made by Company or GH Brands in any Loan Document is false or erroneous in any material respect and such false representation or warranty remains unremedied for a period of thirty (30) or more days; provided, however, that Holder shall extend the 30-day period to one hundred twenty (120) days if Holder determines in its reasonable discretion that such falsity or error cannot be cured within the 30-day period but can be cured within one hundred twenty (120) days; or

(e) The failure of Company or GH Brands to observe or perform, in any material respect, any covenant or other agreement contained in any Loan Document and such failure shall continue unremedied for a period of thirty (30) or more days; provided, however, that Holder shall extend the 30-day period to one hundred twenty (120) days if Holder determines in its reasonable discretion that such failure cannot be cured within the 30-day period but can be cured within one hundred twenty (120) days.

8.2 Remedies; Default Interest. Upon the occurrence of an Event of Default under Section 7.1 hereof, at the option and upon the declaration of Holder, the entire outstanding principal balance and accrued and unpaid interest thereon will, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, be forthwith due and payable, and Holder may, immediately and without expiration of any period of grace, enforce payment of all amounts due and owing under this Note and exercise any and all other remedies granted to it at law, in equity or otherwise under the Loan Documents. Further, so long as an Event of Default remains uncured, interest shall accrue on the outstanding principal balance at a non-compounding rate per annum equal to fifteen percent (15%).

9. Use of Proceeds. Each of Holder and the Company agrees that (a) the sole purpose for the Note proceeds is for business and investment purposes (and not for personal, family or household purposes), and (b) none of such proceeds will be used to acquire (or refinance the acquisition price of) real property or personal property which was or is to be used as a primary residence.

10. Maximum Interest. Notwithstanding anything to the contrary herein, the total liability for payments in the nature of interest shall not exceed the applicable limits imposed by any applicable state or federal interest rate or usury laws. If any payments in the nature of interest, additional interest, and other charges made hereunder are held to be in excess of the applicable limits imposed by any applicable state or federal laws, it is agreed that any such amount held to be in excess shall be considered payment of principal and the principal balance shall be reduced by such amount in the inverse order of maturity so that the total liability for payments in the nature of interest, additional interest and other charges shall not exceed the applicable limits imposed by any applicable state or federal interest rate or usury laws in compliance with the desires of Holder and Borrower.

11. Acknowledgement Regarding California Civil Code Section 2889. Holder is hereby advised of California Civil Code Section 2906 which generally provides that an option granted to a secured party by a debtor to acquire an interest in real property collateral takes priority as of its recording and is effective according to its terms if the right to exercise the option is not dependent upon the occurrence of a default with respect to the security agreement and, where the real property which is the subject of the option is other than residential real property containing four or fewer units, shall not be deemed invalid or ineffective on the basis that the secured party has impaired the debtor's equity of redemption in violation of common law or California Civil Code Section 2889. Holder acknowledges that the conversion option given to Holder pursuant to Section 5.1 above is *not* dependent on the existence of an Event of Default. Holder has had an opportunity to review and consult with counsel of its choosing regarding California Civil Code Sections 2889 and 2906 and any published authorities thereunder, and assumes any attendant risks related to the conversion of all or any portion of this Note to Shares.

12. Miscellaneous.

12.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Note will inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided, however that no party may assign its obligations or rights, as applicable, under this Note without the written consent of the other parties. Nothing in this Note, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Note, except as expressly provided in this Note.

12.2 Governing Law. This Note will be governed by and construed under the laws of the United States of America, State of California, without reference to California's principles of conflict of laws or choice of laws.

12.3 Counterparts. This Note may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

12.4 Notices. Any notice required or permitted under this Note shall be given in writing in accordance with Section 15.5 of the Purchase Agreement.

12.5 Headings; Interpretation. In this Note, (i) the meaning of defined terms will be equally applicable to both the singular and plural forms of the terms defined; (ii) the captions and headings are used only for convenience and are not to be considered in construing or interpreting this Note; and (iii) the words "including," "includes" and "include" will be deemed to be followed by the words "without limitation". All references in this Note to sections, paragraphs, exhibits and schedules will, unless otherwise provided, refer to sections and paragraphs hereof and exhibits and schedules attached hereto, all of which exhibits and schedules are incorporated herein by this reference.

12.6 Amendments and Waivers. Each party may specifically and expressly waive in writing any portion of this Note or any breach thereof, but no such waiver shall constitute a further or continuing waiver of any preceding or succeeding breach of the same or any other provisions. Any term of this Note may be amended only with the written consent of GH Brands, the Company and Holder. Any amendment effected in accordance with this Section 11.6 will be binding upon Holder, GH Brands, the Company, and any other person claiming a right under this Note.

12.7 Severability. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision will be excluded from this Note and the balance of the Note will be interpreted as if such provision were so excluded and will be enforceable in accordance with its terms.

12.8 Entire Agreement. This Note, the Purchase Agreement, and Escrow Agreement, together with all exhibits and schedules hereto, constitute the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede, merge, and void any and all prior negotiations, correspondence, agreements, understandings duties or obligations between the parties with respect to such subject matter.

12.9 Exculpation of Holder. GH Brands and the Company agree that neither Holder nor the respective controlling persons, officers, directors, managers, partners, members, agents or employees of Holder will be liable for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with this Note and any Conversion Shares issued upon conversion thereof.

12.10 Loss of Note. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note and, in the case of any such loss, theft or destruction, receipt of an indemnity agreement reasonably satisfactory to the Company, provided that the Holder shall not be required to provide an indemnity bond or, in the case of mutilation, upon surrender and cancellation of this Note, the Company will execute and deliver in lieu thereof a new Note having the same terms as contained in the lost, stolen, destroyed or mutilated Note.

12.11 Confidentiality. The parties shall not disclose or make public any information whatsoever concerning the Loan Documents, all of which shall be strictly confidential save where disclosure is required to enforce this Agreement or if required by law or by a regulatory or tax authority having jurisdiction over the transaction contemplated by this Note; provided that the parties may disclose as necessary to such parties' affiliates and advisors on a need-to-know basis.

[Signature page follows.]

REDACTED VERSION

IN WITNESS WHEREOF, the undersigned has caused this Note to be issued as of the date first written above.

COMPANY:

GH CAMARILLO LLC,
a Delaware limited liability company

By: _____
Name: Kyle D. Kazan
Title: Authorized Signatory

EIN: _____

HOLDER:

CEFF Camarillo Property, LLC,
a Delaware limited liability company]

By: EqCEF I, LLC, its manager

By: _____
Name: R. Thomas Amis
Title: Principal

GH Brands hereby executes this Note for the purpose of being bound by the provisions of Sections 5 and 6.5 of this Note:

GH BRANDS:

GLASS HOUSE BRANDS INC.,
a British Columbia corporation

By: _____
Name: Kyle D. Kazan
Title: Chairman and Chief Executive Officer

Address:
3645 Long Beach Boulevard
Long Beach, CA 90807
Email: [Redaction]

Signature Page to Convertible Promissory Note

Exhibit B

Form of Escrow Agreement

(attached)

Redacted Version

POST-CLOSING ESCROW AGREEMENT

THIS POST-CLOSING ESCROW AGREEMENT (“this Agreement”) is made effective as of _____, 2021 (“**Closing Date**”), by and among **CEFF Camarillo Property, LLC**, a Delaware limited liability company (“**CEFF Camarillo Propco**”), **CEFF Camarillo Holdings, LLC**, a Delaware limited liability company (“**CEFF Parent**” and, together with CEFF Camarillo Propco, “**Seller**”), and **GH CAMARILLO LLC**, a Delaware limited liability company (“**Purchaser**”), and [Redaction] (“**Escrow Agent**”).

RECITALS

A. Seller and Purchaser are parties to that certain Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of March 29, 2021, as amended by a First Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 22, 2021, and by a Second Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 30, 2021 (as so amended and as may be further amended, the “**Purchase Agreement**”), pursuant to which Purchaser has agreed to purchase from Seller, and Seller has agreed to sell to Purchaser, the Property.

B. Section 5.1 of the Purchase Agreement provides that a portion of the Purchase Price shall be paid by the Purchaser in the form of Purchaser’s execution and delivery of the Promissory Note and, at Purchaser’s election, this Agreement (it being the intent of the Seller and Purchaser that the funds contemplated to be deposited by Purchaser with Escrow Agent pursuant to the terms set forth below are to be held by Escrow Agent in order to secure Purchaser’s obligations under the Promissory Note).

NOW, THEREFORE, in consideration of the covenants, conditions, and agreements set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. **Recitals: Capitalized Terms.** The foregoing recitals are hereby made a part of this Agreement. Unless otherwise defined herein, all initially capitalized terms set forth herein shall have the meaning ascribed to such terms in the Purchase Agreement.

2. **Appointment of Escrow Agent.** Purchaser and Seller hereby appoint and designate Peninsula Escrow, Inc. to serve as Escrow Agent pursuant to the terms and conditions hereof, and Escrow Agent hereby accepts such appointment and agrees to be bound by the terms and conditions of this Agreement.

3. **Holdback Funds.** No later than the Closing, Purchaser shall deposit with Escrow Agent, by wire transfer of immediately available federal funds, an amount equal to [_____ Dollars (\$_____)] (the "**Holdback Funds**"). The Escrow Agent shall hold the Holdback Funds in escrow in accordance with the terms and conditions of this Agreement.

4. **Investment of Holdback Funds.** Unless otherwise jointly directed by Seller and Purchaser, the Escrow Agent shall invest and reinvest the Holdback Funds in direct obligations of the federal government, or any agency or instrumentality thereof, that are backed by the full faith and credit of the federal government, repurchase agreements or money market funds collateralized by obligations of the federal government, or certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation, all of which shall have maturity dates of thirty (30) days or less. All interest accumulated on and proceeds from the Holdback Funds (collectively, "**Holdback Interest**") shall belong to Purchaser and shall not become part of the Holdback Funds available for disbursement to Seller, and shall be held by Escrow Agent until the Holdback Funds are disbursed in accordance with the terms of this Agreement.

5. **Release of Holdback Funds and Holdback Interest from Escrow.** The Escrow Agent shall not release or disburse all or any part of the Holdback Funds or Holdback Interest except upon the following terms and conditions:

(a) On the Maturity Date (as defined in the Promissory Note), Seller shall give written notice to Purchaser and Escrow Agent (the "**Notice**"), which Notice shall (i) certify whether or not Seller has delivered, in accordance with the Promissory Note, one or more Conversion Election Notices (as defined in the Promissory Note), (ii) be accompanied by true and correct copies of all such Conversion Election Notices to the extent Seller has so delivered any such Conversion Election Notice, and (iii) contain a true and correct calculation of the Outstanding Amount (as defined in the Promissory Note) that has not been converted into Shares (as defined in the Promissory Note) (such unconverted Outstanding Amount is the "**Unconverted Outstanding Amount**"). Upon Seller's delivery of a Notice that complies with the foregoing provisions of this paragraph, the Unconverted Outstanding Amount indicated in such Notice shall be deemed to constitute the dollar amount of the Holdback Funds to which Seller is entitled to receive in full payment and satisfaction of the Promissory Note, and Escrow Agent is hereby instructed to disburse, and shall promptly disburse, to Seller Holdback Funds in an amount equal to the Unconverted Outstanding Amount. Upon Seller's receipt of such Holdback Funds, the Promissory Note shall be deemed fully paid and satisfied.

(b) In the absence of a Notice delivered by Seller in accordance with the foregoing provisions of subparagraph (a) above (or if Seller and Purchaser are in disagreement on the amount of the Unconverted Outstanding Amount), Escrow Agent shall continue to hold the Holdback Funds in escrow until Escrow Agent receives (i) jointly signed instructions from Seller and Purchaser with respect to the disbursement of Holdback Funds ("**Joint Instructions**"), or (ii) a final non-appealable judgment from a court of competent jurisdiction, or (iii) a final order or notice of settlement. Thereupon, Escrow Agent shall promptly disburse the Holdback Funds in accordance with the foregoing clauses (i), (ii) and (iii), as applicable. Notwithstanding the foregoing provisions of this subparagraph (b), if Seller and Purchaser are in disagreement on the amount of the Unconverted Outstanding Amount, but a portion of the Holdback Funds that would be disburseable to Seller in respect of any Unconverted Outstanding Amount is not in dispute (such portion is the "**Undisputed Portion**"), then Purchaser shall, with Seller, promptly execute and deliver Joint Instructions which provide for the prompt disbursement to Seller of Holdback Funds in an amount equal to the Undisputed Portion.

(c) Notwithstanding the foregoing provisions of this Agreement, in the event that Seller delivers any Notice to Escrow Agent pursuant to subparagraph (a) above, then Escrow Agent is hereby instructed to disburse, and shall promptly

disburse, to Purchaser (i) all Holdback Funds that are in excess of the Unconverted Outstanding Amount indicated in such Notice, and (ii) all Holdback Interest.

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Upon the delivery of all of the Holdback Funds and Holdback Interest in accordance with the terms hereof, the duties of the Escrow Agent with respect to the Holdback Funds and Holdback Interest shall thereupon cease, and this Agreement shall terminate.

6. **Compensation**. Escrow Agent shall perform its duties and obligations under this Agreement without compensation but as an accommodation to Seller and Purchaser. Purchaser and Seller each shall be responsible for fifty percent (50%) of all out-of-pocket fees and expenses of Escrow Agent.

7. **Duties and Standard of Care for Escrow Agent**.

7.1 **Liability of Escrow Agent**. In performing any of its duties hereunder, Escrow Agent shall not incur any liability to anyone for any damages, losses, or expenses, except for its negligence, willful default or breach of trust, and it shall accordingly not incur any such liability with respect to (i) any action taken or omitted in good faith upon advice of its legal counsel given with respect to any questions relating to the duties and responsibilities of Escrow Agent under this Agreement, or (ii) any action taken or omitted in reliance upon any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by a proper person or persons, and to conform with the provisions of this Agreement.

7.2 **Resignation or Replacement of Escrow Agent**. Escrow Agent may resign from its duties hereunder at any time on at least fifteen (15) days' prior written notice to Purchaser and Seller specifying a date on which its resignation is to take effect. On receipt of such notice, Purchaser and Seller shall appoint a successor escrow agent, such successor escrow agent to become the "Escrow Agent" when the resignation of the former Escrow Agent becomes effective. If Purchaser and Seller are unable to agree on a successor escrow agent within ten (10) days after receipt of such notice, Escrow Agent shall appoint its own successor. Escrow Agent shall continue to serve until its successor accepts its appointment and receives the Holdback Funds and Holdback Interest. Purchaser and Seller have the right, at any time, by agreement, to substitute a new escrow agent by giving five (5) days' notice thereof to Escrow Agent then acting and paying for its fees and expenses until the date of its replacement in accordance with Section 6 above.

7.3 **Authorization to Interplead**. Purchaser and Seller hereby authorize Escrow Agent, if Escrow Agent is threatened with litigation or sued, or in the event of any disagreement between any of the parties to this Agreement, or between them and any other entity or person, that results in adverse claims or demands being made against the Holdback Funds or Holdback Interest, or if Escrow Agent in good faith is in doubt as to what action it is permitted to take hereunder, to interplead all interested parties with a federal or district court in the State of California or, if such courts do not have jurisdiction as to the parties or matters involved, then such court as Escrow Agent shall determine to have jurisdiction thereof, and to deposit the Holdback Funds and Holdback Interest with the clerk of that court. The written non-appealable decision of the court shall be binding, final and conclusive on the parties.

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7.4 **Compliance**. The parties hereto agree, and the Escrow Agent is hereby expressly authorized, to comply with and obey any orders of any court of competent jurisdiction, and any final, non-appealable judgments and decrees of any such court, and Escrow Agent shall not be liable to any of the parties hereto or to any other person by reason of such compliance.

8. **Miscellaneous.**

8.1 **Waiver.** A waiver of any of the provisions of this Agreement shall not constitute and shall not be deemed a waiver of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing. Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, representation, warranty, covenant, agreement, or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver.

8.2 **Notices.** Any notice, demand, consent, approval, request, or other communication or document to be provided hereunder to a party hereto shall be in writing, and shall be delivered and deemed effective in accordance with the provisions of Section 15.5 of the Purchase Agreement; provided, however, that the notice address for Escrow Agent shall be as follows: **[Redaction]**.

8.3 **Entire Agreement; Amendment.** This Agreement and the Promissory Note constitute the entire agreement among the parties pertaining to the subject matter of this Agreement and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions of or among the parties hereto, whether oral or written. No amendment, supplement, modification, or termination of this Agreement shall be binding unless executed in writing by all parties hereto.

8.4 **Headings.** The headings in this Agreement are for reference purposes and shall not affect the meaning or interpretation of this Agreement.

8.5 **Applicable Law; Consent to Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflict of laws. Any suit involving any dispute or matter arising under this Agreement may only be brought in any federal or district court in the State of California. Each of the parties hereto consents to the exercise of personal jurisdiction by such court with respect to all such proceedings and waives any objection to venue laid therein.

8.6 **Attorneys' Fees.** If any party hereto brings any suit or other proceeding, including an arbitration proceeding, with respect to the subject matter or the enforcement of this Agreement, the prevailing party (as determined by the court, agency, arbitrator or other authority before which such suit or proceeding is commenced), in addition to such other relief as may be awarded, shall be entitled to recover reasonable attorneys' fees, expenses and costs actually incurred. The foregoing includes attorneys' fees, expenses and costs of investigation (including those incurred in appellate proceedings), costs incurred in establishing the right to indemnification, or in any action or participation in, or in connection with, any case or proceeding under Chapter 7, 11 or 13 of the Bankruptcy Code (11 United States Code Sections 101 et seq.), or any successor statutes.

8.7 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8.8 **No Third Party Beneficiaries.** Nothing contained in this Agreement shall be deemed to confer any rights or benefits on any third parties.

8.9 **Severability.** If any term or provision of this Agreement or the application thereof to any entity or person or circumstances is or to any extent shall become invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to entities, persons, or circumstances other than those held invalid or unenforceable under the laws now or hereafter in effect in the jurisdiction governing this Agreement, shall not be affected thereby, and each term and provision shall be held valid and enforceable to the greatest possible extent.

8.10 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by exchange of PDF or facsimile signatures.

8.11 **Time of Essence.** With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

The signature page follows this page.

Redacted Version

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Closing Date.

Seller:

CEFF Camarillo Property, LLC,
a Delaware limited liability company

By: EqCEF I, LLC,
its manager

By: _____
Name: R. Thomas Amis
Title: Principal

CEFF Camarillo Holdings, LLC,
a Delaware limited liability company

By: EqCEF I, LLC,
its manager

By: _____
Name: R. Thomas Amis
Title: Principal

Purchaser:

GH CAMARILLO LLC,
a Delaware limited liability company

By: _____
Name: Kyle D. Kazan
Title: Authorized Signatory

Escrow Agent:

[Redaction]

By: _____
Name: _____
Title: _____

Exhibit C

Form of Seller Deed of Trust

(attached)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

GH CAMARILLO LLC
3645 Long Beach Boulevard
Long Beach, California 90807
Attn: Kyle D. Kazan

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**DEED OF TRUST, SECURITY AGREEMENT, CROP FILING AND FIXTURE FILING
WITH ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND AGREEMENTS**

THIS DEED OF TRUST, SECURITY AGREEMENT, CROP FILING AND FIXTURE FILING WITH ASSIGNMENT OF RENTS AND PROCEEDS, LEASES AND AGREEMENTS (this “**Deed of Trust**”) is made as of [_____, 2021] by **GH CAMARILLO LLC**, a Delaware limited liability company, as trustor (“**Trustor**”), having a mailing address at 3645 Long Beach Boulevard, Long Beach, California 90807, [Redaction], as trustee (“**Trustee**”), having offices at [Redaction], for the benefit of [**CEFF CAMARILLO PROPERTY, LLC**, a Delaware limited liability company], as beneficiary (the “**Lender**”), and the successors and assigns of the Lender. The Lender has offices located at 411 NW Park Ave., Suite 401, Portland, Oregon 97209.

WITNESSETH:

TRUSTOR HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE, IN TRUST, WITH POWER OF SALE, for the benefit of Beneficiary, all of Trustor’s right, title and interest now owned or hereafter acquired in and to the following property, together with the Personalty (as hereinafter defined), all of which is hereinafter collectively defined as the “**Property**”: (i) that certain land located in the County of Ventura, California as more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the “**Land**”), and all appurtenances, easements, rights and privileges thereof, including all minerals, oil, gas and other hydrocarbon substances thereon or therein, air rights, water, and Water Rights (as hereinafter defined, whether riparian, appropriative, or pursuant to state or federal entitlements or allotments, or otherwise and whether or not appurtenant) in or hereafter relating to or used in connection with the Land, and all land use, licenses, permits, entitlements, regulatory approvals and development rights, and any land lying in the streets, roads or avenues adjoining the Land or any part thereof; (ii) all Improvements (as hereinafter defined); (iii) all Fixtures (as hereinafter defined), whether now or hereafter installed, being hereby declared to be for all purposes of this Deed of Trust a part of the Land; (iv) all Easement Agreements (as hereinafter defined), all Approvals and Entitlements (as hereinafter defined), and all rights of ingress, egress, reciprocal agreements and other appurtenances relating to the Land; and (v) the Rents and Proceeds (as hereinafter defined), whether by sale or otherwise; FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may determine, payment (with interest as provided) and performance by Trustor of the Obligations (as hereinafter defined).

**ARTICLE 1
DEFINITIONS**

1.1 Certain Defined Terms: As used in this Deed of Trust the following terms shall have the following meanings:

1.2 Agreements: Any and all agreements, contracts, supply contracts, crop contracts, reports, surveys, maintenance agreements, water delivery, drainage, storage or sharing agreements or rights, water agreements, purchase contracts, and governmental approvals whatsoever, in each case pertaining to the operation of the Property, as the same may be amended or otherwise modified from time to time.

1.3 Approvals and Entitlements: Any and all land use approvals/applications, zoning variances, general plan amendments, permits, maps, tentative maps, subdivisions, parcel maps, and/or other approvals, consents, entitlements and/or similar related matters.

1.4 Beneficiary: The Lender and its successors and assigns.

1.5 Collateral: As defined in Paragraph 7.1 hereof.

1.6 Costs: As defined in Paragraph 9.17 hereof.

1.7 Easement Agreements: Any and all ingress or egress easements or agreements, water agreements, reciprocal easements or other appurtenances, easements or real property rights or interests relating to the Land, whether now owned or hereafter acquired.

1.8 Event of Default: As defined in Paragraph 6.1 hereof.

1.9 Fixtures: Any and all property affixed to the Land and/or located upon or within the Improvements which are so related to the Land that an interest in such property arises under applicable real estate or real property law.

1.10 Hazardous Materials: Any (i) oil, petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (x) pose a hazard to the Property or to persons on or about the Property or (y) cause the Property to be in violation of any Hazardous Materials Laws; (ii) asbestos in any form, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (iii) chemical, material or substance defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", "restricted hazardous waste", or "toxic substances" or words of similar import under any Hazardous Materials; and/or (iv) other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Property or the owners and/or occupants of property adjacent to or surrounding the Property, or any other Person coming upon the Property or adjacent property.

1.11 Hazardous Materials Claims: Any and all enforcement, cleanup, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, together with any and all claims made or threatened by any third party against Trustor, Beneficiary or the Property relating to any Hazardous Materials.

1.12 Hazardous Materials Laws: Any federal, state or local laws, ordinances, regulations or policies relating to the environment, health and safety, and/or Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) or to industrial hygiene or the environmental conditions on, under or about the Property, including, without limitation, soil, groundwater and indoor and ambient air conditions.

1.13 Impositions: All liens, charges, assessments, and taxes affecting the Property, including, without limitation, any and all real estate and personal property taxes and assessments, and any and all water charges and/or assessments.

1.14 Improvements: All (i) building improvements ("**Buildings**"), storage facilities and fixtures now or hereafter located on the Land, including, without limitation, approximately five (5) million square feet of existing greenhouse structures and packing facilities, (ii) irrigation, drainage, electrical, utility, water, irrigation and frost protection improvements and equipment located on or used in connection with the Land, (iii) enclosures of the Land or any part thereof, including, without limitation, fences, gates, shuts, posts, and poles, and (iv) all immature and mature plants, trees, vines and other plantings now or hereafter growing on the Land and belonging to Trustor, together with all trellises, wires, endposts, and stakes relating thereto.

1.15 Indebtedness: The indebtedness evidenced by the Note and all other amounts due from Trustor to Beneficiary evidenced or secured by the Loan Documents, plus interest on all such amounts as provided in the Loan Documents.

1.16 Laws and Restrictions: All laws, regulations, orders, codes, ordinances, rules, statutes, title encumbrances, permits and approvals, leases and other agreements, relating to the development, occupancy, ownership, management, use, and/or operation of the Property or otherwise affecting the Property or Trustor.

1.17 Leases: Any and all leasehold interests, including subleases and tenancies following attornment, now or hereafter affecting or covering all or any part of the Property.

1.18 Loan: The loan from the Lender to Trustor in the original principal amount of [_____ Dollars (US\$ _____)], as evidenced by the Loan Documents.

1.19 Loan Documents: The Note and this Deed of Trust.

1.20 Material Adverse Change: Any material and adverse change in (i) the financial condition of Trustor, or (ii) the condition or operation of the Property.

1.21 Note: The Convertible Promissory Note Secured by Deed of Trust dated as of [_____, 2021], executed by Trustor, in favor of Lender, in an amount equal to the Loan.

1.22 Obligations: Any and all of the covenants, promises and other obligations (including payment of the Indebtedness) made or owing by Trustor to Beneficiary or any Lender as provided in the Loan Documents.

1.23 Permitted Exceptions: All of those title exceptions set forth in Schedule B, Part I of the title insurance policy issued in favor of Beneficiary that insures the priority of this Deed of Trust.

1.24 Person: Any natural person, corporation, firm, association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

1.25 Personalty: All personal property now or hereafter located in, upon or about or collected or used in connection with the Property and belonging to Trustor, together with all present and future attachments, accessions, replacements, substitutions and additions thereto or therefor, and the cash and noncash products and proceeds thereof, including, without limitation: all equipment, the Easement Agreements, the Agreements, the Approvals and Entitlements, all crops now or hereafter grown or growing on the Land belonging to Trustor, all crops and farm products now or hereafter generated by the Land whether growing or severed and belonging to Trustor, all contracts related to or pertaining to the Property and any and all guaranties thereof, all causes of action and recoveries now or hereafter existing for any loss or diminution in value of the Property, all insurance proceeds and condemnation awards in favor of Trustor, all other tangible and intangible property and rights relating to the Property or its operation, or to be used in connection with the Property, including, but not limited, to all general intangibles, all permits, licenses and other agreements, all trademarks, service marks, designs, logos, names or similar identifications pertaining to the Property or products generated by the Property or under which the Property may be known or operated or which are otherwise owned by Trustor, whether registered or unregistered, and all rights to carry on business under such names, and any related goodwill associated in any way with such trademarks, names or the Property, and all Water Rights appurtenant or relating to the Property.

1.26 Principal Party: The Trustor, any Person owning directly or indirectly 50% or more of the outstanding membership interests of Trustor, or any guarantor of Trustor's obligations under the Loan Documents.

1.27 Property: As defined in the above granting paragraph of this Deed of Trust.

1.28 Purchase Agreement: That certain Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of June 6, 2021, by and among Beneficiary, CEFF Camarillo Holdings, LLC, a Delaware limited liability company, and the Trustor, as amended by a First Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as

of July 22, 2021, and a Second Amendment to Agreement to Sell and Acquire Real Estate and Joint Escrow Instructions made effective as of July 30, 2021.

1.29 Receiver: Any trustee, receiver, custodian, fiscal agent, liquidator or similar officer.

1.30 Rents and Proceeds: All rents, royalties, revenues, security deposits, termination payments, issues, profits, proceeds (including, without limitation proceeds from the sale of all or any portion of the Property or interest therein or the products generated by or on the Property) and other income from the Property.

1.31 Transfer: The occurrence of (i) any sale, conveyance, assignment, transfer, alienation, mortgage, conveyance of security title, encumbrance or other disposition of the Property, of any kind, or any other transaction the result of which is, directly or indirectly, to divest any Trustor of any portion of its title to the Property, voluntarily or involuntarily, (ii) any amalgamation, merger, business combination, consolidation or dissolution involving, or the sale or transfer of all or substantially all of the assets of, a Principal Party, but specifically excluding any such transaction in which the Principal Party is the surviving or acquiring entity, (iii) the transfer (at one time or over any period of time) of any interest in, or ten percent (10%) or more of the shares of, membership interests in, or other direct or indirect beneficial interest in or of, a Principal Party, but specifically excluding any such transfer of any stock or securities of a Principal Party traded or quoted on a national securities exchange or national market system, (iv) the removal or resignation of the trustee of any Trustor which is a trust, (v) the conversion of any general partnership interest in any Trustor to a limited partnership interest, or (vi) a Water Transfer.

1.32 Water Rights: All water (including any water inventory in storage), water rights and entitlements, other rights to water and other rights to receive water or water rights of every kind or nature which are appurtenant or relate to the Property, or otherwise benefit the Property or Trustor, including, without limitation: (i) the groundwater on, under, pumped from or otherwise available to the Land, whether as a result of groundwater rights, contractual rights or otherwise; (ii) the right to remove and extract any such groundwater including any permits, rights or licenses granted by any governmental authority or agency and any rights granted or created by any easement, covenant, agreement or contract with any person or entity; (iii) any rights to which the Land is entitled with respect to surface water, whether such right is appropriative, riparian, prescriptive or otherwise and whether or not pursuant to permit or other governmental authorization, or the right to store any such water; (iv) any water, water right, water allocation, distribution right, delivery right, water storage right or other water-related entitlement appurtenant or otherwise applicable to the Land by virtue of the Land's being situated within the boundaries of any district, agency or other governmental entity or within the boundaries of any private water company, mutual water company or other non-governmental entity; (v) any drainage rights appurtenant or otherwise applicable to the Land; (vi) all rights to transport, carry, allocate or otherwise deliver water or any of the foregoing rights from or to the Land by any means, wherever located; and (vii) any shares (or any rights under such shares) of any private water company, mutual water company, or other non-governmental entity pursuant to which Trustor or the Land may receive any of the rights referred to in subparagraphs (i) through (vi) above.

1.33 Water Transfer: Any transfer, assignment, sale, exchange, gift, encumbrance, pledge, hypothecation, alienation, grant of option to purchase, or other disposition of, directly, indirectly or in trust, voluntarily or involuntarily, by operation of law or otherwise (or the entry into a binding agreement to do any of the foregoing with respect to) all or any part of the Water Rights or any water on, under, about or available to the Land or any portion thereof.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

Trustor hereby represents and warrants (and in the case of Paragraph 2.4 below, certifies under penalty of perjury) to Beneficiary and Trustee that as of the date of this Deed of Trust:

2.1 Authorization and Validity. Trustor (i) is duly organized, and validly existing under the laws of the State of Delaware and registered as a foreign limited liability company in the State of California, (ii) is the lawful owner of the Property and holds good and marketable title to the Property free and clear of all defects, liens, encumbrances, easements, exceptions and assessments, except the Permitted Exceptions, (iii) has the power and authority to grant the Property as provided in and by this Deed of Trust, to own and operate the Property, and to execute and deliver, and perform the Obligations, (iv) to the best of Trustor's current actual knowledge, with no duty of investigation, the Property is in compliance with all Laws and Restrictions, except as provided in the Loan Documents, and (v) has

authorized by all requisite action the execution, delivery and performance by Trustor of the Loan Documents and such execution, delivery and performance will not violate any Laws and Restrictions or any agreement or other instrument.

2.2 Statements, Information and Litigation. (i) All financial statements and other information given to Beneficiary with respect to the Property and/or Trustor are true, accurate, complete and correct and have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) there (a) has been no Material Adverse Change since the date of the most recent financial statement given to Beneficiary and (b) is not now pending against or affecting Trustor or the Property, nor to the best of Trustor's knowledge is there threatened, any action, suit or proceeding that might result in a Material Adverse Change.

2.3 Additional Representations and Warranties. (i) The Property is used principally or primarily for commercial agricultural purposes, (ii) Trustor is not aware of any actual or pending assessments which could become a lien upon the Property, (iii) to Trustor's current, actual knowledge with no duty of investigation, other than tenants under any Leases which have been disclosed to Beneficiary in writing, if any, there are no occupants or tenants that have or are entitled to possession of the Property or any part thereof, and (iv) no Principal Party is subject to any bankruptcy or other insolvency proceeding.

2.4 FIRPTA Certification. (i) Trustor's Taxpayer Identification Number is as set forth in the Note; and the business mailing address is as set forth on page 1 hereof; (ii) Trustor is not a "foreign person" within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended (the "Code"); and (iii) Trustor understands that the information and certification contained in this Paragraph 2.4 may be disclosed to the Internal Revenue Service and that any false statement contained herein could be punished by fine, imprisonment or both. Trustor agrees (x) to provide Beneficiary with a new certification containing the provisions of this Paragraph 2.4 immediately upon any change in such information, and (y) upon any Transfer which is permitted by the terms of this Deed of Trust, to cause such transferee to execute and deliver to Beneficiary a certificate substantially in the form of this Paragraph 2.4.

2.5 Water Rights. Trustor will use all commercially reasonable efforts to cause the Property to have, and continue to have, the continuing, enforceable right to receive irrigation water from such sources, in such quantities, and at such times and locations as is reasonably satisfactory for the purposes of farming, without interruption and in such quantities, and at such times and locations as has been historically available to the Property, subject to any changes that are consistent with any development of the Property that is permitted under this Deed of Trust.

2.6 Executive Order 13224. Trustor and all persons or entities holding any legal or beneficial interest whatsoever in Trustor are not included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224 - Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended. It shall constitute an Event of Default hereunder if the foregoing representation and warranty shall ever become false.

ARTICLE 3 AFFIRMATIVE COVENANTS

Trustor hereby covenants and agrees as follows:

3.1 Obligations of Trustor. Trustor will timely perform, or cause to be timely performed, all the Obligations.

3.2 Insurance.

(a) Trustor, at its sole cost and expense, will keep and maintain (or cause to be kept and maintained) for the mutual benefit of Trustor and Beneficiary: (i) with respect to all Buildings and to the extent available at commercially reasonable rates, permanent plantings, insurance against loss or damage thereto by fire and other risks covered by insurance commonly known as the broad form of extended coverage, in an amount equal to one hundred percent (100%) of the then-current "full replacement cost" of such Buildings and plantings; (ii) crop insurance in amounts customarily maintained by similar operators, if available at commercially reasonable rates, (iii) Comprehensive General Liability insurance including broad form property damage, contractual liability and personal injury or death coverage in such amounts as may be customary for similar operators; and (iv) such other insurance, and in such amounts, as may from time to time be commercially reasonably required by Beneficiary.

(b) All policies of insurance required by this Deed of Trust (i) shall be prepaid annually and otherwise satisfactory in form, substance, amount and deductible to Beneficiary and written with companies satisfactory to Beneficiary, (ii) shall name Beneficiary as an additional insured as its interest may appear and contain a Standard Beneficiary's Loss Payable endorsement and other non-contributory standard mortgagee protection clauses acceptable to Beneficiary, and at Beneficiary's option, a waiver of subrogation rights by the insurer, (iii) shall contain an agreement by the insurer that such policy shall not be amended or canceled without at least thirty (30) days' prior written notice to Beneficiary, and (iv) shall contain such other provisions as Beneficiary deems reasonably necessary or desirable to protect its interests. All of Trustor's right, title and interest in and to all policies of property insurance and any unearned premiums paid thereon are hereby assigned (to the fullest extent assignable) to Beneficiary who shall have the right, but not the obligation, to assign the same to any purchaser of the Property at any foreclosure sale. In no event shall Trustor have any right, title or interest in any insurance policies (or the proceeds thereof) procured by Beneficiary in connection with the Property or otherwise held by Beneficiary.

3.3 Maintenance, Waste and Repair. At its sole cost and expense, Trustor will (i) preserve, repair, replace and maintain (or cause to be preserved, repaired, replaced and maintained) the Property in a good and businesslike or farmerlike manner and condition, (ii) not destroy, remove, abandon, or materially diminish or alter the Improvements, except for replacement of dead or diseased plants or trees in the normal course of farming and caring for the Property with trees or plants of reasonably equivalent value prior to the end of the useful life thereof or consistent with any development of the Property permitted under this Deed of Trust, (iii) cultivate, produce and harvest crops on the Property employing the usual and normal standards and practices of husbandry customarily employed to produce similar crops in the general vicinity, (iv) not permit any waste of or to the Property, and (v) not (x) permit any portion of the Property to be used as a borrow pit, land fill or dump, (y) request or permit a change in tax status or in zoning or land use classification from its existing permitted uses, except as contemplated in connection with any development of the Property permitted under the Purchase Agreement or this Deed of Trust or (z) in any way diminish any of Trustor's Water Rights (whether riparian, appropriative or otherwise and whether or not appurtenant).

3.4 Impositions/Law. Trustor will (i) pay when due all Impositions, (ii) deliver to Beneficiary, within seven (7) days after demand therefor, receipts showing the payment of any Impositions, and (iii) promptly and faithfully comply with all present and future Laws and Restrictions, subject to the provisions of the Note.

3.5 Books and Records and Other Information. In addition to any other financial statement disclosure requirements set forth in any of the Loan Documents, Trustor, without expense to Beneficiary, will maintain full and complete books of account and records reflecting the results of the operations of the Property in accordance with generally accepted accounting principles consistently applied or other sound financial accounting standards or practices, and will furnish or cause to be furnished to Beneficiary such financial information concerning the condition of Trustor and the Property as is required to be reported, filed or otherwise disclosed by Trustor's publicly-traded corporate parent pursuant to applicable securities laws and stock exchange requirements.

3.6 Further Assurances/Additional Information. Trustor, at any time upon the reasonable request of Beneficiary, will at Trustor's expense, execute, acknowledge and deliver all such additional papers and instruments (including, without limitation, a declaration of no setoff) and perform all such further acts as may be reasonably necessary to perform the Obligations and, as Beneficiary deems necessary, to preserve the priority of the lien of this Deed of Trust and to carry out the purposes of the Loan Documents. In addition, Trustor will furnish to Beneficiary within seven (7) days after written request therefor, any and all information that Beneficiary may reasonably request concerning the Property or the performance by Trustor of the Obligations.

3.7 Inspection of Property. Trustor hereby grants to Beneficiary, its agents, employees, consultants and contractors, the right to enter upon the Property for the purpose of making any and all inspections, reports, tests (including, without limitation, soils borings, ground water testing, inspection of wells, plants, greenhouses, or soils analysis), inquiries and reviews as Beneficiary (in its sole and absolute discretion) deems necessary to assess the then current condition of the Property, or for the purpose of performing any of the other acts Beneficiary is authorized to perform hereunder or under Paragraph 9.18 hereof. Trustor shall cooperate with Beneficiary to facilitate such entry and the accomplishment of such purposes. If requested in writing by Trustor, Beneficiary will provide reasonable and customary evidence of insurance in connection with any entry hereunder.

3.8 Contest. Notwithstanding the provisions of Paragraphs 3.4 and 3.5, Trustor may, at its expense, contest the validity or application of any Impositions or Laws and Restrictions by appropriate legal proceedings promptly initiated and diligently conducted in good faith, provided that (i) Beneficiary is reasonably satisfied that the priority of this Deed of Trust shall be maintained and neither the

Property nor any part thereof or interest therein will be in danger of being sold, forfeited, or lost as a result of such contest, and (ii) Trustor shall have posted a bond or furnished such other security as may be reasonably required from time to time by Beneficiary.

3.9 Prepayment. Trustor may prepay the Loan only on the terms and conditions set forth in the Note.

3.10 Notice re Death or Incapacity. Trustor agrees to promptly notify Beneficiary in writing of the occurrence of the death or incapacity of any individual who constitutes a (i) Trustor, (ii) any guarantor of any Loan obligation, or (iii) general partner or managing member of any Trustor or any such guarantor.

3.11 Compliance With Anti-Terrorism Regulations. Neither Trustor nor any persons holding any legal or beneficial interest whatsoever in Trustor shall at any time during the term of the Loan be described in, covered by or specially designated pursuant to or be affiliated with any person described in, covered by or specially designated pursuant to Executive Order 13224, as amended, or any similar list issued by OFAC or any other department or agency of the United States of America. Notwithstanding the foregoing, Trustor hereby confirms that if it becomes aware or receives any notice of any violation of the foregoing covenant and agreement (an “**OFAC Violation**”), Trustor will immediately (i) give notice to Beneficiary of such OFAC Violation, and (ii) comply with all Laws applicable to such OFAC Violation, including, without limitation, Executive Order 13224; the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701-06; the Iraqi Sanctions Act, Pub. L. 101-513, 104 Stat. 2047-55; the United Nations Participation Act, 22 U.S.C. Section 287c; the Antiterrorism and Effective Death Penalty Act, (enacting 8 U.S.C. Section 219, 18 U.S.C. Section 2332d, and 18 U.S.C. Section 2339b); the International Security and Development Cooperation Act, 22 U.S.C. Section 2349 aa-9; the Terrorism Sanctions Regulations, 31 C.F.R. Part 595; the Terrorism List Governments Sanctions Regulations, 31 C.F.R. Part 596; and the Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597 (collectively, the “**Anti-Terrorism Regulations**”), and Trustor hereby authorizes and consents to Beneficiary’s taking any and all reasonable steps Beneficiary deems necessary, in its sole discretion, to comply with all Laws applicable to any such OFAC Violation, including the requirements of the Anti-Terrorism Regulations. Notwithstanding anything to the contrary in this Paragraph 3.11, Trustor shall not be deemed to be in violation of the covenants and agreements set forth in the first sentence of this Paragraph 3.11 if Trustor timely complies with all requirements imposed by the foregoing sentence and all requirements of the Anti-Terrorism Regulations and all other applicable Laws relating to such OFAC Violation.

ARTICLE 4 NEGATIVE COVENANTS

Trustor hereby covenants to and agrees as follows:

4.1 Prohibited Transfers. Trustor shall not participate in, and shall not cause, allow or otherwise permit, a Transfer without the prior written consent of Beneficiary, which consent may be given or withheld for any reason (or for no reason) or given conditionally, as determined by Beneficiary in its sole and absolute discretion, and any default, failure to observe, or breach of the provisions of this Paragraph 4.2 shall constitute an immediate Event of Default hereunder and, at the option of Beneficiary, Beneficiary may accelerate the Indebtedness whereby the entire Indebtedness shall become immediately due and payable. Any permitted transferee shall, as a condition of the effectiveness of any consent or waiver by Beneficiary hereunder, assume all of Trustor’s obligations under the Loan Documents and agree to be bound thereby. Such assumption shall not, however, release Trustor from any liability under the Loan Documents. This provision shall not apply to transfers of title or interest under any will or testament or applicable law of descent. Consent to any such Transfer by Beneficiary shall not be deemed a waiver of Beneficiary’s right to require such consent to any further or future Transfers.

ARTICLE 5 CASUALTIES AND CONDEMNATION

5.1 Insurance and Condemnation Proceeds.

(a) Trustor shall notify Beneficiary in writing immediately upon the occurrence of any loss or damage by fire or other casualty to the Property or upon commencement of any proceedings for condemnation of any portion of the Property. Beneficiary shall be entitled to (i) participate in any such condemnation proceedings (and Beneficiary may be represented by counsel selected by Beneficiary and Trustor shall pay all fees and costs relating thereto) and Trustor from time to time will deliver to Beneficiary all instruments reasonably necessary to permit such participation, and (ii) settle and adjust all insurance claims relative to any such damage or destruction, deducting from any insurance proceeds the amount of all expenses incurred by Beneficiary in connection with any such

settlement or adjustment. All proceeds paid to Trustor under any insurance policies or condemnation proceedings relating to the Property shall immediately be delivered to Beneficiary. All insurance proceeds and condemnation awards are hereby collaterally assigned to, and shall be directly paid to, Beneficiary.

(b) The proceeds of any insurance policy and/or any condemnation awards received by Beneficiary shall, at the option of Beneficiary, either be applied to the prepayment of the Indebtedness or satisfaction of any Obligation or be paid over to Trustor for restoration of the Improvements. If Beneficiary elects to make such proceeds or awards available for repair or reconstruction, Beneficiary shall, through a disbursement procedure established by Beneficiary, make available to Trustor the net amount of all insurance proceeds or condemnation awards received by Beneficiary after deduction of Beneficiary's reasonable costs and expenses, if any, in collection of the same.

(c) Trustor hereby unconditionally and irrevocably waives all rights of a property owner under Section 1265.225(a) of the California Code of Civil Procedure or any successor statute providing for the allocation of condemnation proceeds between a property owner and a lien holder.

ARTICLE 6 EVENTS OF DEFAULT AND REMEDIES OF BENEFICIARY

6.1 Events of Default.

(a) It shall constitute an "Event of Default" hereunder if any of the following events shall occur and Beneficiary, by written notice delivered to Trustor, declares an Event of Default: (i) Trustor shall fail to pay within ten (10) days after Beneficiary provides written notice that any part of the Indebtedness has not been paid when due, or fails to perform any other material obligation within the time specified as a cure period in any Loan Document; (ii) Trustor shall fail to timely observe, perform or discharge any Obligation, other than as described in Paragraphs 6.1(a)(i),(iii),(iv),(v),(vi), (vii), (viii) and (ix), and any such failure shall remain unremedied for thirty (30) calendar days or such lesser period as may be otherwise specified in the applicable Loan Document or agreement (the "**Grace Period**") after notice to Trustor of the occurrence of such failure; provided, however, that Beneficiary may extend the Grace Period up to ninety (90) days if (x) Beneficiary determines in good faith that (1) such default cannot be cured within the Grace Period but can be cured within ninety (90) days, (2) no lien or security interest created by the Loan Documents shall be impaired prior to the completion of such cure, and (3) Beneficiary's immediate exercise of any remedies provided hereunder or by law is not necessary for the protection or preservation of the Property or Beneficiary's security interest therein, and (y) Trustor shall immediately commence and diligently pursue the cure of such default; (iii) Trustor shall assign all or any part or interest of the Rents and Proceeds to any person other than Beneficiary; (iv) default by Trustor after the expiration of all applicable grace or cure periods under any agreement to which Trustor is a party, other than the Loan Documents, which agreement relates to the borrowing of money by Trustor from any Person, and such default might give rise to a Material Adverse Change or adversely affect the security for the Loan; (v) any representation or warranty made by Trustor in, under or pursuant to the Loan Documents was false or misleading in any material respect as of the date on which such representation or warranty was made; (vi) any of the Loan Documents shall cease to be in full force and effect or be declared null and void, or shall cease to constitute valid and subsisting liens and/or valid and perfected security interests in and to the Property, or Trustor shall contest or deny in writing that it has any further liability or obligation under any of the Loan Documents; (vii) any default under Paragraph 9.19 hereof that remains uncured after the expiration of the Grace Period, provided that Beneficiary shall extend the Grace Period up to one hundred twenty (120) days if (v) Beneficiary determines in its reasonable discretion that (1) such default cannot be cured within the Grace Period but can be cured within one hundred twenty (120) days, (2) no lien or security interest created by the Loan Documents shall be impaired prior to the completion of such cure, and (3) Beneficiary's immediate exercise of any remedies provided hereunder or by law is not necessary for the protection or preservation of the Property or Beneficiary's security interest therein, and (w) Trustor shall immediately commence and diligently pursue the cure of such default; (viii) Trustor or any successor in interest is estopped or denied from receiving water for use upon any material portion of the Property for any reason, or if existing water permits or certificates or other water rights shall be revoked or suspended, and Beneficiary reasonably determines that such loss of interruption of the right to receive irrigation water, might result in a Material Adverse Change; and/or (ix) a Material Adverse Change shall have occurred.

(b) It shall constitute an Event of Default hereunder without the requirement of any notice if any of the following events shall occur: (i) any Principal Party shall generally not pay its debts as they become due or shall admit in writing its general inability to pay its debts, or shall have made a general assignment for the benefit of creditors; (ii) any Principal Party shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under

any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking to have an order for relief entered against it as debtor, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property (collectively, a “**Proceeding**”); (iii) any Principal Party shall take any action to authorize any of the actions set forth above in clauses (i) or (ii); (iv) any Proceeding shall be commenced against any Principal Party, and such Proceeding (x) results in the entry of an order for relief against it which is not fully stayed within fifteen (15) business days after the entry thereof or (y) remains undismissed for a period of one hundred twenty (120) days; (v) failure to pay any insurance premiums relating to, failure to provide renewal certificates or renewal policies of insurance at least fifteen (15) days prior to expiry of, and/or the lapse or expiration of, any insurance policy or policies required to be obtained or maintained under the terms of the Loan Documents; or (vi) the occurrence of a Transfer without Beneficiary’s prior written consent.

6.2 Remedies.

(a) Upon the occurrence of any Event of Default, Beneficiary may at any time declare all of the Indebtedness to be due and payable and the same shall thereupon become immediately due and payable, together with all payments due in accordance with the terms of the Note, without any further presentment, demand, protest or notice of any kind. Beneficiary may, in its sole discretion, exercise any and all rights and remedies hereunder, at law or in equity, including, without limitation, any or all of the following: (i) as a matter of strict right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Property or the danger of loss, removal, or material injury to the Property, apply ex parte to any court having jurisdiction to appoint a Receiver to enter upon and take possession of the Property, and Trustor hereby waives notice of any application therefor, provided a hearing to confirm such appointment with notice to Trustor is set within the time required by law; (ii) commence an action to foreclose this Deed of Trust in any manner provided hereunder or by law; (iii) with respect to any Personalty, proceed as to both the real and personal property in accordance with Beneficiary’s rights and remedies in respect of the Land, or proceed to sell said Personalty separately and without regard to the Land in accordance with Beneficiary’s rights and remedies as to personal property; (iv) pursue any rights and remedies under Paragraph 9.19 hereof whether prior to, in connection with, or subsequent to any foreclosure proceedings hereunder; and/or (v) deliver to Trustee a written declaration of default and demand for sale, and proceed to nonjudicially foreclose the lien of this Deed of Trust pursuant to the power of sale contained herein in accordance with applicable law. Trustor hereby requests that a copy of any notice of default and of any notice of sale under this Deed of Trust be mailed to Trustor at the address of Trustor set forth in this Deed of Trust as required by applicable law.

(b) If Trustor shall at any time fail to perform or comply with any of the terms, covenants and conditions required on Trustor’s part to be performed and complied with under any of the Loan Documents or any other agreement that, under the terms of this Deed of Trust, Trustor is required to perform, then Beneficiary may, in its sole discretion: (i) make any payments hereunder or thereunder payable by Trustor and take out, pay for and maintain any of the insurance policies provided for herein or therein; and/or (ii) after the expiration of any applicable grace period and subject to Trustor’s rights to contest certain obligations specifically granted hereby, perform any such other acts hereunder or thereunder on the part of Trustor to be performed and enter upon the Property for such purpose.

(c) Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, (i) any Person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers, (ii) Beneficiary may, in its sole discretion, cause the Property to be sold either as a whole, or in separate lots or parcels or items as Beneficiary shall determine, and in such order as Beneficiary may determine, and may designate the order in which the Property shall be offered for sale or sold through a single sale or through two or more successive sales, or in any other manner or order Beneficiary deems to be in its best interest, and Trustor shall have no right to direct the separate sale, and no right to direct the order of sale, of the Property or any portion thereof (and Trustor hereby waives its right, if any, to require that the Property or any portion thereof be sold as separate tracts or units in the event of foreclosure), (iii) if Beneficiary elects more than one sale or other disposition of the Property, (x) Beneficiary may at its option cause the same to be conducted simultaneously or successively, on the same day or at such different days or times and in such order as Beneficiary may deem to be in its best interests, and no such sale shall terminate or otherwise affect the lien of this Deed of Trust on any part of the Property not then sold until all Indebtedness secured hereby has been fully paid, and (y) Trustor shall pay the costs and expenses of each such sale of its interest in the Property and of any proceedings where the same may be made.

(d) All rights under this Deed of Trust or any other Loan Document may be enforced by Beneficiary or Trustee without the possession of any instruments secured hereby and without the production thereof or of this Deed of Trust or the Note at any trial or other proceeding relative thereto. Trustor hereby requests that a copy of any notice of default and of any notice of sale under this Deed of Trust be mailed to Trustor at the address of Trustor set forth in this Deed of Trust as required by applicable law.

(e) All remedies of Beneficiary provided for herein are cumulative and shall be in addition to any and all other rights and remedies provided in the other Loan Documents or by law, including any right of offset. The exercise of any right or remedy by Beneficiary hereunder shall not in any way constitute a cure or waiver of default hereunder or under the Loan Documents, or invalidate any act done pursuant to any notice of default, or prejudice Beneficiary in the exercise of any of its rights hereunder or under the Loan Documents.

ARTICLE 7 SECURITY AGREEMENT AND FIXTURE FILING

7.1 Grant of Security Interest. Trustor hereby grants to Beneficiary a security interest in and to all Trustor's right, title and interest now owned or hereafter acquired in and to the Improvements, Personalty and the Fixtures and all of the products and proceeds thereof (collectively, the "**Collateral**") to secure payment and performance of the Obligations.

7.2 Remedies. This Deed of Trust constitutes a security agreement with respect to the Collateral in which Beneficiary is hereby granted a security interest. In addition to the rights and remedies provided under this Deed of Trust, Beneficiary shall have all of the rights and remedies of a secured party under the California Uniform Commercial Code as well as all other rights and remedies available at law or in equity. Trustor, upon demand of Beneficiary shall assemble the Collateral and make it available to Beneficiary at the Property, a place which is hereby deemed to be reasonably convenient to Beneficiary and Trustor.

7.3 Fixture Filing/Crop Filing. This Deed of Trust covers certain goods which are or are to become fixtures related to the Land and constitutes a fixture filing with respect to such goods executed by Trustor as debtor in favor of Beneficiary as secured party. In addition, the Security Agreement set forth in this Deed of Trust covers all crops now or hereafter growing on the Land belonging to Trustor and all crops and farm products now or hereafter generated by the Land belonging to Trustor, including, all such crops and farm products now or hereafter harvested and/or severed from the Land belonging to Trustor, whether or not then stored on the Land, and all the products and proceeds thereof, and this Deed of Trust constitutes a financing statement with respect to such crops executed by Trustor as debtor in favor of Beneficiary as secured party.

7.4 Further Assurances. Trustor hereby agrees that, immediately upon Beneficiary's demand, Trustor shall execute and deliver to Beneficiary (and cause any necessary third parties to execute and deliver to Beneficiary) all documents and filings (including, without limitation "control agreements"), and otherwise take all other actions as may be requested by Beneficiary, in order to maintain and provide to Beneficiary a first priority perfected security interest in the Personalty provided hereby and by the Loan Documents, and Trustor hereby agrees to pay all fees and costs associated therewith (including, without limitation, the reasonable fees and costs of Beneficiary's outside counsel). Trustor expressly authorizes Beneficiary to file any and all UCC financing statements relating to the Loan and/or the Property.

ARTICLE 8 ASSIGNMENT OF RENTS, PROCEEDS, AND LEASES

8.1 Assignment of Rents and Proceeds and Leases. Trustor absolutely and unconditionally assigns and transfers to Beneficiary (i) the Leases and (ii) the Rents and Proceeds whether now due, past due or to become due, and gives to and confers upon Beneficiary any and all rights and claims of any kind that Trustor may have against lessees under the Leases and the right, power and authority to collect such Rents and Proceeds, and apply the same to the Indebtedness or the satisfaction of any Obligation. Trustor irrevocably appoints Beneficiary its agent to, at any time, demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Trustor or in the name of Beneficiary, for all such Rents and Proceeds. Neither the foregoing assignment of Leases and Rents and Proceeds to Beneficiary or the exercise by Beneficiary of any of its rights or remedies under this Deed of Trust shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation of all or any part thereof, unless and until Beneficiary, in person or by its own agent, assumes actual possession thereof, nor shall appointment of a Receiver for the Property by any court at the request of Beneficiary or by agreement with Trustor or the entering into possession of the Property by such Receiver be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation thereof.

8.2 Revocable License. Notwithstanding anything to the contrary contained herein or in the Note, so long as no Event of Default shall have occurred and remains uncured, Trustor shall have a license to collect all Rents and Proceeds, and to first apply the same to the payment or performance of the Obligations as and when due. Upon the occurrence of an Event of Default, (i) Beneficiary shall have the right, on written notice to Trustor, to terminate and revoke the license herein granted to Trustor and shall have the right and authority then or thereafter to exercise and enforce any and all of its rights and remedies provided in this Article 8 or by law or at equity, and (ii) Trustor shall immediately forward and turn over to Beneficiary all Rents and Proceeds (including, without limitation, all security deposits and termination payments) then held or thereafter received by Trustor.

8.3 Affirmative Covenants re Leases and Agreements. Trustor shall observe, perform and discharge, all the obligations, terms, covenants, conditions and warranties of the Leases and Agreements, on the part of Trustor to be kept, and shall promptly notify Beneficiary of any default thereunder, and enforce or secure the performance of each and every obligation, term, covenant, condition and agreement of the Leases and Agreements to be performed by Lessees and obligors thereunder.

8.4 Negative Covenants re Leases and Agreements. Trustor shall not, without the prior written consent of Beneficiary, which consent will not be unreasonably withheld, conditioned or delayed: (i) lease any part of the Property or renew or extend any Leases; (ii) terminate, amend, modify or alter in any manner any Leases or Agreements, or waive, excuse, condone, discount, set-off, compromise, or in any manner release or discharge Lessees or obligors from any obligations, covenants, conditions and agreements by such Lessees or obligors to be kept under such Leases or Agreements, or accept or consent to any surrender of the Leases or Agreements, except on market terms, or after a default by the tenant thereunder in connection with the exercise of remedies; (iii) receive or collect any Rents and Proceeds for a period of more than six months in advance (whether in cash or by promissory note); (iv) further assign the Leases or Agreements or pledge, transfer, mortgage or otherwise encumber or assign future payments of Rents and Proceeds; (v) commence an action of ejectment or summary proceedings for dispossession of the Lessees under any Leases, except where the tenant under the relevant lease is in default; or (vi) consent to any modification of the express purposes for which the Property has been leased, or consent to any subletting of the Property or any part thereof, or to assignment of the Leases by Lessees thereunder or to any assignment or further subletting by any sublessees, except on market terms.

ARTICLE 9 MISCELLANEOUS

9.1 Successor Trustee. Beneficiary may remove Trustee or any successor trustee at any time or times and appoint a successor trustee by recording a written substitution in the county where the Property is located, or in any other manner permitted by law.

9.2 No Waiver. No failure by Beneficiary to insist upon strict, full and complete (i) payment when due of any portion of the Indebtedness or (ii) performance of any Obligation, nor failure to exercise any right or remedy hereunder, shall constitute a waiver of any such failure to pay or breach of any such Obligation, or of the later exercise of such right or remedy.

9.3 Notices. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by electronic transmission with receipt acknowledged, (ii) one business day after having been deposited for overnight delivery with Federal Express or another comparable overnight courier service, or (iii) three business days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, addressed to Beneficiary, Trustor and Trustee at the addresses set forth on page 1 hereof, or addressed as any such party may from time to time hereafter designate by written notice to the other parties.

9.4 Severability. If any provision hereof should be held unenforceable or void, that provision shall be deemed severable from the remaining provisions and in no way affect the validity of this Deed of Trust except that if such provision relates to the payment of any monetary sum, then Beneficiary may, at its option, declare the Indebtedness immediately due and payable.

9.5 Joinder of Foreclosure. Should Beneficiary hold any other or additional security for the performance of the Obligations, its sale or foreclosure, upon any default in such performance, in the sole discretion of Beneficiary, may be prior to, subsequent to, or joined or otherwise contemporaneous with any sale or foreclosure hereunder.

9.6 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the United States of America, State of California without regard to principles of conflict of laws.

9.7 Subordination. At the option of Beneficiary, this Deed of Trust shall become subject and subordinate in whole or in part (but not with respect to priority of entitlement to any insurance proceeds, damages, awards, or compensation resulting from damage to the Property or condemnation or exercise of power of eminent domain), to any and all contracts of sale and/or any and all Leases upon the execution by Beneficiary and recording thereof in the Official Records of the county where the Land is located of a unilateral declaration to that effect.

9.8 Waiver of Statute of Limitations, Marshalling. Trustor hereby waives, to the full extent allowed by law, (i) the right to plead any statute of limitations as a defense to any obligation secured by this Deed of Trust, and (ii) the right to require marshalling of assets including, without limitation, any rights provided under California Civil Code Sections 2899 and 3433.

9.9 Entire Agreement. The Loan Documents set forth the entire understanding between Trustor and Beneficiary relative to the Loan and the same shall not be amended except by a written instrument duly executed by each of Trustor and Beneficiary.

9.10 Charges for Statements. Trustor agrees to pay Beneficiary's charge, up to the maximum amount permitted by law, for any statement regarding the Obligations requested by Trustor or in its behalf.

9.11 Information Reporting Under IRC Section 6045(e). Any information returns or certifications that must be filed with the Internal Revenue Service and/or provided to other parties pursuant to Internal Revenue Code Section 6045(e) shall be prepared, filed by and sent to the appropriate parties by Trustor. To the extent permitted by law, Beneficiary shall have no responsibility to perform such services; provided however, that upon demand Trustor shall pay such fee to Beneficiary as Beneficiary may reasonably and lawfully request. Beneficiary shall, where requested by Trustor, promptly supply Trustor with all information pertaining to Beneficiary reasonably required by Trustor to prepare and file any such return or certification.

9.12 Destruction of Note. Trustor shall, if the Note is mutilated or destroyed by any cause whatsoever, or otherwise lost or stolen and regardless of whether due to the act or neglect of Beneficiary or Trustee, execute and deliver to Beneficiary in substitution therefor a duplicate promissory note containing the same terms and conditions as the Note, within ten (10) days after Beneficiary notifies Trustor of any such mutilation, destruction, loss or theft of the Note and confirms that it is a holder of the Note.

9.13 Heirs and Assigns. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

9.14 Interpretation. When the identity of the parties or other circumstances make it appropriate, the masculine gender shall include the feminine and/or neuter, and the singular number shall include the plural. Specific enumeration of rights, powers and remedies of Trustee and Beneficiary and of acts which they may do and of acts Trustor must do or not do shall not exclude or limit the general. The headings of each Article and Paragraph are for convenience and do not limit or construe the contents of any provision hereof. The provisions of the Loan Documents shall be construed as a whole according to their common meaning, not strictly for or against any party and consistent with the provisions herein contained, in order to achieve the objectives and purposes of such documents. Each party and its counsel has reviewed and revised the Loan Documents and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of such document. The use in the Loan Documents of the words "including", "such as", or words of similar import when following any general term, statement or matter shall not be construed to limit such statement, term or matter to the specific items or matters, whether or not language of non-limitation such as "without limitation" or "but not limited to", or words of similar import are used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such statement, term or matter. The term "Trustor" shall be deemed to refer to each and every Trustor, both individually and collectively, when more than one Trustor exists, and to the original Trustor, and its or their successors and assigns (whether or not such assign assumed the Obligations hereunder); the term "Beneficiary" includes each of the persons and entities named herein or any future owner or holder, including pledgee and participants, of the Notes, or any other instrument secured hereby, or any participation therein; and the term "Trustee" includes the original Trustee and its successors and assigns. The references to the "Property" shall be deemed to refer to all or any portion of the Property and any

interest therein. References to “foreclosure” and related phrases shall be deemed references to the appropriate procedure in connection with Trustee’s private power of sale as well as any judicial foreclosure proceeding or a conveyance in lieu of foreclosure.

9.15 Assignment/Information to Third Persons. If, at any time, Beneficiary desires to sell or transfer, or grant a participation interest in, all or any portion of, or any interest in the Loan Documents to any Person, Trustor shall furnish in a timely manner any and all financial information concerning the Property and Leases, and concerning Trustor’s financial condition, requested by Beneficiary or such person in connection with any such sale or transfer, provided that the parties receiving this information agree to keep all of such information that is not otherwise in the public domain, confidential. Beneficiary shall have the right, in its sole and absolute discretion, at any time during the term of this Loan to sell, assign, syndicate or otherwise transfer and/or dispose of all or any portion of its interest in the Loan Documents and this Deed of Trust and Trustor hereby permits and consents to Beneficiary’s submission to its assignees of all financial data and all other information furnished by Trustor to Beneficiary.

9.16 Commingling of Funds. Any and all sums collected or retained by Beneficiary hereunder (including insurance and condemnation proceeds and any amounts paid by Trustor to Beneficiary under Paragraph 3.4 hereof), shall not be deemed to be held in trust, and Beneficiary may commingle such funds or proceeds with its general assets and shall not be liable for the payment of any interest or other return thereon, except to the extent otherwise required by law.

9.17 Partial Invalidity of Deed of Trust. In the event any one or more of the provisions of this Deed of Trust or the other Loan Documents are held to be invalid, illegal, unenforceable or avoidable in any respect, no other provision of this Deed of Trust, or of any such other of the Loan Documents, shall be affected thereby, and such other provisions shall remain binding and enforceable.

9.18 Costs and Fees of Trustor. All costs, fees and expenses (including those of Beneficiary’s outside legal counsel and consultants) (collectively, “**Costs**”) reasonably incurred by Beneficiary in making, servicing, owning, administering or collecting the Loan including, without limitation, Costs incurred by Beneficiary in connection with any inspections, reports, tests, inquiries and reviews, condemnation proceedings, endorsements to the title policy, actions or proceedings in which Beneficiary and/or Trustee may appear or be made a party (including foreclosure or other proceedings commenced by those claiming a right to any part of the Property or any action to partition all or part of the Property, whether or not pursuant to final judgment and exercise of the power of sale contained herein, whether or not the sale is actually consummated) and all sums expended by Trustee or Beneficiary in the exercise of any of their rights or remedies under this Deed of Trust shall be immediately due and payable by Trustor to Beneficiary upon demand, shall accrue interest at the Interest Rate from the date of expenditure until paid, and shall be added to the Indebtedness and be secured by the Loan Documents prior to any right, title or interest in or claim upon the Property attaching or accruing subsequent to the lien of this Deed of Trust.

9.19 Hazardous Materials.

(a) Trustor hereby represents and warrants that other than agricultural pesticides and chemicals which are used in the ordinary course of Trustor’s business and which are stored and used in amounts, and applied in a manner, which comply with Hazardous Materials Laws and conform to commercial agricultural industry standards in the State of California, County of Ventura promulgated by the California Department of Food and Agriculture (“**Approved Farm Materials**”), and other than Pre-Existing Environmental Claims (as defined below), (i) to the best of Trustor’s current, actual knowledge, no Hazardous Materials exist on, under or about the Property; (ii) to the best of Trustor’s current, actual knowledge, the Property is not in violation of any Hazardous Materials Laws; (iii) there are no past, current or, to the best knowledge of Trustor after due investigation, threatened Hazardous Materials Claims; and (iv) to the best of Trustor’s current, actual knowledge, there are not now located on or under and, to the best knowledge of Trustor after due investigation, no storage tanks have ever been located on or under the Property. For purposes hereof, “**Pre-Existing Environmental Conditions**” means any Hazardous Materials or Hazardous Materials Claims or related conditions or circumstances (w) that are known to Beneficiary as of the date hereof, or (x) that have been disclosed to Beneficiary prior to or as of the date hereof, or (y) which exist as of the date hereof, or (z) which arise from the acts or omissions of Beneficiary during the time that Beneficiary or any of its affiliates owned the Property or any portion thereof.

(b) Except for or with respect to Pre-Existing Environmental Conditions, Trustor shall (i) comply and cause all tenants and other Persons on or occupying the Property, to comply with all Hazardous Materials Laws; (ii) without limiting the generality of clause (i), not install, use, generate, manufacture, store, release or dispose of, nor permit the installation, use, generation, storage, release or disposal of Hazardous Materials on, under or about the Property, nor transport or permit the transportation of

Hazardous Materials to or from the Property except for Approved Farm Materials; (iii) submit during the term of the Loan, if reasonably requested by Beneficiary, at Trustor's expense, report(s), satisfactory to Beneficiary in its sole and absolute discretion, prepared by consultant(s) approved by Beneficiary, certifying that the then environmental conditions of the Property; (iv) immediately advise Beneficiary in writing of (x) any and all Hazardous Materials Claims, and/or (y) the presence of any Hazardous Materials on, under or about the Property other than Approved Farm Materials; (v) not install or allow to be installed any underground tanks on the Property; and (vi) not create or permit to continue in existence any lien (whether or not such lien has priority over the lien created by the Deed of Trust) upon the Property imposed pursuant to any Hazardous Materials Laws.

(c) Except for or with respect to Pre-Existing Environmental Conditions, Trustor, at its sole cost and expense, shall promptly undertake any and all necessary remedial work ("**Remedial Work**") in response to any Hazardous Materials Claims or the presence, storage, use, disposal, transportation, discharge or release of any Hazardous Materials on, under or about the Property; provided, however, that Trustor shall undertake such Remedial Work (i) in good faith so as to minimize any impairment to Beneficiary's security under the Loan Documents, (ii) pursuant to a detailed written plan for the Remedial Work approved by any public or private agencies or persons with a legal or contractual right to such approval; and (iii) using contractors and professionals which are reasonably satisfactory to Beneficiary.

(d) Trustor shall protect, defend, indemnify and hold Beneficiary, its shareholders, members, managers, directors, officers, employees and agents, and any successors to Beneficiary's interest in the Property, and any other Person who acquires any portion of or interest in the Property at a foreclosure sale or otherwise through the exercise or sale of Beneficiary's rights and remedies under the Loan Documents, and any successors to any such other Person, and all directors, officers, employees and agents of all of the aforementioned indemnified parties, harmless from and against any and all actual or potential claims, liabilities, damages, losses, fines, penalties, judgments, awards, costs and expenses (including, without limitation, reasonable attorneys' fees and costs and expenses of investigation) which arise out of or relate in any way to any Hazardous Materials Claims or any use, handling, production, transportation, disposal, release or storage of any Hazardous Materials in, under or on the Property whether by Trustor or by any Tenant or any other Person, *expressly excluding* from Trustor's indemnification and related obligations hereunder any Hazardous Materials Claims arising from the acts or omissions of Beneficiary during the time that beneficiary owned the Property and all other Pre-Existing Environmental Conditions, and including, without limitation and to the extent not covered by such express exclusions, (i) all foreseeable and all unforeseeable consequential damages directly or indirectly arising out of (x) Hazardous Materials Claims or the use, generation, storage, discharge or disposal of Hazardous Materials by Trustor, any prior owner or operator of the Property or any Person on or about the Property; (y) any residual contamination affecting any natural resource or the environment; and/or (z) any exercise by Beneficiary of any of its rights and remedies hereunder; and (ii) the costs of any required or necessary repair, cleanup, or detoxification of the Property and the preparation of any closure or other required plans. All such reasonable costs, damages, claims and expenses heretofore described and/or referred to in this Paragraph 9.19(d) are hereinafter referred to as "Expenses". Trustor's liability to the aforementioned indemnified parties shall arise upon the earlier to occur of (1) discovery of any Hazardous Materials on, under or about the Property, or (2) the institution of any Hazardous Materials Claims, and not upon the realization of loss or damage, and Trustor shall pay to Beneficiary from time to time, immediately upon Beneficiary's request, an amount equal to such Expenses, as reasonably determined by Beneficiary. In addition, in the event any Hazardous Material is caused to be removed from the Property by Trustor, Beneficiary or any other Person, the number assigned by the Environmental Protection Agency to such Hazardous Material or any similar identification shall be solely in the name of Trustor and Trustor shall assume any and all liability for such removed Hazardous Material.

(e) In the event that Trustor shall fail to timely comply with any of the provisions of this Paragraph 9.19, or in the event that any representation or warranty made in this Paragraph 9.19 proves to be materially false or misleading, then, in such event Beneficiary may, after the expiration of the earlier to occur of thirty (30) days or the cure period, if any, permitted under any applicable Hazardous Materials Laws, Beneficiary may (i) declare an Event of Default under the Loan Documents and exercise any and all remedies provided for therein, at law and/or in equity, (ii) do or cause to be done whatever is necessary to cause the Property to comply with all Hazardous Materials Laws and other applicable law, rule, regulation or order and the cost thereof shall constitute an Expense hereunder and shall become immediately due and payable without notice and with interest thereon at the Interest Rate until paid, and/or (iii) exercise any other right or remedy under this Paragraph 9.19, the Loan Documents, at law and/or in equity. Trustor shall give to Beneficiary and its agents and employees access to the Property for the purpose of effecting such compliance and hereby specifically grants to Beneficiary a license, effective upon expiration of the applicable cure period, if any, to do whatever is necessary to cause the Property to so comply, including, without limitation, to enter the Property and remove therefrom any Hazardous Materials. Without limiting the generality of the foregoing, Trustor agrees that Beneficiary will have the same right, power and authority to enter and inspect the Property as is granted to the secured lender under Section 2929.5 of the California Civil Code, and that Beneficiary will have the right to appoint a Receiver

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

[S E A L]

Notary Public

EXHIBIT A

All that certain real property located in the County of Ventura, State of California, more particularly described as follows:

[Redaction]



Glass House Brands Appoints Erik W. Thoresen as Chief Business Development Officer

LONG BEACH, CA. and TORONTO, August 4, 2021 // - Glass House Brands Inc. ("Glass House" or the "Company") (NEO: GLAS.A.U) (NEO: GLAS.WT.U) (OTCQX: GLASF) (OTCQX: GHBWF), one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., today announced the appointment of Erik W. Thoresen as Chief Business Development Officer. In this role, Mr. Thoresen will spearhead M&A initiatives as the Company capitalizes on California-based and potential future national consumer packaged goods (CPG) opportunities.

Mr. Thoresen joins Glass House Brands with nearly 20 years of global investing, capital allocation and transactional experience, over 15 years' experience in M&A, and 12 years of nonmarket proprietary deal flow experience. Most recently, he was the Vice President of M&A at Harvest Health & Recreation, where he was also responsible for real estate. Since 2010, Mr. Thoresen has been deepening his domain expertise as Founder and Manager at Calaveras Capital, LLC, a value-oriented, SPAC-focused investment management firm specializing in CPG, medtech, fintech, and multi-state cannabis operators.

"Erik brings a remarkable scope of accomplishment and breadth of experience in working with large cannabis operators," said Kyle Kazan, Glass House Chairman and CEO. "We are very excited to welcome him into the Glass House family and look forward to leveraging his expertise as we execute on our long-term growth strategy focused on leading the world's largest cannabis market and delivering strong value for our shareholders."

Mr. Thoresen added, "Glass House has an attractive portfolio of brands with a scalable cultivation footprint to serve the rapidly growing demand for high-quality cannabis. I am thrilled to join the Company during this critical stage of growth and look forward to working with the team to identify and execute on compelling expansion opportunities."

Prior to entering the cannabis industry, Mr. Thoresen served as the VP and Director of Strategy at BNY Mellon and VP of Corporate Development and M&A at E*Trade Financial Corporation. He earned his MBA from the University of Virginia Darden School of Business and is a CFA charterholder.

About Glass House

Glass House Brands Inc. is one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., with a decisive focus on the California market and building leading, lasting brands to serve consumers across all segments. From its greenhouse cultivation operations to its manufacturing practices, from brand-building to retailing, the company's efforts are rooted in the respect for people, the environment, and the community that co-founders Kyle Kazan and Graham Farrar instilled at the outset. Through its portfolio of brands, which includes Glass House Farms, Forbidden Flowers, and Mama Sue Wellness, Glass House is committed to realizing its vision of excellence: outstanding cannabis products, produced sustainably, for the benefit of all. For more information and company updates, visit www.glasshousegroup.com.

Forward Looking Statements

This news release contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). Forward-looking statements reflect current expectations or beliefs regarding future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects",

"is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", "targets" or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. All forward-looking statements, including those herein are qualified by this cautionary statement.

Although the Company believes that the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the statements. There are certain factors that could cause actual results to differ materially from those in the forward-looking information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release speak only as of the date of this news release or as of the date or dates specified in such statements.

Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking information. For more information on the Company, investors are encouraged to review the Company's public filings on SEDAR at www.sedar.com. The Company disclaims any intention or obligation to update or revise any forward- looking information, whether as a result of new information, future events or otherwise, other than as required by law.

For further information:

Media Contact:
MATTIO Communications,
glasshouse@mattio.com

Investor Relations Contact:
MATTIO Communications,
T: (416) 992-4539,
ir@mattio.com



Glass House Brands Provides Update on Timing of Planned Southern California Greenhouse Acquisition

Accelerates Planned Closing to Commence Cannabis Retrofit and other Capital Improvement Projects

LONG BEACH, CA and TORONTO, August 3, 2021 // – Glass House Brands Inc. (“Glass House” or the “Company”) (NEO: GLAS.A.U and GLAS.WT.U)(OTCQX: GLASF and GHBWF), one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., today announced that it has agreed to amended closing terms (the “Agreement”) with the sellers of the Company’s planned approximate 5.5 million square foot greenhouse located in Southern California (the “SoCal Facility”).

Under the terms of the Agreement, Glass House will close escrow on the SoCal Facility following receipt from Ventura County that the final building permit issue at the SoCal Facility has been signed off. Previously, the Company had expected to close the acquisition following the issuance of the cannabis cultivation license from Ventura County. The sellers of the SoCal Facility have further agreed to carry a \$30 million note through the issuance of the California state cannabis licenses or end of FY 2021, whichever is sooner. The Company now expects to complete the acquisition of the SoCal Facility in Q3 2021 using cash on hand, subject to local regulatory approval.

“We are thrilled to accelerate possession of our newest cultivation facility and excited to begin working towards the full retrofit and licensing of the facility,” said Kyle Kazan, Glass House Chairman and CEO. “We have had a great working relationship with the sellers through the entire process and were happy to find an amendment that was in the best interest of both parties. Upon completion, we will be ideally positioned to lead the world’s largest cannabis market with our unmatched capacity that, combined with our best-in-class cultivation practices, yield some of the highest quality cannabis in the industry. I look forward to providing additional updates on our progress in due course and improving access to our sustainably-grown, craft cannabis for consumers across California.”

The SoCal Facility consists of six, high-tech, environmentally controlled agricultural greenhouses totaling approximately 5.5 million square feet, located on a 160-acre property in Ventura County, California. Upon closing, the Company expects to immediately commence the first phase of its conversion of the agricultural greenhouses to cannabis cultivation, which will result in the upgrade and retrofit of approximately 1.7 million square feet of the SoCal Facility.

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Glass House Brands Inc. is one of the fastest-growing, vertically integrated cannabis and hemp companies in the U.S., with a decisive focus on the California market and building leading, lasting brands to serve consumers across all segments. From its greenhouse cultivation operations to its manufacturing practices, from brand-building to retailing, the company’s efforts are rooted in the respect for people, the environment, and the community that co-founders Kyle Kazan and Graham Farrar instilled at the outset. Through its portfolio of brands, which includes [Glass House Farms](#), Forbidden Flowers, and Mama Sue Wellness, Glass House is committed to realizing its vision of excellence: outstanding cannabis products, produced sustainably, for the benefit of all. For more information and company updates, visit www.glasshousegroup.com.

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Media Contact

MATTIO Communications
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MATTIO Communications

T: (416) 992-4539

Email: ir@mattio.com
